

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

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**BABERGH DISTRICT COUNCIL**  
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**EXPLANATORY FOREWORD BY HEAD OF FINANCE**

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**1. INTRODUCTION**

1.1 This foreword explains the key aspects of the Council's financial statements of account for the year 2006/07.

1.2 These financial statements reflect a substantial change from the statements for previous years. The Consolidated Revenue Account (and the Statement of Total Movements on Reserve) have been replaced with the following Core Accounting Statements, each with a single clear objective:

- **Income and Expenditure Account** – a summary of the resources generated and consumed by the Council in the year. This sets out the overall gross and net expenditure on the General Fund (services paid for by Council Taxpayers) and the Housing Revenue Account (Council Housing)
- **Statement of Movement on the General Fund Balance** – this shows how the balance of resources generated and consumed in the year links in with statutory requirements for raising council tax.
- **Statement of Total Recognised Gains and Losses** – this demonstrates how the movement in the Council's 'net worth' in the Balance Sheet is reflected in the Income & Expenditure Account surplus or deficit and to other unrealised gains and losses.
- **Balance Sheet** – this shows the financial position of the Council on the 31 March
- **Cash Flow Statement** – this summarises the inflows and outflows of cash arising from revenue and capital expenditure and income.

1.3 In addition to the above, the following supporting information is contained within the accounts, which is similar to that provided in previous years.

- **Statement of Accounting Policies**
- **Statement of Responsibilities for the Statement of Accounts**
- **Statement on Internal Control** – explains the systems and procedures that are in place for ensuring the effective exercise of the Council's functions.
- **Explanatory Notes to the Core Accounting Statements**
- **Housing Revenue Account Income and Expenditure Account** - a separate statutory account for local authority housing provision.
- **Statement of Movement on the Housing Revenue Account Balance** – shows how the surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.
- **The Collection Fund** - shows the transactions relating to Non Domestic Rates and Council Tax, and how these have been distributed to the Council's General Fund and Precepting Authorities.
- **The Auditor's Opinion**
- **Glossary of terms**

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- 1.4 Where appropriate, the comparative figures for 2005/06 have been restated to enable like-for-like comparisons with 2006/07.
- 1.5 The new statements are largely constructed from components of the old statements, although there are a number of specific changes. Specifically, the changes required by the 2006 Statement of Recommended Practice (SORP) removes the previous requirement to include notional capital financing charges in the accounts and, in addition, requires additional disclosures in the explanatory notes to comply with UK GAAP (General Accepted Accounting Practice).

**2. INCOME AND EXPENDITURE ACCOUNT**

- 2.1 This account incorporates all revenue expenditure and income relating to services provided by the Council, including that relating to Council Housing. It also includes the amounts paid to Town and Parish Councils in respect of Parish precepts (to cover expenditure incurred by them on local services).
- 2.2 By excluding both Council Housing (See Section 3 below) and the Parish/Town Council Precepts, the remaining net expenditure relates to the services that are provided and paid for by Council Tax payers and general Government grant in the Council's General Fund. The statement below shows this net expenditure for the year compared with the Council's budget:

	Original Budget 2006/07 £m	Revised Budget 2006/07 £m	Actual 2006/07 £m	Variance from Revised Budget £m
Net expenditure	10.014	9.936	9.068	(0.868)
Income from Government grants And Council Taxpayers	(9.439)	(9.439)	(9.439)	-
Reduction (and variation) in General Fund reserves	0.575	0.497	(0.371)	(0.868)
Transfers to earmarked reserves	0.596	0.900	0.979	0.079
Total General Fund Reserve Movement	1.171	1.397	0.608	(0.789)

- 2.3 The original budget was revised early in 2007 to reflect amounts carried forward from the previous year and anticipated changes in income and expenditure for the year, including transfers to earmarked reserves. Actual net expenditure for the year was £0.789m less than this revised budget.

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2.4 The main areas of saving or higher income are summarised below:

	£m
CAST	0.076
Salaries and Training	0.178
Other Divisional costs/income	0.075
Licensing costs & fee income	0.045
Waste/recycling	0.031
Parks, Open Spaces & Amenity Areas	0.067
Development Control/LDF/Economic development	0.181
Community energy Project/Area Forum	0.047
Housing Benefits/Other Housing	0.081
Council Tax Collection/Benefits	0.030
Other variations	-0.022
<b>Total</b>	<b>0.789</b>

2.5 This arose due to lower net expenditure on various aspects of the Council's activities during the year, although there is delayed and additional revenue expenditure of £0.414m, which is now due to be spent in 2007/08. In addition, it is proposed that £0.303m of the remaining underspend should be spent on corporate priorities, which will leave £0.072m extra in reserves.

2.6 The Council will take this into account in the Service and Financial Planning process and use for corporate priorities as part of its overall policy and budget framework.

### **3. HOUSING REVENUE ACCOUNT (COUNCIL HOUSING)**

3.1 A comparison of actual spending for the year with the original and revised budget for the Housing Revenue Account (HRA) is summarised below:

	Original Budget 2006/07 £m	Revised Budget 2006/04 £m	Actual 2006/07 £m	Variance from Revised Budget £m
Income	(12.538)	(12.370)	(12.339)	0.031
Expenditure – net of Appropriations	12.417	12.440	12.641	0.201
Decrease (increase) in reserves	(0.121)	0.070	0.302	0.232

3.2 From this it can be seen that more has to be taken from reserves than anticipated when the revised budget was agreed early in 2007. However:

- Some capital expenditure was brought forward from 2007/08 and that additional use of reserves will be matched by a corresponding reduction next year.

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- Expenditure plans for 2007/08 will be reviewed to recover some of the overspend
- The HRA balance is sufficient to meet the remaining additional cost.

3.3 The main variations in income and expenditure compared to the revised budget are set out below:

	£m
Anticipated deficit for the year	0.070
<u>Add:</u> Higher level of expenditure on repairs and maintenance	0.244
Higher expenditure on void repairs	0.078
Increased revenue contribution to capital	0.041
<u>Less:</u> Lower Rent Rebate Subsidy Limitation	(0.027)
Lower supervision and management costs	(0.104)
Actual deficit for the year	0.302

**4. CAPITAL INVESTMENT**

4.1 During the year £5.4m was spent on capital projects, (£6.3m in 2005/06) compared to a revised forecast for the year of £5.3m

4.2 This money was spent on the following schemes or service areas:

	2006/07 £m	2005/06 £m
Council Housing improvements, major repairs and renewals	3.8	3.7
New IT and other systems	0.4	1.0
Renovation grants – private housing	0.4	0.5
Other capital schemes	0.2	1.1
<b>Total</b>	<b>5.4</b>	<b>6.3</b>

4.3 This expenditure was financed from the following sources:

	2006/07 £m	2005/06 £m
Revenue Financing	0.6	1.2
Major Repairs Reserve	2.4	1.9
Capital Receipts	1.2	1.2
External Contributions/grants	0.6	1.4
Supported Borrowing	0.5	0.6
Unsupported Borrowing	0.1	-
<b>Total</b>	<b>5.4</b>	<b>6.3</b>

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- 4.4 Capital receipts totalling £1.5m were received in 2006/07, of which £0.8m was paid over to the government (pooled). There was a balance brought forward from 2005/06 of £1.2m, which leaves a balance of £0.7m at 31 March 2007 after the use of the £1.2m indicated in the table. This balance is needed to finance schemes in 2007/08.
- 4.5 Contributions and capital grants of £0.6m, mainly from the Government and Suffolk County Council were used to finance capital expenditure. The Major Repairs Reserve relates to Council Housing and the Government makes an annual contribution to cover this. In 2006/07, £2.2m was received, £0.2m was brought forward from 2005/06 and the £2.4m was used to finance capital work.
- 4.6 The Council has been debt-free since 2002/03, but recommenced borrowing on Council Housing, as a result of reducing capital receipts from 2005/06. The Government meets the annual revenue cost through HRA subsidy.
- 4.7 The small amount of unsupported borrowing in 2006/07 relates to the Customer Access and Service Transformation Project (CAST) and is part of a 3 year Business Case to deliver improved customer access and efficiency savings.
- 4.8 £0.2m has been included in additions to fixed assets, which is not part of the capital expenditure in the year, this is the value of the Hadleigh Pool building, and previously only the land was included.

**5 RESERVES, PROVISIONS AND REVENUE BALANCES**

- 5.1 The level of general revenue reserves and balances, including those related to Council Housing, changed during the year as set out in the table below. This table also incorporates other reserves and balances as indicated:

	31 March 2007 £m	31 March 2006 £m
<b>General Fund</b>		
General Reserves/Balances	2.785	3.393
Earmarked Reserves	0.979	0.0
Collection Fund deficit (Babergh element)	(0.060)	(0.095)
	3.704	3.298
<b>Housing Revenue Account</b>	0.857	1.159
Major Repairs Reserve	0.0	0.234
<b>Total</b>	4.561	4.691

- 5.2 More details in respect of the Collection Fund, Deferred Credits and Provisions are to be found in the Statement of Accounts – these sums will be credited or debited to the General Fund accounts over a period of years as appropriate.

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5.3 Certain earmarked reserves have been created in 2006/07 and the balances at the year-end are as follows:

Purpose	Amount £m
Capital Projects	0.775
Business Rate Growth	0.127
Insurance Reserve	0.027
Invest to Save Fund (efficiencies)	0.050
<b>Total</b>	<b>0.979</b>

5.4 In addition there are two further significant reserves in the balance sheet, which are the Fixed Asset Restatement Account and the Capital Financing Account. These are required under Government rules.

- The Fixed Asset Restatement Account stands at £187.1m and reflects the difference between the historic or book value of the Council's assets and its current value.
- The Capital Financing Account of £39.4m reflects the net effect of the amounts that the Council is required to set aside under Government legislation for credit liabilities/debt redemption and the amount of money spent from revenue sources and capital receipts on actual capital expenditure over the years. These amounts are not available to fund the Council's future capital or revenue expenditure.

**6. REVENUE COLLECTION**

6.1 The Council is responsible for collecting Council Tax (not only for its own services, but also for Suffolk County Council, Suffolk Police Authority and Town and Parish Councils in the district) and Business Rates. It also collects Council House rents.

6.2 The total amounts collected during the year as a proportion of the amount collectable for the year, and the comparison with the previous year are shown below:

	Total Receipts £m	Proportion of amount due for year collected	
	2006/07	2006/07	2005/06
Council Tax	37.573	98.9%	98.8%
Business Rates	16.924	98.9%	99.1%
Council House Rents (net of housing benefits)	4.816	98.7%	98.8%

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Arrears at the year-end compared to the previous year are shown below:

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	31 March 2007 £m	31 March 2006 £m
Council Tax	0.732	0.703
Business Rates	0.326	0.229
Council House Rents	0.308	0.289
<b>Total</b>	<b>1.366</b>	<b>1.221</b>

- 6.3 Provisions for bad and doubtful debts have been made in respect of the above arrears at the end of the year as follows:

	31 March 2007 £m	31 March 2006 £m
Council Tax	0.185	0.201
Business Rates	0.150	0.115
Council House Rents	0.106	0.096
<b>Total</b>	<b>0.441</b>	<b>0.412</b>

## **7. OTHER MATTERS**

### **Pension Fund**

- 7.1 There is a substantial deficit on the Council's Pension Fund, administered by Suffolk County Council. The most recent triennial valuation and actuarial review was on the 31 March 2004, which estimated a deficit on the Fund of £10.5m and costs in 2006/07 are based on this review. The results of the 31 March 2007 valuation will not be known until Autumn 2007.
- 7.2 That valuation fixed contribution rates for the three years 2005/06 to 2007/08. Of this contribution rate, 13.4% applies to future service costs and the remainder for 2006/07 (and 2005/06) was paid by way of a lump sum contribution of just over £1m.
- 7.3 For accounting purposes, it should be noted that the estimated deficit (under FRS17) stood at nearly £10.7m as at 31 March 2007. This is a considerable improvement on the £14.6m at the 31 March 2006 and the reasons for this, as assessed by the actuary, are given in the detailed notes to the accounts.

### **Operational Management of Leisure Centres**

- 7.4 From 1<sup>st</sup> April 2006, management of the Council's two leisure centres, namely Kingfisher Leisure Centre in Sudbury and Hadleigh Swimming Pool, was devolved to a newly formed charitable company, South Suffolk Leisure Trust. The management agreement with the Trust is prospectively for 25 years, and transactions during the year are shown at note 16 – related parties.

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## **8. FUTURE CHALLENGES**

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Looking to the future, there are many known and potential challenges facing the Council, which include:

- Achieving efficiencies via shared services, partnership working and other means to meet the Government's annual efficiency target (2½% between 2005/06 and 2007/08, which is likely to rise for future years).
- Ensuring the Council continues to improve to achieve the best possible CPA ratings in the future. The Council was judged to be a 'good' authority under the Government's assessment in 2004.

### **9 FURTHER INFORMATION**

- A Statement of Responsibilities for the Statement of Accounts is included on page 17, which confirms, amongst other matters, that the Statement of Accounts for the year has been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The accounts for the year have been closed promptly and within laid down Government deadlines. They are published subject to audit, and the Auditor's opinion on the accounts should be received by 30 September 2007.
- Also, a Statement on Internal Control operated by the Council is shown on pages 18 to 25. The Statement covers a review of the Council's systems of internal control including corporate governance and risk management.
- In addition, interested members of the public have a statutory right to inspect the accounts before the audit of the accounts for the year is completed. An advert will be placed in the local press indicating when the accounts are available for inspection.

Further information about the Council's finances and the Statement of Accounts is available from:

Barry Hunter, Head of Finance  
Telephone: 01473 825819  
Email: [\*\*barry.hunter@babergh.gov.uk\*\*](mailto:barry.hunter@babergh.gov.uk)

The address to contact the above is Babergh District Council, Corks Lane, Hadleigh, Ipswich IP7 6SJ.

## **STATEMENT OF ACCOUNTING POLICIES**

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### **1. General**

## **BABERGH DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2006/07**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), guidance notes issued by CIPFA on the application of accounting standards and the latest Statement of Recommended Practice (SORP).

The following accounting policies are consistent with the accounting concepts and, where appropriate, the relevant accounting standard is followed in respect of the specific areas of income, expenditure and balances.

### **2. Significant Changes in Accounting Policies**

It is a requirement of the Code of Practice on Local Authority Accounting that the Council adopts three significant new accounting policies in the statement of accounts for 2006/7. These impact on the net cost of services in the Income and Expenditure Account and also require changes in the comparative figures for 2005/2006.

The changes are as follows: -

Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.

Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.

Gains and losses on the disposal of fixed assets are recognized in the Income and Expenditure Account, along with other capital receipts arising from other transactions.

### **3. Accruals of Income and Expenditure**

All transactions of the Council are accounted for in the year they take place, not simply when cash payments are made or received (known as the accruals concept).

In particular:

- Fees, charges and rents are accrued and accounted for in the period to which they relate. An exception to this policy relates to electricity and similar quarterly payments, which are charged at the date of meter reading rather than being apportioned between financial years. No significant estimates have been made for debtors.
- The full cost of the employees is charged to the accounts of the period within which the employees worked. Accrual is made for salaries and wages earned but unpaid at the year-end. Profit-related pay is charged in the period when it has been approved. Where retrospective adjustments or special payments are required, for example through pay awards or redundancy payments, the accounts are charged (or credited) with the additional amount as soon as it can reasonably be estimated.
- Interest payable on external borrowings and interest income is accrued and charged in the accounts of the period to which it relates. Interest charges are based on actual rates in force during the year.

## **STATEMENT OF ACCOUNTING POLICIES**

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- The cost of supplies and services is accrued and accounted for in the period during which they were

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consumed or received. Accrual is made for all material sums unpaid at the year-end for goods or services received or work completed. No significant estimates have been made for creditors.

Where the application of the accruals concept would lead to inconsistency in the accounts, the prudence concept prevails.

**4. Contingent Liabilities**

Contingent Liabilities are not recognised in the accounting statements, but are disclosed by way of notes if there is a possible obligation, which may require a payment or a transfer of economic benefits.

**5. Deferred Charges**

Deferred Charges are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Council. Because of the types of expenditure to which deferred charges usually apply, e.g. improvement grants, the Council will seldom control the economic benefits arising from the expenditure and in such cases 100% of the deferred charge is amortised to revenue in the year it is recognised.

In those cases where the Council does control the economic benefits arising from the expenditure and can therefore properly recognise an asset in the balance sheet, it is not described as a Deferred Charge but as the recognised category of asset that it actually is. For example, in the case of software licenses 'Intangible Asset' would be appropriate.

**6. Estimation Techniques**

Separate disclosures, if appropriate, are given within the notes to the accounts where the amounts estimated are so significant that the use of a different amount from within the range of the technique could materially affect the financial statements. There are no significant estimates within debtors and creditors.

**7. Government Grants towards Revenue Costs**

Revenue grants are matched with the expenditure to which they relate. Grants made to finance the general activities of the Council or to compensate for a loss of income are credited to the revenue account of the period in respect of which they are payable.

**8. Government Grants and Contributions towards Capital Schemes**

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

**STATEMENT OF ACCOUNTING POLICIES**

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Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and

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there is reasonable assurance that the grant or contribution will be received.

**9. Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets that are charged direct to service revenue accounts.

A de minimis level of £10,000 has been adopted as part of the process of determining fixed assets.

**Measurement**

Fixed assets are valued, in the main, on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. The closing balances at 31 March have been calculated on the following basis:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realizable value in existing use;
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, this is normally open market value; and
- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

The value at which each category of assets is included within the balance sheet is reviewed at the end of each financial year. Any surplus arising on the valuation of fixed assets is charged to the fixed asset restatement account to recognize unrealised gains.

A full valuation may be performed on a rolling basis to cover all the properties over a five year cycle.

A full valuation of a property is conducted by either a qualified external valuer or a qualified internal valuer. A qualified valuer is a person conducting the valuations who holds a recognised and relevant professional qualification and having recent post-qualification experience, and sufficient knowledge of the state of the market, in the location and category of tangible fixed asset being valued.

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**Impairment**

Where there is reason to believe that the value has changed materially in the period through

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impairment the value is adjusted accordingly. Examples include:

- A significant decline in a fixed asset's market value during the period
- Evidence of obsolescence or physical damage to the fixed asset
- A significant adverse change in the statutory or other regulatory environment in which the authority operates
- A commitment by the authority to undertake a significant reorganisation

Where impairment is attributable to the clear consumption of economic benefits the loss is charged to the relevant service revenue account, otherwise it is written off against the fixed asset restatement account.

### **Disposals**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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). Income from the disposal of fixed assets has been accounted for on an accruals basis.

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

## **10. Capital Receipts**

Capital receipts from the disposal of assets are apportioned to Usable Capital Receipts or the Capital Financing Account after allowing for pooling a prescribed amount to Government where applicable under statutory requirements and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserves from the Statement of Movement on the General Fund Balance. Interest on capital receipts is credited to the General Fund.

## **11. Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic useful life of the investment to reflect the pattern of consumption of benefits.

Software licenses have been included in the Balance Sheet as intangible assets on an historic cost basis and depreciated over the estimated useful life of the asset.

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## **12. Investments**

All investments have been recorded in the accounts at cost less provision, where appropriate, for loss in

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value.

**13. Leases**

**Finance Leases**

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

The amount due from the lessee under a finance lease is recorded in the balance sheet of the lessor as a debtor at the amount of the net investment. The total gross earnings under a finance lease are allocated to accounting periods to give a constant periodic rate of return to the lessor's net cash investment in the lease in each period.

**Operating Leases**

Rentals payable, net of benefits received or receivable, under operating leases are charged to revenue on a straight-line basis over the term of the lease, unless another systematic and rational basis is more appropriate. A similar treatment is adopted for rental income from an operating lease, excluding charges for services such as insurance and maintenance.

Assets held for use in operating leases by a lessor are recorded as a fixed asset and depreciated over their useful life.

**14. Overheads**

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the Best Value Accounting Code of Practice (BVACOP). The allocation process uses a variety of bases appropriate to the circumstances of individual support service providers.

**15. Local Government Pension Scheme**

The Local Government Pension Scheme is a funded, defined benefit scheme. The Council pays an employer's contribution based on employees' pay into Suffolk County Council's Pension No 1 Fund. The accounting conventions for pension costs are those required by the adoption of FRS 17. As such the operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the employees earn the benefits.

The related finance costs and any other changes in values of the asset and liabilities are also recognised in the accounting periods in which they arise.

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Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance 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

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and any amounts payable to the fund but unpaid at the year-end.

**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.

**16. Provisions**

Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Provisions are recognised when:

- a) the Council has a present obligation (legal or constructive) as a result of a past event;
- b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- c) a reliable estimate can be made of the amount of the obligation.

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

A provision is also recognised when the Council has a contract that is onerous i.e. the unavoidable costs of meeting the obligations under it exceed the economic benefit/service potential expected to be received under it.

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provision has been made for bad and doubtful debts in respect of Council Tax, Non Domestic Rates and Housing Rents. Known uncollectable debts have been written off. No provision is made for Sundry Debts unless these are material.

**17. Repurchase of Borrowing**

As a part of debt restructuring exercises, discounts or premiums can arise following the premature repayment of external debt. Where a premium or discount arises, this would normally be charged to the income and expenditure account in the year in which the debt rescheduling took place. However, when the early repayment of debt is coupled with a rescheduling or refinancing with the same overall

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economic effect as the original debt, the discount or premium is credited or charged over the life of the replacement loan. In cases of debt repayment when a premium has arisen, the HRA share of the premium has been carried forward on the balance sheet as a prepayment. This will be written down over subsequent years with amounts credited to the HRA income and expenditure account in accordance with the Item 8 determination.

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2006/07**

**18. Reserves (including Earmarked Reserves)**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, and transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. Expenditure is not charged direct to any reserve. For each reserve established, the purpose, usage and the basis of transactions is clearly identified. Reserves include earmarked reserves set aside for specific policy purposes and balances, which represent resources set aside for identified purposes.

Capital reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes. Two of these reserves are non-distributable reserves and are therefore referred to as accounts. The usable capital receipts reserve is established for specific statutory purposes.

**19. Stocks, Stores and Work in Progress**

Stocks are included in the balance sheet at the total of the lower of cost and net realisable value of the separate items of stock or groups of similar items.

For trading activities, the amount recognised in the appropriate revenue account for contract work in progress, for which interim valuations are made, is the progress payments received and receivable, less related costs and any foreseeable losses, to the extent that the amount exceeds the corresponding amount recognised in previous periods.

The amount at which contract work in progress, for which interim valuations are made, is included in the balance sheet is the cost plus any attributable profit less any foreseeable losses and, where relevant, progress payments received and receivable.

**20. Post Balance Sheet Event**

Events arising after the balance sheet date are reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

**21. Value Added Tax**

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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**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 authority, that officer is the Head of Finance, Barry Hunter.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the accounts.

The unaudited Statement of Accounts was presented to and approved by the Council on 26 June 2007.

Rex Thake, Chairman of the Council

Dated: .....

**The Responsibilities of the Head of Finance**

The Head of Finance is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code of Practice').

In preparing the Statement of Accounts for the year ended 31 March 2007 the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Head of Finance has also:

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

I certify that the Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

Barry Hunter  
Head of Finance

Dated: .....

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2006/07**

**STATEMENT ON INTERNAL CONTROL**

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**1. Introduction**

- 1.1 The Accounts and Audit Regulations require the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control each year with the Council's financial statements. This also encapsulates the council's Corporate Governance arrangements.

**2. Scope of Responsibility**

- 3.2 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements for continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging this overall responsibility, the Council has to ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

**3. The Purpose of the System of Internal Control**

- 3.1 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society for Local Authority Chief Executives and Senior Managers (SOLACE) identifies three underlying principles of good governance, namely:
- Openness and inclusivity
  - Integrity
  - Accountability
- 3.2 The principles of corporate governance should be embedded in the culture of each local authority. Furthermore each local authority has to be able to demonstrate that they are complying with these principles. To achieve this, the framework document recommends that all local authorities should develop a code of corporate governance covering the following elements:
- Community Focus
  - Service Delivery Arrangements
  - Structures and Processes
  - Risk Management and Internal Control
  - Standards of Conduct
- 3.3 The Council formally adopted a local code of corporate governance in 2002 to ensure that good working practices are supported and followed. This sets out the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of the corporate

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2006/07**

**STATEMENT ON INTERNAL CONTROL**

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governance arrangements, including those in respect of risk management and internal control.

- 3.4 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks that might impact on the achievement of policies, priorities, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is, therefore, based on an on-going process that is designed to identify and manage these risks, to evaluate the likelihood of them being realised and their impact.
- 3.5 This statement covers the systems of internal control that have been in place at the Council for the year ended 31<sup>st</sup> March 2007 and up to the date of approval of the annual accounts.

**4. The Internal Control Environment**

- 4.1 The requirement to have a sound system of internal control applies to all of the Council's activities. The internal control environment within the Council consists of a number of different elements, which taken together contribute to the overall corporate governance framework. The key elements of the Council's internal control environment are as follows:
- A constitution, which sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and ensure accountability to local people.
  - An overall policy and budget framework. Within that framework decision-making is delegated to the Strategy Committee or to officers under delegated authority.
  - Two Overview and Scrutiny Committees, which support and scrutinise the work of the Strategy Committee and the Council as a whole. One of these acts as the Audit Committee and has responsibility for Risk Management.
  - Reviews by external auditors and inspectors, external agencies, Internal Audit and other internal reviews, that identify improvements in relation to the economic, effective and efficient use of resources and in the way in which functions are exercised.
  - Services are delivered by trained and experienced staff. All posts have a detailed job profile and targets that are linked to the Corporate Plan. Training needs are identified through the appraisal system and addressed through a corporate training plan.
  - A designated Monitoring Officer, who ensures lawfulness and fairness of decision-making. After consulting with the Head of Paid Service and Chief Finance Officer, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
  - The Council has designated The Head of Finance as Chief Finance Officer in accordance with section 151 of the Local Government Act 1972. The financial management of the Council is conducted in accordance with the financial regulations and procedures set out in Part 4 of the Constitution.
  - An Internal Audit Section, which operates in accordance with the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK' (The Code).
  - A performance management framework. The system is driven by the Corporate Plan, which

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2006/07**

**STATEMENT ON INTERNAL CONTROL**

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- focuses attention on corporate priorities. This includes Priority Action Plans that are cascaded down into individual staff targets. Achievement against those targets is monitored by officers. The Overview and Scrutiny Committees monitor and scrutinise progress against Performance indicators and targets within the corporate plan and consider and recommend corrective action where necessary on a quarterly basis.
- Risk Management Strategy and a strategic/significant business risks register that sets out the Council's attitude to risk and documents the responsibilities for managing risks throughout the Council.
- Corporate and divisional business continuity plans are in place, and will be reviewed as part of and following a series of business continuity workshops being co-ordinated by the countywide joint emergency planning unit.
- A wide variety of systems, policies and procedures are in place.

**5. Review of Effectiveness**

- 5.1 The review of the effectiveness of internal control is informed by the work of internal auditors and senior managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by external audit and other review agencies and inspectorates.
- 5.2 Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. Audits are undertaken in accordance with a workplan agreed by Members and a report on each one is submitted to the relevant head of service, service manager and external audit. A management summary and action plan is submitted to the Chief Finance Officer and relevant Corporate Director. Reports include recommendations for improvements, the implementation of which are followed up on a regular basis. An annual report on the work of Internal Audit is considered by the Overview and Scrutiny (Stewardship) Committee.
- 5.3 From the work undertaken in 2006/07, Internal Audit has provided satisfactory assurance that the internal controls are fundamentally sound and accord with proper practice.
- 5.4 The work of the Internal Audit section is subject to regular assessment by the Council's external auditors. Internal Audit act upon any recommendations made by the external auditors for improvements to internal audit processes or procedures.
- 5.5 The last external auditors review and report in December 2006 indicated that they could place reliance on the work of Internal Audit and that it was acting in accordance with the code. The adequacy and effectiveness of Internal Audit was considered as part of the Organisational Review in July 2006 and arrangements strengthened by combining the Internal Audit Team with the Benefit Fraud Team to create a new Audit & Fraud Team.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

**STATEMENT ON INTERNAL CONTROL**

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5.6 The Audit Commission carried out their 2006 use of resources assessment and assessed the Council as ‘performing well – consistently above minimum requirements’ – a level 3 score overall. The scoring levels are as follows:

- 1 = below minimum requirements – inadequate performance
- 2 = at only minimum requirements – adequate performance
- 3 = consistently above minimum requirements – performing well
- 4 = well above minimum requirements – performing strongly.

5.7 The assessment covers the following areas and the comparison with 2005 for each of the five separate themes is shown below:

	<b>2005</b>	<b>2006</b>
Financial reporting	3	3
Financial management	3	2
Financial standing	3	3
Internal control (incl. Risk Management)	2	2
Value for money	3	3

5.8 The Overview and Scrutiny Committees monitor the decisions of the Strategy Committee and can ‘call-in’ a decision, which has been made but not yet implemented. There were no ‘call-ins’ during the year but the procedures and system of call-in was reviewed.

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**STATEMENT ON INTERNAL CONTROL**

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

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**6. Significant Internal Control Issues**

6.1 The review of the effectiveness of the system of internal control has identified some internal control issues, which are shown in the table below along with the action plans that are in place to address them.

<b>Issue</b>	<b>Action Proposed</b>
Strengthen the Council's Corporate Governance arrangements taking account of an Internal Audit review in 2006/07	<ul style="list-style-type: none"> <li>• Update the Local Code in 2007/08.</li> <li>• Continue to provide training and guidance on specific issues through Member and officer workshops.</li> </ul>
Corporate Business Planning and performance management systems.	<ul style="list-style-type: none"> <li>• Address issues identified by the Audit Commission in their Use of Resources assessment and other reports.</li> <li>• This includes identifying lower priorities, service standards, managing complaints and diversity and equality issues in meeting community needs.</li> <li>• Continue to develop SMART Action plans and Service Plans related to corporate priorities.</li> <li>• Monitor and report Corporate Plan outcomes and achievements.</li> <li>• Implement the actions agreed through the countywide Performance Management capacity improvement project.</li> </ul>
Other key Use of Resources improvement opportunities	<ul style="list-style-type: none"> <li>• Implement an approved action plan to:               <ul style="list-style-type: none"> <li>➤ Further embed risk management throughout the organisation</li> <li>➤ Improve Asset Management</li> <li>➤ Further improve Value for Money</li> </ul> </li> </ul>
Business continuity	<ul style="list-style-type: none"> <li>• Review Corporate and divisional business continuity plans as part of and following a series of business continuity workshops being co-ordinated by the countywide joint emergency planning unit.</li> </ul>

**STATEMENT ON INTERNAL CONTROL**

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**BABERGH DISTRICT COUNCIL  
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**7. Conclusion**

7.1 None of the areas highlighted in the previous table are judged as being significant. However, action is needed to improve and strengthen current arrangements in the areas indicated. Management will need to monitor and review these as appropriate. Therefore, it is concluded that a sound system of internal control has been in place within the Council throughout the year ended 31<sup>st</sup> March 2007 and up to the point when this Statement is published with the 2006/07 Statement of Accounts.

\_\_\_\_\_

**Patricia Rockall**

**Chief Executive**

Date: \_\_\_\_\_

\_\_\_\_\_

**Nick Ridley**

**Chairman of Strategy Committee**

Date: \_\_\_\_\_

**STATEMENT ON INTERNAL CONTROL**

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**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

**APPENDIX A**

**Update on Significant Internal Control Issues 2005/06**

<b>Issue</b>	<b>Proposed Action</b>	<b>Action Completed</b>
Continue to strengthen the Council's Corporate Governance arrangements by providing training on Corporate Governance to all key officers and Members.	<ul style="list-style-type: none"> <li>• Continue to provide training on specific issues through Member and officer workshops.</li> <li>• Update the Local Code in 2006/07 based on an Internal Audit review.</li> </ul>	<p>The delayed new Code of Conduct for Members comes into effect on 3 May 2007. Training has been included in the Member Induction Programme. Members will also be asked to consider making such training mandatory.</p> <p>Internal Audit Review undertaken but code not being updated until 2007/08 as new CIPFA/SOLACE guidance has just been published.</p>
Continue to improve the performance management system.	Further SMART Action plans required for bottom quartile performance indicators featuring in the Council's corporate priorities.	Bottom Quartile PIs were brought to the attention of Members, but none featured significantly in the Council's corporate priorities.
Continue to fully embed the risk management process.	<p>To fully embed risk management the Council needs to:</p> <ul style="list-style-type: none"> <li>• Continue to provide staff training.</li> <li>• Carry out operational risk assessments.</li> </ul> <p>Ensure that risk is considered as a part of the decision making process and that reports to support strategic policy decisions and project initiation documents include a risk assessment.</p> <ul style="list-style-type: none"> <li>• Introduce Risk Based Internal Auditing</li> </ul>	<p>Risk refresh workshops for Senior Management Team. Operational Risk assessments undertaken. Committee reports now include risk assessment.</p> <p>Training and guidance for Members to be provided in 2007/08. Further staff training as appropriate.</p> <p>To be considered further in 2007/08</p>

**STATEMENT ON INTERNAL CONTROL**

**BABERGH DISTRICT COUNCIL  
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<b>Issue</b>	<b>Proposed Action</b>	<b>Action Completed</b>
Business continuity plans to be subject to regular review and testing.	<p>Business/service continuity plans do exist but need to be reviewed/updated and a testing plan put in place.</p> <p>Will be dealt with by the Corporate Support Manager in conjunction with the Countywide joint emergency planning unit, which was operational from the 1<sup>st</sup> April 2006.</p>	A programme of business continuity workshops is being held through the joint emergency planning unit. This started in February 07 and is scheduled to finish in July.

**INCOME AND EXPENDITURE ACCOUNT**

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**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2006/07**

This account shows the gross expenditure, income and net expenditure in 2006/07 on all services of the Council and any amounts transferred to and from reserves. Net expenditure is financed by general reserves, government grants and local taxpayers. The notes to this statement provide further explanation of these figures and changes between 2005/06 and 2006/07.

	Note Ref	2006/07			2005/06 Restated
		Gross Expenditure £000	Income £000	Net Expenditure £000	Net Expenditure £000
Environmental Services		4,378	(1,443)	2,935	2,768
Cultural Services		2,216	(244)	1,972	1,861
Planning Services	4,17	2,239	(1,096)	1,143	1,378
Transport Services		816	(65)	751	342
Housing Services					
General Fund Housing		13,618	(12,632)	986	1,231
Housing Revenue Account		12,152	(12,339)	(187)	(786)
Central Services to the Public		5,523	(4,963)	560	618
Corporate and Democratic Core		2,619	(352)	2,267	2,094
Non-Distributed Costs		2	(38)	(36)	(25)
<b>Net Cost of Services</b>		<b>43,563</b>	<b>(33,172)</b>	<b>10,391</b>	<b>9,481</b>
Loss on the disposal of fixed assets	9			1,550	248
Precepts of Town/ Parish Councils	13			1,640	1,590
Interest Payable and similar charges	8			96	66
Contribution of Housing Capital	41			773	722
Receipts to Government Pool					
Gains or Losses on the early settlement of borrowing	20			229	247
Pensions interest cost and expected return on pensions assets	10			(5)	324
Interest and Investment Income	12			(483)	(476)
<b>Net Operating Expenditure</b>				<b>14,191</b>	<b>12,202</b>
General Government Grant				(877)	(2,364)
Non Domestic Rate Redistribution				(4,619)	(2,438)
Council Taxpayers (Demand on the Collection Fund)	13			(5,581)	(5,423)
Transfers (from)/to the Collection Fund in respect of surpluses/deficits	14			12	26
<b>Deficit/(Surplus) for the Year</b>				<b>3,126</b>	<b>2,003</b>

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2006/07**

	Note Ref	2006/07 £000	2005/06 £000
(Surplus)/Deficit for the year on the Income and Expenditure Account	I & E Account	3,126	2,003
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	Note to Statement of Movement on GF Balance	(2,518)	(2,024)
Decrease/(Increase) in General Fund Balance for the Year		608	(21)
General Fund Balance brought forward		(3,393)	(3,372)
General Fund Balance carried forward		(2,785)	(3,393)

**NOTE TO STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

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**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

	Note Ref	2006/07 £000	2005/06 £000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:</b>			
Amortisation of intangible fixed assets		(307)	(263)
Depreciation and impairment of fixed assets		(646)	(616)
Government Grants Deferred amortization		373	376
Write downs of deferred charges to be financed from capital resources		(779)	(1,354)
Grants/Contbs financing of Deferred Charges		444	536
Net loss on sale of fixed assets	9	(1,550)	(248)
Net charges made for retirement benefits in accordance with FRS 17	10	(1,446)	(1,471)
		(3,911)	(3,040)
<b>Amounts not included in the income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>			
Minimum revenue provision for capital financing		0	0
Capital expenditure charged in-year to the General Fund Balance	HRA Note 14	533	1,153
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	41	(773)	(722)
Employer's contributions payable to the SCC Pension Fund and retirement benefits payable direct to pensioners	10	1,919	1,874
		1,679	2,305
<b>Transfer to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>			
Housing Revenue Account balance	HRA I & E	(302)	(410)
Net Transfer to or from earmarked reserves	52	16	(879)
		(286)	(1,289)
Net additional amount required to be credited to the General Fund balance for the year		(2,518)	(2,024)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

	Note Ref	2006/07	2005/06
(Surplus)/Deficit for the year on the Income and Expenditure Account		3,126	2,003
Surplus arising on revaluation of fixed assets	23	(14,932)	24,215
Actuarial (gains)/losses on pension fund assets and liabilities	10	(3,482)	155
Other Gains and Losses recognised in STRGL: Movement on the Collection Fund balance		(36)	(26)
Total recognised gains for the year		(15,324)	26,347

**BALANCE SHEET**

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This shows the overall financial position of the Council and summarises its assets and liabilities at the end of

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2006/07**

the financial year.

	Note Ref	31 March 2007		31 March 2006 Restated	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	22		991		962
Tangible fixed assets:	23-28				
Operational assets					
- Council housing dwellings		208,397		197,068	
- Other land and buildings		12,687		12,042	
- Vehicles, plant and equipment		1,026		1,042	
- Infrastructure		706		748	
- Community assets		675		627	
Non operational assets:					
- Land awaiting development		4,198		3,880	
- Commercial property		1,868		1,705	
- Surplus assets		685		210	
- Other		1,304		1,716	
			231,546		219,038
Total fixed assets			232,537		220,000
Long term debtors	29		337		295
Long term investments	30		80		80
Deferred premiums on early repayment of debt	31		1,198		1,462
<b>Total Long Term Assets</b>			234,152		221,837
Current Assets					
Stocks and Stores		39		49	
Debtors	32	2,820		2,742	
Investments (short term)	33	5,133		5,321	
Other current assets	34	676		1,015	
		8,668		9,127	
Current Liabilities					
Creditors	35	(3,092)		(2,790)	
Other current liabilities	36	(2,398)		(1,846)	
Cap. Grants/Conts. rec'd in advance	43	(157)		(163)	
Provisions	37	(52)		(27)	
Cash overdrawn		(223)		(351)	
Net current assets			2,746		3,950
<b>Total Assets less Current Liabilities</b>			236,898		225,787
Long term borrowing	38	(1,100)		(1,100)	
Deferred Capital receipts	40	(123)		(142)	
Deferred credits	39	(172)		(208)	
Deferred liability (finance leases)	11	(908)		(1,105)	
Government Grants Deferred	44	(1,305)		(1,543)	
Capital Contributions deferred	44	(1,488)		(1,503)	
Pensions liability	10	(10,663)		(14,618)	
			(15,759)		(20,219)
<b>Total Assets less Liabilities</b>			221,139		205,568

**BALANCE SHEET (Continued)**

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

	Note Ref	31 March 2007		31 March 2006 Restated	
		£000	£000	£000	£000
		Fixed asset restatement account	51a		187,067
Capital financing account	51b		39,432		39,279
Usable capital receipts reserve	42		742		1,241
General Fund Balance			2,785		3,393
Housing Revenue Account Balance			857		1,159
Major Repairs Reserve	51c		-		234
Earmarked reserves	51c		979		-
Revenue balances – Collection Fund	6-Coll		(60)		(95)
Pensions reserve	10		(10,663)		(14,618)
<b>Total Equity</b>	45		221,139		205,568

Barry Hunter, Head of Finance.....Dated:.....

**CASH FLOW STATEMENT**

	Note Ref	2006/07		2005/06	
		£000	£000	£000	£000

**BABERGH DISTRICT COUNCIL**  
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<b>Revenue Activities</b>					
<u>Cash Outflows</u>					
Cash paid to and on behalf of employees		10,158		9,730	
Other operating cash payments		6,069		6,326	
Housing Benefit paid out		12,129		11,422	
National non-domestic rates payments to national pool		16,947		15,333	
Precepts paid		37,947		35,827	
Payments to the capital receipts pool		825		640	
<u>Cash inflows</u>					
Rents (after rebates)		(7,817)		(7,723)	
Council Tax receipts		(33,753)		(32,268)	
National non-domestic rate receipts from national pool		(4,662)		(1,287)	
Non-domestic rate receipts		(17,022)		(15,521)	
Revenue Support Grant		(877)		(2,364)	
DWP grants for housing benefits		(15,945)		(15,120)	
Other Government grants	55	(1,304)		(1,160)	
Cash received for goods and services		(3,354)		(3,188)	
Other operating cash receipts		(1,781)		(1,136)	
	53		(2,440)		(489)
<b>Servicing of Finance</b>					
<u>Cash Outflows</u>					
Interest paid	56	42		-	
Interest element of finance lease rental payments	56	(2)		58	
<u>Cash inflows</u>					
Interest received		(537)		(359)	
			(497)		(301)
<b>Capital Activities</b>					
<u>Cash Outflows</u>					
Purchase of fixed assets		3,784		3,492	
Other capital cash payments		1,106		2,320	
<u>Cash inflows</u>					
Sale of fixed assets		(1,596)		(2,123)	
Capital grants received		(332)		(806)	
Other capital cash receipts		(179)		(341)	
			2,783		2,542
<b>Net cash (inflow)/outflow before financing</b>			(154)		1,752
<b>Management of Liquid Resources</b>					
Net increase/(decrease) in short term deposits	54		(189)		(213)
<b>Financing</b>					
<u>Cash outflows</u>					
Capital element of finance lease rental payments		215		193	
<u>Cash inflows</u>					
New loans raised		0		(1,100)	
			215		(907)
<b>(Increase)/decrease in cash and cash equivalents</b>	54		(128)		632

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**1. Classification of Expenditure**

The analysis of service costs by expenditure heading has been stated in accordance with the

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

CIPFA's Best Value Accounting Code of Practice.

**2. Prior Period Adjustments**

Material adjustments have been made to prior years arising from changes to accounting policies. In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- Credits for grants and contributions used to finance deferred charges
- Gains and losses on the disposal of fixed assets are recognised In the Income and Expenditure Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

	<b>Consolidated Revenue Account in 2005/06</b>	<b>Removal of capital financing charges</b>	<b>Relocation of Government grants deferred</b>	<b>Relocation of Grants/ Contbs use to finance</b>	<b>Recognition of gains and losses on disposal of</b>	<b>2005/06 comparative in Income and Expenditure</b>

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	Statement of Accounts £000s	£000s	credits £000s	deferred charges £000s	fixed assets £000s	Account £000s
Environment al Services	3,013	(138)	(107)			2,768
Cultural Services	2,064	(188)	(15)			1,861
Planning Services	1,768	(60)	(38)	(292)		1,378
Transport services	423	(81)				342
General Fund Housing	1,445	(16)	(23)	(175)		1,231
Housing Revenue Account	6,358	(7,090)	(54)			(786)
Central Services to the Public	827	(23)	(116)	(70)		618
Corporate and Democratic core	2,129	(12)	(23)			2,094
Non- Distributed Costs	(25)					(25)
<b>Impact on Net Cost of Services</b>	18,002	(7,608)	(376)	(537)		9,481
Loss on the Disposal of fixed assets					248	248
Asset management revenue account	(7,956)	7,608	376		(28)	-
<b>Impact on Net Operating Expenditure</b>	10,046	-	-	(537)	220	9,729

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**3. Explanation of the significance of the Statement of Movement on the General Fund Balance**

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The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. Both income and expenditure are measured using essentially the same accounting conventions (i.e. UK GAAP) that a large (but unlisted) company would use in preparing its audited annual financial statements.

However, the items of ‘income’ and ‘expenditure’ that are required to be credited or charged to the General Fund and which therefore must be taken into account in determining a local authority’s budget required and in turn its Council Tax demand is determined by statute and non-statutory proper practices rather being in accordance with UK GAAP.

While the surplus or deficit on the Income and Expenditure Account is the best measure of the Council’s financial result for the year in accordance with Generally Accepted Accounting Practice, the movement on the General Fund Balance is also an important aspect of the Council’s stewardship. Up to 2005/06 the local authority statement of performance was the Consolidated Revenue Account and the surplus or deficit on the CRA was the movement for the year on the General Fund Balance

**4. Economic Development and Industrial Estates**

Included within the net expenditure for Economic Development and Industrial Estates is the net cost resulting from the operation of Council owned industrial estates and starter units. The detailed figures are as follows:

	2006/07 £000	2005/06 £000
<b>Income</b>		
Rents and other income	65	70
<b>Expenditure</b>		
Running Costs	(38)	(38)
Capital Charges	(11)	(38)
<b>Net Surplus / (Loss)</b>	16	(6)

Capital charges have reduced because there is no longer a notional capital charge, just depreciation.

**5. Section 137, Local Government Act 1972**

Section 137 of the Local Government Act 1972, as amended, empowers to authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the UK and mayoral appeals. Babergh has made a small number of grants (which equated to £0.024m in 2006/07 (£0.021m in 2005/06) that fall within the remit of the amended power.

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

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**6. Publicity Memorandum Account**

Section 5 of the Local Government Act 1986 requires Local Authorities to identify expenditure on publicity.

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	2006/07 £000	2005/06 £000
Recruitment advertising	80	48
Other advertising	35	38
Tourism	206	252
Other publicity	156	157
<b>Total</b>	<b>477</b>	<b>495</b>

**7. Agency Services**

The Council has a service agreement with Suffolk County Council to carry out grass cutting on District Highways. The total reimbursed during 2006/07 was £0.027m (£0.023m in 2005/06). These amounts are included in the Income and Expenditure Account.

**8. Interest Payable**

Interest payable in 2006/07 was £0.096m (£0.066m) this increase is mainly due to the full year effect of the borrowing undertaken in January 2006.

**9. Loss on the Disposal of Fixed Assets**

Most of the reported loss relates to land provided at a discounted or nil value to Housing Associations and this represents part of the Council's investment in its Affordable Housing priority.. Details of these transactions are shown below. The loss is included in the Income and Expenditure Account and then reversed out in the Statement of Movement on the General Fund Balance so that it does not impact on Council Tax levels.

	Discount	£000s
Land & Buildings transferred to Housing Associations:		
3 Block built bungalows, Sproughton and Shotley	100%	101
Clibbon House, Great Cornard	100%	556
Land at Tawneys Ride, Bures	100%	400
Land at Woollards Gardens, Long Melford	100%	139
Land at Churchill Close, Lawshall	71%	291
Admin costs relating to RTB sales of Council Houses		63
		<b>1,550</b>

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**10. Pension Costs**

As part of the terms and conditions of employment of its employees, the Council offers a statutory pension scheme. Although the pension benefits will not actually be payable until employees retire, the authority has a commitment to disclose the payments that will be needed at the time that future

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entitlements are earned.

The Council pays contributions to the Suffolk County Council Pension Fund, which provides its members with defined benefits relating to pay and service. The contributions are based on rates determined by the Fund's professionally qualified actuaries based on triennial valuations of the Fund, the most recent of which was 31 March 2004. The results of the 31 March 2007 valuation will not be known until Autumn 2007.

In 2006/07 the authority paid an employer's contribution of £1.919m (2005/06 £1.874m) based on 29.5% (2005/06 29.1%) of pensionable employees' reckonable pay. Included in this payment was an element relating to the Pension Fund deficit of £1.053m, (2005/06 £1.009m) with 13.4% (as in 2005/06) relating to future service costs.

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

	2006/07 £000	2005/06 £000
Net Cost of Services:		
- current service costs	585	282
- past service costs	(1,053)	(1,009)
	(468)	(727)
Net Operating Expenditure:		
- interest	2,642	2,435
- expected return on assets in the scheme	(2,647)	(2,111)
	(5)	324
Movement on Pensions Reserve:		
- reverse out FRS 17 composite entries	(1,446)	(1,471)
- employers' contributions payable to the scheme	1,919	1,874
	473	403
Total cost of FRS 17 adjustments to Council Tax Payers	0	0

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

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The underlying assets and liabilities for retirement benefits attributable to the authority as at 31 March are as follows:

	31 March 2007 £000	31 March 2006 £000
Estimated liabilities in scheme	(53,656)	(53,735)
Estimated assets in scheme	42,993	39,117
Net asset/(liability)	(10,663)	(14,618)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £10.663m has an impact on the net worth of the authority as recorded in the balance sheet, which is reflected in the total equity figure of £221.0m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- finance is only required to be raised to cover pensions when the pensions are actually paid.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries, estimates being based on the last full valuation of the scheme as at 31 March 2004. The main assumptions used in their calculations are:

Assumptions as at:	31 March 2007 %	31 March 2006 %
Rate of inflation	3.2	3.1
Rate of increase in salaries	4.7	4.6
Rate of increase in pensions	3.2	3.1
Proportion of employees opting to take a commuted lump sum	25.0	0.0
Rate for discounting scheme liabilities	5.4	4.9

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Consequently the valuation of the Council's retirement benefit liabilities as at 31 March 2007 includes an allowance of 25% take up of lump sum for this change to the pension scheme.

Assets in the Suffolk County Council's Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**BABERGH DISTRICT COUNCIL**  
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Assets (Whole Fund)	Long term return %	31 March 2007 % of assets	31 March 2006 % of assets
Equity investments	7.8	71	71
Bonds	4.9	16	16
Property	5.8	12	11
Cash	4.9	1	2
<b>Total</b>	<b>7.1</b>	<b>100</b>	<b>100</b>

The movement in net pension liability is as follows:

	Year to 31 March 2007	Year to 31 March 2006
	£000	£000
Net pensions liability at 1 April	(14,618)	(14,866)
Movements in the year:		
Current service cost	(1,451)	(1,147)
Employers' contributions payable to scheme	1,919	1,874
Retirement benefits payable to pensioners	-	-
Past service costs	-	-
Interest costs	(2,642)	(2,435)
Expected return on assets in the scheme	2,647	2,111
Actuarial gains / (losses)	3,482	(155)
<b>Net pensions liability at 31 March</b>	<b>(10,663)</b>	<b>(14,618)</b>

The above figures have been provided by the actuaries to the Pension Scheme using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possibilities.

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 and earlier years can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007

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	2006/07		2005/06		2004/05		2003/04	
	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	403	0.9	5,856	15.0	1,074	3.6	3,402	13.2
Differences between actuarial assumptions about liabilities and actual experience	-	-	-	-	(759)	(1.7)	(12)	-
Changes in the demographic and financial assumptions used to estimate liabilities	3,079	5.7	(6,011)	(11.2)	(7,346)	(16.4)	-	-
<b>Total Gain / (Loss)</b>	<b>3,482</b>	<b>6.5</b>	<b>(155)</b>	<b>(0.3)</b>	<b>(7,031)</b>	<b>9.9</b>	<b>3,390</b>	<b>9.9</b>

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

## 11. Leases

The Council's policy has been to acquire certain equipment and vehicles through operating leases. There were no new lease agreements during 2006/07. The amount paid under operating lease arrangements in 2006/07 was £0.054m (£0.075m in 2005/06). The amounts charged to revenue may vary from the actual payments depending when in the year the lease commences. The impact of these differences is set out below, with the figures analysed between general fund and housing revenue account:

<b>Operating leases</b>	2006/07 £000		2005/06 £000	
	General Fund	HRA	General Fund	HRA
Paid in year	27	27	53	22
Charged to revenue	35	27	57	23

The total amount outstanding on operating leases stands at £0.109m (2005/06 £0.131m). The council is committed to making payments of £0.021m under these leases in 2007/08, comprising the following elements:

	Total	General Fund	HRA
	£000	£000	£000
Leases expiring between 2007/08 and 2010/11	4	-	4
Leases expiring after 2010/11	17	17	-

## NOTES TO THE CORE ACCOUNTING STATEMENTS

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In order to fully convey the impact of finance leases on the Authority's statement of accounts, disclosure of the following information is required. The central heating assets listed below form part of the asset category of 'Council House Dwellings' and wheeled bins are included within 'Vehicles, Plant & Equipment'.

<b>Finance Lease Assets</b>	Central Heating £000	Wheeled Bins £000	Total £000
Gross value	1,785	307	2,092
Disposals	(76)	-	(76)
Accumulated depreciation	(824)	(77)	(901)
<b>Net value</b>	<b>885</b>	<b>230</b>	<b>1,115</b>
Memo: depreciation charge in 2006/07	(162)	(26)	(188)
<b>Finance Lease Liabilities</b>	Central Heating £000	Wheeled Bins £000	Total £000
Deferred liability as at 1 April 2006	1,054	245	1,299
Disposals re sold council houses	(7)	-	(7)
Payments in year	(163)	(30)	(193)
Deferred liability as at 31 March 2007	884	215	1,099

The deferred liability falls due in future periods as follows:

Amounts due between 2008/09 and 2011/12	567	123	690
Amounts due after 2011/12	157	61	218
Long-term liability	724	184	908
Amount due in 2007/08	160	31	191
<b>Total</b>	<b>884</b>	<b>215</b>	<b>1,099</b>
<b>Financing charge</b>	Central Heating £000	Wheeled Bins £000	Total £000
Amounts charged to revenue in the year	50	5	55

**Authority as Lessor – Property leases**

The Council leases out properties, the Kingfisher leisure centre, Hadleigh Pool, some HRA properties and Industrial units, which are accounted for as operating leases. These properties have a net book value of £7.384m as at 31/03/2007 and there is no accumulated depreciation as the properties are revalued each year. Rental income on these properties amounted to £0.140m in 2006/07 (£0.157m in 2005/06). No properties were acquired in 2006/07 for the purpose of letting under a finance lease.

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

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**12. Interest and Investment Income**

This relates to the interest earned on the Council's cash balances, which are invested in accordance with the Council's Treasury Management policy. Investment income rose slightly from £0.476m to £0.483m, partly due to the average interest rate increasing from 4.61% in 2005/06 to 4.84% in 2006/07, although average funds for investment fell slightly.

**13. Demand on the Collection Fund (Council Tax)**

The total demand from Council Taxpayers includes the amount required by the Town/Parish Councils. An analysis is shown below:

	2006/07 £000	2005/06 £000
Babergh District Council	3,941	3,833
Town/Parish Councils	1,640	1,590
<b>Total Demand</b>	<b>5,581</b>	<b>5,423</b>

**14. Collection Fund Transfer**

Under Collection Fund legislation any surplus/deficit on the Collection Fund balance relating to Council Tax is shared between Suffolk County Council, Suffolk Policy Authority and Babergh District Council in proportion to the precept/demand on the Fund for the year.

The amount of the transfer in the year is based on an estimate made on the 15 January preceding the start of the year. Any difference between this and the actual amount of surplus/deficit will be transferred in subsequent years.

**15. Council Staffing - Remuneration**

The Council employs a considerable variety of staff with different skills and expertise. An analysis of the numbers of full and part-time staff employed as at 31 March 2007 in remuneration bands above £50,000 per year is set out in the table below.

Remuneration includes salary and other benefits as defined in the Accounts and Audit Regulations, which includes basic pay, overtime and bonus payments as well as health cover and car benefits where appropriate, but excludes employer's contributions to pension costs.

Remuneration £	Full Time	Part Time	Full Time	Part Time
	2006/07		2005/06	
110,000 – 119,999	1	-	-	-
100,000 – 109,999	-	-	1	-
90,000 – 99,999	-	-	-	-
80,000 - 89,999	1	-	-	-
70,000 - 79,999	1	-	2	-
60,000 - 69,999	6	-	4	-
50,000 - 59,999	5	-	5	-
<b>Total</b>	<b>14</b>	<b>-</b>	<b>12</b>	<b>-</b>

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

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**16. Related Party Transactions**

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.

Members of the Council have direct control over the Council's financial and operating policies. There were no transactions that were controlled or influenced by Members during the year, and neither were there any transactions with Officers that were under their control or influence.

On 1<sup>st</sup> April 2006 the Council appointed a charitable organisation, South Suffolk Leisure Trust, to manage its leisure centres.

During the year transactions with related parties were as follows:

	Receipts £000	Payments £000	Receipts £000	Payments £000
	<b>2006/07</b>		<b>2005/06</b>	
<b>Central Government</b>				
• Revenue Grants				
- Specific and Special Grants	17,409		16,177	-
- Redistributed NNDR	4,619		2,438	-
- Revenue Support Grant	892		2,364	-
• Capital Grants				
- Government	435		806	-
<b>Precepts</b>				
• Suffolk County Council		31,755	-	30,420
• Suffolk Police Authority		4,195	-	4,012
• Parish Council Precepts		1,640	-	1,590
<b>Chief Executive, Corporate Directors and Heads of Service</b>				
- Car loans made available under the Council’s scheme	2		1	-
<b>Suffolk County Council Pension Fund</b>				
- Payment of employer’s pension contributions in respect of employees		1,919	-	1,873
<b>South Suffolk Leisure Trust</b>				
- Revenue and capital transactions		379	-	-
<b>Hadleigh Swimming Pool</b>				
- Sole Trustee, revenue and capital transactions		86	-	67
<b>Grants to Parish Councils, Community Councils and Village Halls</b>		75	-	136
<b>Other Grants to Voluntary Organisations</b>		219	-	171

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**BABERGH DISTRICT COUNCIL**  
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Outstanding balances at the year-end were as follows:

	2006/07	2005/06
	£000	£000
<b>Central Government</b>		
• Revenue Grants		
- Specific and Special Grants	173	(67)
<b>Chief Executive, Corporate Directors and Heads of Service</b>		
- Car loans made available under the Council's scheme	2	1

**17. Building Control Account**

The Building (Local Authorities Charges) Regulations 1998 require the disclosure of information regarding fees charged for the administration of the building control function. Babergh sets charges for work carried out with the aim of covering all costs incurred. However, certain activities carried out by the Building Control section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control section, divided between the fee-earning and non-fee earning activities:

	Non-fee earning	Fee earning	TOTAL
	2006/07	2006/07	2006/07
	£000	£000	£000
Current Year (2006/07)			
<b>Expenditure:</b>			
Central and support charges	93	399	492
<b>Income:</b>			
Building regulation charges	-	(383)	(383)
Other	-	(8)	(8)
Total Income	-	(391)	(391)
<b>Deficit/(Surplus) for the year</b>	<b>93</b>	<b>8</b>	<b>101</b>
Comparatives for 2005/06	2005/06	2005/06	2005/06
	£000	£000	£000
Expenditure	88	361	449
Income	-	(358)	(358)
<b>Deficit/(Surplus) for the year 2005/06</b>	<b>88</b>	<b>3</b>	<b>91</b>

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**BABERGH DISTRICT COUNCIL**  
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**18. Local Authorities (Goods and Services) Act 1970**

The council is empowered by the above Act to provide goods and services to other public bodies. During the year the council provided services for Housing Associations.

	2006/07		2005/06	
	Income £000	Expenditure £000	Income £000	Expenditure £000
Housing Associations	-	25	-	18
Other public bodies	-	-	(15)	15
<b>Total</b>	-	25	(15)	33

**19. Members' Allowances**

The total amount of Members' allowances paid during 2006/07 was £0.187m (£0.183m in 2005/06).

**20. Gains or Losses on the Early Settlement of Borrowing**

An amount of £0.229m in 2006/07 (£0.247m in 2005/06) is shown in the Income and Expenditure Account, this is the net effect of premiums paid or discounts earned on the early repayment of debt. Discount of £0.037m in 2006/07 (£0.038 in 2005/06) is credited to the General Fund. Premiums for the premature repayment of external borrowing are debited to the HRA over a period of ten years. As these premiums are paid initially from the General Fund there is a loss of interest to the General Fund and this is charged to the HRA and credited to the General Fund over the ten years. The charge in 2006/07 was £0.084m (£0.093m in 2005/06).

**21. Audit and Inspection Costs**

In 2006/07 Babergh District Council incurred the following fees relating to external audit and inspection:

	2006/07	2005/06
	£000	£000
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	83	80
• Fees payable to the Audit Commission in respect of statutory inspection	6	4
• Fees payable to the Audit Commission for the certification of grant claims and returns	47	51
• Fees payable in respect of other services provided by the appointed auditor.	1	-

The fees for other services in 2006/07 are in respect of the National Fraud Initiative.

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**BABERGH DISTRICT COUNCIL**  
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**22. Intangible Assets**

Under the capital accounting system deferred charges arose where expenditure was charged to capital and financed by loan but no tangible asset was acquired (e.g. grants towards capital costs incurred by other bodies/individuals). The accounting policy in respect of deferred charges changed in 2004/05 (see note 5, page 11) and they are now fully amortised to revenue. For information purposes, the movements in the year compared with 2005/06 were:

	2006/07 £000	2005/06 £000
Balance at 1 April	962	406
Expenditure (including accruals)	1,116	2,173
Amounts financed from usable receipts/revenue etc	(780)	(1,355)
Amortisation charged to consolidated revenue account	(307)	(262)
Balance at 31 March	991	962

The decrease in expenditure over the previous year is mainly due to lower levels of investment in ICT, Private Sector Housing plus Drainage and Estate Improvements in Great Cornard.

Software and other ICT expenditure	Historical cost £000	Cumulative amortisation £000	Net carrying amount £000
At 1 April 2006	2,000	(1,038)	962
At 31 March 2007	2,336	(1,345)	991

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**23. Tangible Fixed Assets**

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	Council House Dwellings £000s	Other Land and Buildings £000s	Vehicles, plant, etc £000s	Infrastructure £000s	Community Assets £000s	Non-Operational £000s	Total £000
Certified valuation at 31 March 2006	197,864	12,042	2,393	1,344	627	7,511	221,781
Accumulated depreciation and impairment	(796)		(1,351)	(596)			(2,743)
Net book value of assets at 31 March 2006	197,068	12,042	1,042	748	627	7,511	219,038
Movement in 2006/07							
Additions	3,777	392	268				4,437
Disposal	(2,078)	(3)				(994)	(3,075)
Revaluations	12,795	572			48	1,492	14,907
Depreciation	(3,059)	(316)	(284)	(42)		(83)	(3,784)
Impairment	23						23
Transfers	(129)					129	-
Net Book Value of assets at 31 March 2007	208,397	12,687	1,026	706	675	8,055	231,546

The revaluation figures are analysed below:

Revaluations in Year 2006/07	£m
Annual indexing update as at 31 March 2007	18.8
Capital expenditure in year that does not increase asset values	(3.9)
Total Variation	14.9

The revaluation figures reflect the fact that not all capital expenditure adds to the value of the asset – capital expenditure can also be incurred on extending the life of an asset or enhancing its use. Assets held under finance leases include Central Heating systems (all HRA) valued at £0.885m as at 31 March 2007 (2005/06: £1.054m) and wheeled bins valued at £0.230m as at 31 March 2007 (2005/06: £0.256m). See also note 11 on page 40.

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**24. Capital Expenditure and Financing**

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Capital expenditure in 2006/07 was financed as follows compared with 2005/06:

	2006/07 £000	2005/06 restated £000
Opening capital financing requirement	2,925	2,366
<b>Capital investment</b>		
Operational assets	4,437	4,000
Deferred charges	1,116	2,173
PSR Loans	66	115
<b>Sources of finance</b>		
Capital receipts	(1,263)	(1,241)
Government Grants and other contributions	(563)	(1,404)
Revenue provision (including MRR)	(2,944)	(3,072)
Finance lease & adjustments		(12)
Notional Capital Receipt	(228)	
Closing capital financing requirement	3,546	2,925

The increase of £0.621m in 2006/07 represents an increase in the underlying need to borrow. Please refer to note 46 for explanation re the notional capital receipt.

**25. Capital Commitments**

As at 31 March 2007 the Council was contractually committed to certain capital works. There are major commitments on the following items of capital expenditure:

	£000
Renovation Grants approved	232
Other commitments	170
<b>Total</b>	<b>402</b>

Other commitments, above, are contracts and grants that, individually, are not of sufficient value to require separate disclosure.

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

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**26. Information on Assets Held**

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Fixed assets owned by the Council include the following:

	Number at 31 March 2007	Number at 31 March 2006
<b>Operational Assets</b>		
<b>HRA</b>		
Council Dwellings (incl. DIYSO)	3,580	3,621
<b>General Fund</b>		
Council Headquarters	1	1
Offices and Other Buildings	1	1
Tourist Information Centres	2	2
Depots and Workshops	3	3
Off-Street Car Parks	21	20
Leisure Centre	1	1
Hadleigh Pool	1	1
Public Conveniences	13	13
Refuse vehicles	4	4
Bus Stations	1	1
Amenity Land and Community Assets	30	30
<b>Non-operational assets</b>		
<b>HRA</b>		
Shops	2	2
Misc. Properties	6	6
Vacant Land - awaiting development	19	15
- other	9	11
<b>General Fund</b>		
Commercial Property available for rent	14	14
Other dwellings	5	5
Surplus property	2	2
<b>Infrastructure Assets</b>		
<b>General Fund</b>		
Town Centre CCTV System	1	1
Gt. Cornard Drainage System	1	1

The authority also owns a number of other assets, such as CCTV cameras, IT equipment and wheeled bins. The number of council dwellings above (3580) differs to the Housing Stock quoted in note 1 to the HRA (see page 67) by 2 dwellings, a reduction of 2 dwellings at 25 & 26 Harpers Estate, Nayland which are due to be demolished and they are included within the Vacant land awaiting development classification.

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**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**27. Fixed Asset Valuation**

The freehold and leasehold properties that comprise the authority's general fund property portfolio (and certain housing accommodation for the homeless) were professionally valued as at 1 April 2004 and a 'desktop' review was carried out as at 31 March 2007 by an external independent FRICS

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qualified valuer from The Valuation Office on the undermentioned basis in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Specific assets are revalued on an annual basis where appropriate.

Plant, machinery and furniture & equipment in the main office accommodation are included in the valuation of the buildings.

Council Housing dwellings were revalued on an Existing Use Value for Social Housing basis, as at 1 April 2005, by an external independent FRICS qualified valuer from The Valuation Office, and a 'desktop' review was undertaken as at 1 February 2007. This valuation was further reviewed as at 31 March 2007 and the Valuer's opinion was that no further uplift was necessary.

Infrastructure assets represent the value of the Great Cornard Flood Relief Drainage System and the CCTV equipment installed in Sudbury and Hadleigh.

	Council Housing Dwellings	Other land and buildings	Vehicles Plant and Equipment	Infra-structure	Communi-ty assets	Non-Operational incl. HRA	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	885		1,026	706				2,617
Valued at current value in:								
2006/07								
2005/06	207,512	2,436				5,517		215,465
2004/05		10,251			675	2,538		13,464
2003/04								
Earlier years								
<b>Total</b>	<b>208,397</b>	<b>12,687</b>	<b>1,026</b>	<b>706</b>	<b>675</b>	<b>8,055</b>		<b>231,546</b>

## 28. Depreciation and Amortisation

Depreciation is charged on all Council assets, except in a few cases where the charge would not be material. Depreciation is calculated on a straight-line basis over the estimated remaining useful lives of the assets, which are set out in the table below.

Class of asset	Remaining life (years)
Council housing	47
Other land & buildings	1 – 47
Vehicles, plant & equipment	1 – 11
Infrastructure assets	2 – 28
Non-operational assets	9 – 47
Intangible assets	1 – 5

## NOTES TO THE CORE ACCOUNTING STATEMENTS

The wide range of useful lives reflects the individual nature of the assets concerned. Central heating systems installed in Council Housing and financed by lease have been depreciated over the length of the leases (10 years). Council housing has a range of estimated useful lives and 50 years was deemed to be the most appropriate and representative mid-point of these lives when depreciation rates were reviewed in

**BABERGH DISTRICT COUNCIL**  
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2003/04.

**29. Long Term Debtors**

These are amounts owing to the Council which become due over a longer period of time than one year, although some repayments will be made in the next financial year. The amounts are analysed below:

	31 March 2007 £000	(Written down) / increased in year	31 March 2006 £000
Housing mortgages	43	(19)	62
Other	8	-	8
PSR Loans	286	61	225
<b>Total</b>	<b>337</b>	<b>42</b>	<b>295</b>

**30. Long Term Investment**

The investment concerned is £80,000 debentures issued by the Association of District Councils (ADC), which is now incorporated within the Local Government Association. This investment was in respect of new office accommodation. Interest is not receivable on these debentures but on redemption the Council will be repaid in full and will receive a share of any accrued capital appreciation (less tax) on the property acquired by the ADC from the amount raised by the debenture issue. The Council has taken a prudent view in respect of the current property market and therefore no allowance for capital appreciation has been made in the accounts at this time and the investment is included at cost price.

From 1<sup>st</sup> April 2006 the Council has entered into an agreement with South Suffolk Leisure Trust, a charity limited by guarantee, for the provision of leisure services in the District. Although accounted for as an investment, no consideration has been paid. An annual service fee is payable by the Council to the charity.

**31. Deferred Premiums on early repayment of debt**

Amounts charged to the Income and Expenditure Account for the year are shown at note 20 on page 45. Long-term amounts outstanding are:

	31 March 2007 £000	(Written down) / increased in year	31 March 2006 £000
Loan premium repayments	1,198	(264)	1,462

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**32. Debtors**

An analysis of amounts due is shown below:

	31 March 2007	31 March 2006

**BABERGH DISTRICT COUNCIL**  
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	£000	£000
HM Customs & Excise	422	529
Government departments	269	70
Other Local Authorities	204	414
Business ratepayers	331	234
Council taxpayers	787	761
Housing rents	308	289
Rent rebate overpayments	316	282
Employee car loans	77	118
Sundry debtors	221	208
Listed debtors	326	249
	3,261	3,154
Less: bad debt provision (see below)	(441)	(412)
<b>Total</b>	<b>2,820</b>	<b>2,742</b>

Amounts due from Government Departments has increased mainly because of an increase in the amount outstanding from the Department of Works and Pensions re Rent Allowances

The Council is required to use estimation techniques in establishing a provision for bad and doubtful debts in respect of local taxation and housing rent arrears. The provisions in relation to council tax and business rates are based upon experience of debt recovery and the specific stage within the debt recovery process that individual accounts stand.

The provisions at 31 March were:

	2007 £000	2006 £000
Council Tax	185	201
Non Domestic Rates (NNDR)	150	115
Housing Rents	106	96
<b>Total</b>	<b>441</b>	<b>412</b>

### 33. Short-Term Investments

Short-term investments were deposited with the following lenders at 31 March.

	2007 £000	2006 £000
UK Clearing Banks	4,133	4,321
Building Societies	1,000	1,000
<b>Total</b>	<b>5,133</b>	<b>5,321</b>

## NOTES TO THE CORE ACCOUNTING STATEMENTS

### 34. Other Current Assets

These include payments made in advance for goods and services to be received in 2007/08. The total is £0.339m less than the previous year. This is mainly due to the Council agreeing with most ICT

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software suppliers to realign their annual charges in line with the Council's financial year, this meant payments in advance for these reduced from £144k in 2005/06 to £3k in 2006/07, also there was no payment in advance for the Management of the Kingfisher Leisure pool and Hadleigh pool in 2006/07 (£98k in 2005/06).

**35. Creditors**

An analysis of amounts due is shown below:

	31 March 2007 £000	31 March 2006 £000
Government departments	507	663
Inland Revenue	209	200
Other Local Authorities	591	161
Sundry creditors	1,785	1,766
<b>Total</b>	<b>3,092</b>	<b>2,790</b>

The significant increase in amounts owing to Other Local Authorities is due to outstanding invoices from Suffolk County Council for the Concessionary Travel Scheme and the County's share of the Collection Fund surplus.

**36. Other Current Liabilities**

An analysis of amounts due is shown below:

	31 March 2007 £000	31 March 2006 £000
Receipts in advance:		
- Council Tax	600	754
- Business rates	330	291
- Housing rents	34	37
- Other	277	289
Finance Leases	191	195
Section 106 monies	864	175
Miscellaneous	102	105
<b>Total</b>	<b>2,398</b>	<b>1,846</b>

Receipts in the year relating to Section 106 agreements with various developers amounted to £791k and £102k was spent on various capital schemes.

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**37. Provisions**

	31 March 2007 £000	Movement in Year £000	31 March 2006 £000

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Planning Appeals	27	-	27
Compensation Claim	25	25	-
<b>Total</b>	<b>52</b>	<b>25</b>	<b>27</b>

A planning appeal where costs have been awarded against the Council remains outstanding, subject to further negotiation and agreement. In 2006/07 a provision has been made for costs pending in relation to a compensation claim outstanding against the Council.

**38. Long Term Borrowing**

The Council borrowed £1.1m from the Public Works Loan Board on 26 January 2006, this was to finance capital expenditure in 2005/06 and 2006/07 and therefore no new borrowing was undertaken in 2006/07.

**39. Deferred Credits**

This is the balance of the discounts received on premature repayment of external debt and will be credited to the income and expenditure account in future years. The current balance of deferred credits will be credited to revenue over the next 8 years. Note 17 of the accounting policies describes the basis (see page 15).

**40. Deferred Capital Receipts**

Deferred capital receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council houses shown under long-term debtors, (see note 29 page 51) £80,000 is also included in respect of the ADC debenture (see note 30 page 51).

**41. Capital Receipts**

From April 2004, the Government introduced a 'pooling' arrangement for capital receipts, which replaced the system of setting amounts aside for the repayment of external loans. Prior to April 2004, the proportions of capital receipts to be set aside were 50% for Housing land sales, 75% of Council House sales and 100% of Housing Corporation Grant, except for debt-free councils. The remaining proportions could be used for new capital investment.

Under the pooling arrangement, the council has to pay these set aside proportions over to the Government. However, due to the council's debt-free status (as at 1<sup>st</sup> April 2004), less has to be paid over, with the rest being usable for capital investment. The figures for the last two years are as follows, which show a reduction in 2005/06 of Usable receipts. This is due to transitional arrangements whereby 50% of the 75% of Council House sales was paid over to the Government in 2005/06 increasing to 75% in 2006/07:

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

	2006/07 £000	2005/06 £000
Pooled	773	722
Usable	764	1,310
<b>Total Receipts</b>	<b>1,537</b>	<b>2,032</b>

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

**42. Usable Capital Receipts**

	2006/07 £000	2005/06 £000
Balance at 1 April	1,241	1,144
Prior year adjustment		28
Receipts in year	1,537	2,032
Applied during the year:		
- on new expenditure	(1,263)	(1,241)
- paid over to Pool	(773)	(722)
Balance at 31 March	742	1,241

**43. Capital Grants/Contributions Reserve**

These are sums that are not defined as capital receipts but have been received in connection with capital schemes and will be used to finance new capital expenditure or repay debt in the future.

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**NOTES TO THE CORE ACCOUNTING STATEMENTS**

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**44. Government Grants / Capital Contributions Deferred**

These balances represent monies received in respect of the acquisition or improvement of a fixed asset. For depreciable assets, the balance will be released to the income and expenditure account over the useful life of the asset to match the depreciation charged on the asset to which it relates. At 31 March these amounts were:

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Capital Scheme	Grant/Contribution	2007 £000	2006 £000
Closed Circuit TV	Home Office Grant	13	26
Great Cornard Surface Water	Ministry of Agriculture Grant	103	108
Drainage – Phase 1	Suffolk County Council	145	152
Great Cornard Surface Water	Ministry of Agriculture Grant	45	47
Drainage – Phase 2	Suffolk County Council	63	66
Drainage – Anglia Estates	Suffolk County Council HRA	142	146
Kingfisher Leisure Centre	National Lottery Award Other Sources	185 62	193 64
East House	Insurance Suffolk County Council	456 40	469 41
Flatford TIC	National Lottery Award	138	143
Raydon Way, Great Cornard	Insurance Claim	43	44
Recycling bins	DEFRA	193	217
Garden Waste bins	DEFRA	41	47
Refuse Vehicles	DEFRA	177	221
Trade bins	Waste Perf. & Eff. Grant	44	-
IT (E-Gov't grant)	DCLG	331	501
IT (HB admin grant)	DCLG	3	5
CAST project (S & C grant)	DCLG	323	371
IT (Planning Del. Grant)	DCLG	32	-
Other Schemes	Various contributions	214	185
<b>Total</b>		<b>2,793</b>	<b>3,046</b>

#### 45. Analysis of Net Assets Employed

The table below shows the reserves (both revenue and capital) attributable to the General Fund and the Housing Revenue Account. The trading operations related to an internal Council Tax contract that has now ceased.

	31 March 2007 £000	31 March 2006 £000
General Fund	19,866	15,443
Trading Operations	-	69
Housing Revenue Account	201,316	190,056
<b>Total</b>	<b>221,182</b>	<b>205,568</b>

### NOTES TO THE CORE ACCOUNTING STATEMENTS

#### 46. Hadleigh and District Swimming Pool

The Council acts as sole Trustee for the Hadleigh and District Swimming Pool, which is a registered charity. The asset relating to the pool building is now included in the balance sheet, previously only the land was included. The Authority fully funds the net revenue expenditure of the pool as part of

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the Council's normal activities and this is recorded as such in the General Fund. This is equivalent to Babergh giving an annual grant to the charity and is reflected as such in the charity's accounts.

From 1st April 2006, the Council has entered into an agreement with a charity (South Suffolk Leisure Trust) to manage the pool operations, with consequent savings to future costs. The charity will also provide much-needed improvements to the facilities over time. Including the cost of this agreement, the authority incurred gross expenditure of £0.152m (2005/06 £0.072m) in its capacity of trustee of the pool.

Due to the funding mechanism mentioned above, the charity has no liabilities at any given year-end.

**47. Post Balance Sheet Events**

There were no post Balance Sheet events.

**48. Contingent Liabilities**

There is a possibility of appellants' legal costs being payable of up to £178,500 in respect of three planning appeals if the court decides against the Council. The Council does not consider that the Court will find the Council liable for any of these at this stage, and hence has made no provision in the accounts.

**49. Authorisation of Accounts for issue**

The Statement of Accounts was authorized for issue on 28TH September 2007 by the Chief Financial Officer.

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**NOTES TO THE CORE ACCOUNTING STATEMENTS**

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**50. General Fund Reserves and Balances**

The movements on the various reserves are shown below:

**BABERGH DISTRICT COUNCIL  
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<b>Reserve</b>	<b>Balance 1 April 2006 £000s</b>	<b>Net Movement in Year £000s</b>	<b>Balance 31 March 2007 £000s</b>	<b>Purpose of Reserve</b>	<b>Further Detail of Movements</b>
Fixed Asset Restatement Account	174,975	12,092	187,067	Gains on revaluation of fixed assets	(a) below
Capital Financing Account	39,279	153	39,432	Capital resources set aside to meet past expenditure	(b) below
Usable Capital Receipts	1,241	(499)	742	Proceeds of fixed asset sales available to meet future capital investment	Notes 41 and 42 to the Core Financial Statements , page 54 and 55
Pensions Reserve	(14,618)	3,955	(10,663)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 10 to the Core Financial Statements , page 37

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

<b>Reserve</b>	<b>Balance 1 April 2006</b>	<b>Net Movement in</b>	<b>Balance 31 March 2007</b>	<b>Purpose of Reserve</b>	<b>Further Detail of</b>
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**BABERGH DISTRICT COUNCIL  
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	£000s	Year £000s	£000s		Movements
Housing Revenue Account	1,159	(302)	857	Resources available to meet future running costs for council Houses	HRA Statements, page 64 - 71
Major Repairs Reserve	234	(234)	-	Resources available to meet capital investment in council Housing	HRA Statements, note 15, page 70
General Fund	3,393	(608)	2,785	Resources available to meet future costs for non-housing services	Statement of Movement on the General Fund Balance
Earmarked Reserves	-	979	979		(c) below
Other Reserves	47	16	63	This is made up of the balance on the Collection Fund and Deferred capital receipts	
<b>Total</b>	<b>205,710</b>	<b>15,324</b>	<b>221,034</b>		

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**51. (a) Fixed Asset Restatement Reserve**

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	2006/07 £000s	2005/06 £000s
Balance Brought forward 1 April	174,975	201,463
Gains/(Losses) on revaluation of fixed assets in the year	15,160	(24,521)
Amounts written off fixed asset balances for disposals in year	(3,068)	(1,967)
Balance carried forward 31 March	187,067	174,975

**(b) Capital Financing Account**

	2006/07 £000s	2005/06 £000s
Balance Brought forward 1 April	39,279	39,345
Capital expenditure financed from revenue	533	1,153
Capital expenditure financed by capital receipts	1,263	1,173
Capital expenditure financed by MRR	2,412	1,919
Deferred charges financed by capital receipts	(335)	(749)
Adjustment re GF depreciation	(643)	(598)
Adjustment re HRA depreciation	(3,141)	(3,032)
Write off to revenue re intangible assets	(307)	(262)
Write down re grants/contbs. deferred	373	360
Impairment	(2)	(18)
Other adjustments	-	(12)
Balance carried forward 31 March	39,432	39,279

**(c) Earmarked Reserves**

Purpose	2006/07 £000s	2005/06 £000s
Major Repairs Reserve	-	234
Capital Projects	775	-
Business Rate Growth	127	-
Insurance Reserve	27	-
Invest to Save Fund (efficiencies)	50	-
	979	234

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**52. Movement on Earmarked Reserves in Statement of Movement on General Fund Balance**

	2006/07 £000s	2005/06 £000s

**BABERGH DISTRICT COUNCIL**  
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Major Repairs Reserve – appropriation to HRA	(963)	(879)
Capital Reserve	775	-
Efficiencies Reserve (Invest to Save)	50	-
Business Rate Growth Reserve	127	-
Insurance Reserve	27	-
Net transfer to/from earmarked reserves	16	(879)

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

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**53. Reconciliation of Surplus to Net Cash Flow**

This note gives a reconciliation between the (surplus) deficit on the income and expenditure accounts for the General Fund, Housing Revenue Account and Collection Fund and the net cash flow from revenue activities.

**BABERGH DISTRICT COUNCIL  
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	2006/07		2005/06	
	£000	£000	£000	£000
(Surplus)/Deficit for the year		875		217
<b>Non Cash Transactions</b>				
+/- provisions set aside in the year	(28)		104	
+/- contbs. to/from major repairs reserve	(2,178)		(2,128)	
+/- transfers to earmarked reserves	(979)		-	
-/+ premature debt redemption	36		38	
		(3,149)		(1,986)
<b>Items on an Accruals Basis</b>				
+/- increase/decrease in stocks	(10)		(7)	
+/- increase/decrease in debtors	90		(112)	
+/- increase/decrease in payments in advance	(620)		(194)	
+/- increase/decrease in imprests	(4)		2	
-/+ increase/decrease in creditors	(183)		1,516	
-/+ increase/decrease in receipts in advance	130		(91)	
-/+ increase/decrease in suspense accounts	(686)		(98)	
-/+ increase/decrease in provisions	(25)		(27)	
		(1,308)		989
<b>Items Classified in another Classification in the Cash Flow Statement</b>				
Interest	497		301	
Internal recharges to capital	405		421	
Payments to the capital receipts pool	773		722	
Direct revenue financing of capital schemes	(533)		(1,153)	
		1,142		291
<b>Net cash (inflow)/outflow from revenue activities</b>		(2,440)		(489)

**NOTES TO THE CORE ACCOUNTING STATEMENTS**

**54. Increase / Decrease in Cash and Liquid Resources**

The table below links the net decrease in cash overdrawn and short-term investments with the movements in the balance sheet.

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	Balance 31 March 2007 £000	Movement In year £000	Balance 1 April 2006 £000
Cash overdrawn	(223)	128	(351)
Short-term investments	5,132	(189)	5,321
Movement in net cash	4,909	(61)	4,970

Short-term investments are amounts placed on deposit with approved institutions such as banks and building societies.

### 55. Analysis of Other Government Grants

The government grants included within the "other government grants" figure are shown below.

	2006/07 £000	2005/06 £000
HB (Admin) grant	522	338
Verification Framework Grant	-	80
Housing Defects Act subsidy	7	7
Fraud Incentive Scheme	44	114
Beacon Council Grant	48	-
Civil Protection grant (Home Office)	-	15
Supporting People grant	430	427
Pension Credits (Admin) grant	0	15
Tax Credits (Admin) grant	0	9
Business Growth Incentive Scheme	127	40
LPSA Performance Reward Grant	28	-
Waste Performance & Efficiency Grant	35	26
Planning Delivery grant	77	92
Other Government Grants	(9)	-
Council Tax reduction scheme grant	(1)	-
Discretionary Housing Payments	(4)	(3)
		-
<b>Total</b>	<b>1,304</b>	<b>1,160</b>

### 56. Financing

The Council incurred no further borrowing nor repaid any loans in 2006/07. Therefore the only financing costs shown on the cash flow statement relate to finance leases for central heating in council houses.

## **HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT**

The Housing Revenue Account shows the major elements of Council housing revenue expenditure - maintenance, administration, housing benefit - and capital financing costs, and how these are met by rents, subsidy and other income. There is a statutory requirement to keep this account separate from those of the Council's other activities.

	Note Ref	2006/07 £000	2005/06 £000

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			Restated
<b>INCOME</b>			
Dwelling rents	4	11,047	10,674
Non-dwelling rents		216	246
Charges for services and facilities	5	933	957
Contributions towards expenditure	7	138	131
Other income		5	5
		12,339	12,013
<b>EXPENDITURE</b>			
Repairs and maintenance		2,195	1,907
Supervision and management			
- General	2	1,128	998
- Special	2	1,498	1,455
Rents, rates, taxes and other charges	8	67	62
Negative Subsidy payable to Secretary of State	10	3,671	3,276
Sums directed by the Secretary of State –			
Transfers to General Fund	9	46	182
Provision for bad and doubtful debts	6	22	(4)
Depreciation and impairment of fixed assets	17	3,143	3,050
Debt management costs		40	30
		11,810	10,956
<b>Net Cost of HRA Services as included in the whole authority Income and Expenditure Account.</b>		(529)	(1,057)
HRA services share of Corporate and Democratic Core		251	235
HRA share of other amounts included in the Net Cost of Services but not allocated to specific services.		284	267
<b>Net Cost of HRA Services</b>		6	(555)
HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account			
Gain or loss on sale of HRA fixed assets	Note 9 to Core	1,550	248
Interest payable and similar charges	12	305	289
Amortisation of premiums and discounts	11	266	285
Interest and Investment income	3	(47)	(65)
Pensions interest cost and expected return on pensions assets	18	(2)	0
<b>Deficit/(Surplus) for the year on HRA Services</b>		2,078	202

**STATEMENT OF THE MOVEMENT ON THE HRA BALANCE**

	Note Ref	2006/07 £000	2005/06 £000
(Surplus)/Deficit for the year on the HRA Income and Expenditure Account		2,078	202
Net additional amount required by statute to	Note to	(1,776)	208

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be debited (or credited) to the HRA balance for the year	Statement of Movement on HRA Balance		
(Increase)/Decrease in the Housing Revenue Account Balance		302	410
Housing Revenue Account Surplus brought forward		(1,159)	(1,569)
Housing Revenue Account Surplus carried forward		(857)	(1,159)

**NOTE TO THE STATEMENT OF THE MOVEMENT ON THE HRA BALANCE**

	Note Ref	2006/07 £000	2005/06 £000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year:</b>			

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Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute			
Impairment of fixed assets		(2)	(18)
Capital contributions/Government Grants deferred amortisation		53	
Gain or loss on sale of HRA Fixed Assets	Note 9 to Core	(1,550)	(248)
Net charges made for retirement benefits in accordance with FRS17	18	(326)	(272)
		(1,825)	(538)
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year:</b>			
Transfer to/(from) Major Repairs Reserve	15	(963)	(879)
Employer's contributions payable to the Suffolk County Council Pension Fund and retirement benefits payable direct to pensioners	18	480	472
Capital expenditure funded by the HRA	14	532	1,153
		49	746
Net additional amount require by statute to be debited or (credited) to the HRA Balance for the year		(1,776)	208

**NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT**

**1. Housing Stock**

The Council was responsible for managing an average of 3,606 dwellings during 2006/07. The stock was made up as follows as at 31 March 2007:

	No. of properties
--	-------------------

**BABERGH DISTRICT COUNCIL**  
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Houses and bungalows	2897
Flats	655
Other	30
Total Stock at 31 March 2007	3582

The change in the stock can be summarised as follows:

	2006/07	2005/06
Stock at 1 April	3,629	3,662
Less : sales (RTB)	(16)	(24)
Less: sales (non RTB)	(3)	(4)
Less: RSL transfers	(17)	(5)
Less : Conversions etc.	(11)	-
Stock at 31 March	3,582	3,629

The Council has part ownership (50%) of 4 houses, acquired under the Do-It-Yourself Shared Ownership (DIYSO) Scheme, included in the above figures.

## 2. Supervision and Management

This is divided into two areas, general and specialised support services. General relates to the general management of the Council's housing stock and includes the cost of policy and management, ensuring the welfare of tenants, tenancy applications and selection, and rent collection and accounting. Special services relates to services provided for specific dwellings or residents and includes items such as central heating, caretaking and cleaning, wardens services and estate maintenance.

## 3. Investment Income

This relates to interest credited to the Housing Revenue Account in respect of the working balance of the fund. (The interest rate applicable in 2006/07 was 4.84% compared with 4.61% in 2005/06.)

## 4. Gross Rent Income

During the year 2.2% of dwellings were vacant (2.1% in 2005/06). The actual average rent per week in 2006/07 was £60.62 (52 week basis), an increase of £2.88 (5.0%) over the previous year. The amount of rent/service charges due to be collected from tenants (net of rebates granted) was £5.821m (£5.678m in 2005/06).

## NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT

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## 5. Service and Facility Charges

These charges relate particularly to heating and scheme management services provided to residents in sheltered accommodation and homeless units, including charges and grants received towards the provision of support services to tenants. They also include the charges for community alarm systems in Council Houses.

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**6. Rent Arrears**

At the end of the year rent arrears, as a proportion of gross rent income, stood at 2.7% of the amount due (2.6% in 2005/06) of the amount due. The figures are as follows:

	2006/07 £000	2005/06 £000
Arrears at 31 March	308	289

The balance sheet provision in respect of uncollectable debts is £0.106m, which includes an increase of £0.022m after write-offs of £0.013m for 2006/07. The arrears figure includes some other charges that are normally paid by tenants with their rent.

**7. Contributions towards expenditure**

The General Fund makes a contribution to reflect the benefit the community as a whole receives from amenities provided in Council Housing areas. This relates to the cost of amenity area maintenance in respect of sold Council houses.

**8. Rent, Rates, Taxes and other charges**

	2006/07 £000	2005/06 £000
Miscellaneous rents payable	3	3
Rates and charges	12	11
Premises insurance	25	25
Operating lease payments	27	23
<b>Total</b>	<b>67</b>	<b>62</b>

For further information in respect of operating lease obligations, see note 11 to the Core Accounting Statements.

**9. Sums directed by the Secretary of State – transfers to General Fund**

Authorities are required to make any debits directed by the Secretary of State and to transfer an equivalent amount to the General Fund. The amount of £0.046m in 2006/07 (£0.182m in 2005/06) relates to the rent rebate subsidy limitation scheme.

**NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT**

**10. Breakdown of the Amount of HRA Subsidy Receivable/Payable**

The amounts paid to and received from the Government are based on a notional assessment of the HRA and details on how this is determined are set out below:

	2006/07 £000	2005/06 £000
Management Allowance	1,251	1,135

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Maintenance Allowance	3,025	2,789
Major Repairs Allowance	2,178	2,153
Charges for capital	632	618
Other	19	12
	7,105	6,707
Interest on Receipts	(4)	(4)
Notional Income from Rents	(10,772)	(9,981)
Adjustment to 2005/06 subsidy	0	2
Total subsidy (payable)/receivable	(3,671)	(3,276)

**11. Amortisation of Premiums and Discounts**

See note 20 on page 45.

**12. Interest Payable and Similar Charges**

	2006/07 £000	2005/06 £000
Item 8 Interest	83	93
Interest re loan premium	172	143
Interest re finance leases	50	53
Total	305	289

**13. HRA Fixed Assets**

	Value as at 31 March 2007 £000	Value as at 31 March 2006 £000
Land	3,991	3,757
Houses	207,512	196,013
Other Property	4,139	3,840
Leased Heating Systems	885	1,054
	216,527	204,664
Operational assets comprising dwellings and other land and buildings	210,125	198,408
Leased Heating Systems	885	1,054
Non operational assets	5,517	5,202
	216,527	204,664

**NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT**

The vacant possession value of dwellings as at 31 March 2007 was £456.9m.

**14. Direct Revenue Financing of Capital Schemes**

In 2006/07 £0.532m (£1.153m in 2005/06) of the Housing Revenue Account capital programme was financed directly from revenue, which was £0.041m more than planned in the revised budget due to capital projects being brought forward from 2007/08.

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**15. Major Repairs Reserve**

The Major Repairs Reserve is funded from the Government's annual Major Repairs Allowance (MRA). It is credited with an amount equal to the depreciation on dwellings, transferred from the Capital Financing Account (CFA). It is written back to the CFA when capital expenditure is incurred that is eligible to be funded from MRA monies.

	2006/07	2005/06
	£000	£000
Balance as at 1 April	234	-
Amount transferred to the reserve (equivalent to depreciation on HRA dwellings)	3,141	3,032
Amount transferred from the reserve to the HRA	(963)	(879)
Capital Expenditure in the year (all on Council Housing)	(2,412)	(1,919)
Balance as at 31 March	-	234

**16. Capital Expenditure and Financing Summary**

Capital expenditure was financed as follows:

	2006/07	2005/06		2006/07	2005/06
	£000	£000		£000	£000
Dwellings	3,778	3,716	Capital receipts	249	-
			Revenue contributions	532	1,153
			Major repairs reserve	2,412	1,919
			Contributions	35	73
			Supported borrowing	550	571
	3,778	3,716		3,778	3,716

Total capital receipts from disposals of Council houses through the Right to Buy scheme during 2006/07 were £1.417m and receipts from sale of housing land were £0.164m.

**17. Depreciation and Impairment**

The total charges were as follows:

**NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT**

	2006/07		2005/06	
	Depreciation £000	Impairment £000	Depreciation £000	Impairment £000
Houses	2,897	2	2,795	18
Other Property	82		74	-
Central Heating (leased)	162		163	-
	3,141	2	3,032	18
Operational assets comprising				

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dwelling and other land and buildings and leased heating	3,106	2	3,003	18
Non operational assets	35		29	-
	3,141	2	3,032	18

The impairment adjustment is the net effect of revised valuations by the external valuer, and a negative adjustment due to transfers of properties to Housing associations where the impairment reduction has now been written out along with the asset value. Further details are provided in accounting policies note 9, pages 12 & 13.

**18. Pension Costs**

Details of total revenue pension benefit transactions are shown at note 10 on page 37.

Accounting requirements are for a share of the expected return on assets and interest on liabilities to be included in the HRA. Hence the appropriate share of all pension cost components has been allocated (except actuarial gains and losses) to the HRA. A pension reserve movement entry adjusts the pension cost borne by the HRA so that there is no impact on the bottom line. Amounts included in the HRA are as follows:

	2006/07 £000	2005/06 £000
Repairs and maintenance	22	8
Supervision & management		
- General	(203)	(221)
- Special services	29	13
	(152)	(200)
Net Operating Expenditure:		
- interest on liabilities	713	-
- expected return on assets in the scheme	(715)	-
	(2)	-
Movement on pensions reserve:		
- reverse out FRS 17 composite entries	(326)	(272)
- employers' contributions payable to the scheme	480	472
	154	200
Total cost of FRS 17 adjustments to HRA	0	0

**THE COLLECTION FUND**

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund. It shows the transactions in relation to Council Tax, and Non-Domestic Rates and illustrates the way in which these have been distributed to Suffolk County Council, the Suffolk Police Authority, Parish and Town Councils and the Council's General Fund.

	Note Ref	2006/07 £000	2005/06 £000
<b>INCOME</b>			
Income from Council Tax	1	37,889	36,003

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Transfers from General Fund			
- Council Tax Benefits	2	3,996	3,844
- Council Tax transitional relief	2	(1)	-
Income collectable from business ratepayers	3	16,972	15,381
Contribution from the General Fund (Discretionary Rate Relief)	6	73	81
		58,929	55,309
<b>EXPENDITURE</b>			
Precepts and Demands	5	41,606	39,855
Business Rates			
- Payment to National Pool	3	16,947	15,333
- Costs of collection	3	121	120
Council Tax - Bad and doubtful debts			
- Write offs		(45)	104
- Provisions	4	(16)	(55)
Contributions			
- Towards previous year's estimated Collection Fund Deficit		(87)	(195)
		58,526	55,162
Movement on Fund Balance	6	403	147
<b>FUND BALANCE</b>			
(Deficit)/Surplus at 1 April		(232)	(379)
Movement on fund balance		403	147
(Deficit)/Surplus at 31 March	6	171	(232)

**NOTES TO THE COLLECTION FUND ACCOUNT**

**1. Council Tax Income**

This reflects the net amount receivable from taxpayers in 2006/07 after allowing for entitlements to Council Tax benefits and transitional relief.

All domestic properties are banded according to their value at 1 April 1991 and a tax level is set to meet the demands from Suffolk County Council, Suffolk Police Authority, Babergh District Council and Parish/Town Councils.

The tax is set by dividing these demands by the Council's tax base, which is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts and estimated changes during the year apply) expressed as an equivalent number of Band D

**BABERGH DISTRICT COUNCIL**  
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dwellings.

The calculation of the tax base for 2006/07 and the income it was forecast to generate is shown below:

Band	Chargeable Dwellings	Factor	Band D Equivalents	Forecast Income £000
A	3,494.91	6/9ths	2,329.94	3,018
B	9,786.06	7/9ths	7,611.38	9,858
C	7,006.59	8/9ths	6,228.08	8,067
D	6,210.90	9/9ths	6,210.90	8,044
E	3,644.11	11/9ths	4,453.91	5,769
F	1,878.11	13/9ths	2,712.82	3,513
G	1,443.81	15/9ths	2,406.35	3,117
H	155.13	18/9ths	310.26	402
Total	33,619.62		32,263.64	41,788
Less provision for bad and doubtful debts (0.25%)			(80.66)	(104)
Less provision for banding adjustment (0.1866%)			(60.08)	(78)
Tax base for tax setting			32,122.90	41,606

The difference of £0.096m between the forecast gross income from the tax base of £41.788m and the amount of income from Council Tax payers, Benefits and Transitional Relief was equivalent to an increase of 74 Band D properties and arose due to movements in the tax base. These include a larger number of new properties coming into the banding list than forecast. Other factors include the normal movements within the list such as the number of banded properties changing due to either down bandings or deletions from the list, plus movements in the number of exemptions, discounts, disabled relief; second homes and long term empty property.

**NOTES TO THE COLLECTION FUND ACCOUNT**

**2. Transfers from General Fund**

These amounts represent the total of individual entitlements to reductions in the amount of Council Tax payable in the year. Council Tax benefit and Transitional Relief granted are credited to the Collection Fund and charged to the General Fund. Transactions in relation to reimbursement by the Government of benefits and reliefs granted and the costs of administration are accounted for in the General Fund.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

**3. Business Rates**

The Council collects business rates in the district. The amount collected less an allowance for the cost of collection (of £0.121m in 2006/07) is paid over to the Government's National "Pool" for redistribution. The rateable value of all properties in the district at 31 March 2007 increased to £47.147m from £46.425m as at 31 March 2006. The national rate in the pound (fixed by the Government) for the year was 43.3p (42.2p in 2005/06). The small business multiplier was 42.6p in the pound (41.5p in 2005/06).

The net amount collectable from ratepayers increased from £15.381m in 2005/06 to £16.972m in 2006/07 due to a range of factors. Reductions are made from gross charges for reliefs (transitional and charitable), allowances for empty properties and a provision for non-collection.

This amount, less the allowance towards the cost of collection, which is transferred to the General Fund, is paid to the National Pool.

**4. Bad and Doubtful Debts**

An appropriate provision for non-collection in respect of Council Tax has been made.

**5. Precepts / Demands**

The amounts included in the accounts are as follows:

	2006/07		2005/06	
	£000	£000	£000	£000
Suffolk County Council		31,821		30,420
Suffolk Police Authority		4,204		4,012
Babergh District Council				
District Council purposes	3,941		3,833	
Town/Parish Council purposes	1,640		1,590	
		5,581		5,423
<b>Total</b>		<b>41,606</b>		<b>39,855</b>

**NOTES TO THE COLLECTION FUND ACCOUNT**

**6. Fund Balance / Allocations of Estimated Collection Fund Surplus**

The Fund balance relating to Council Tax is shared between Suffolk County Council, Babergh District Council and the Suffolk Police Authority in proportion to the precept/demand on the fund for the year. This is based on an estimate of the balance made on 15 January in the preceding financial year. As at 31 March 2007 there was a deficit on Council Tax overall of £0.267m, excluding the allowance for discretionary rate relief (£0.159m as at 31 March 2006).

The movement on the fund balance in respect of individual precepting bodies in 2006/07 is as

**BABERGH DISTRICT COUNCIL**  
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follows:

	Fund Balance 31 March 2007 £000	Movement on Fund Balance 2006/07 £000	Balance 1 April 2006 £000
Babergh District Council			
- Council Tax	36	58	(22)
- Discretionary Rate Relief	(96)	(23)	(73)
	(60)	35	(95)
Suffolk County Council			
- Council Tax	204	325	(121)
Suffolk Police Authority			
- Council Tax	27	43	(16)
<b>Total</b>	<b>171</b>	<b>403</b>	<b>(232)</b>

The deficit of £0.096m relating to discretionary rate relief granted to businesses is not met by the General Fund until the following year in accordance with Government regulations. However, the expenditure has been allowed for in the Income and Expenditure Account for 2006/07.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

**AUDITOR'S OPINION**

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**Independent auditor's report to Babergh District Council  
Opinion on the financial statements**

I have audited the financial statements of Babergh District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure account, the Consolidated Balance Sheet, the Collection Fund, the Housing Revenue Account Income and Expenditure Account, the Statement of Recognised Gains and Losses, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Babergh District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

**Respective responsibilities of the Chief Finance Officer and auditors**

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

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

**AUDITOR'S OPINION**

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**Basis of audit opinion**

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

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

**Opinion**

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

Robert Davies

District Auditor

Audit Commission, Springvale Court, Hadleigh Road, Sproughton, Ipswich, Suffolk IP8 3AS

28 September 2007

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

**AUDITOR'S OPINION**

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

**Authority's Responsibilities**

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

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

**Auditor's Responsibilities**

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's Best Value Performance Plan and issue a report:

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

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

**AUDITOR'S OPINION**

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**Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Babergh District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

**Best Value Performance Plan**

I issued my statutory report on the audit of the authority's Best Value Performance Plan for the financial year 2006/07 on 8 December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the Plan.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Robert Davies

District Auditor

Audit Commission, Springvale Court, Hadleigh Road, Sproughton, Ipswich,  
Suffolk IP8 3AS

28 September 2007

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2006/07**  
**GLOSSARY**

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### **ACCOUNTING POLICIES**

Those principles, bases, conventions, rules and practices applied by Babergh District Council that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- 1) recognising
- 2) selecting measurement bases for, and
- 3) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

### **ACCRUALS**

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

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- b) the actuarial assumptions have changed.

### **CAPITAL CHARGE**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

### **CAPITAL RECEIPTS**

Proceeds from the sale of a fixed asset, e.g. land or a building. Capital receipts can be used to repay the debt on assets financed from loan or to finance new capital expenditure. They cannot be used to finance revenue expenditure directly.

### **CLASS OF TANGIBLE FIXED ASSETS**

The classes of tangible fixed assets required to be included in the accounting statements are:

Operational assets

- Council dwellings
- Other land & buildings

**BABERGH DISTRICT COUNCIL**  
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- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets

Non-operational assets

- Investments properties
- Assets under construction
- Surplus assets, held for disposal

Further analysis of any of these items is given if it is necessary to ensure fair presentation.

### **COMMUNITY ASSETS**

Assets that the Council 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.

### **CONSISTENCY**

The principle that the accounting treatment of like items within an accounting period and from one period to the next are the same.

### **CONSTRUCTIVE OBLIGATION**

An obligation that derives from the Council's actions where:

- a) by an established pattern of past practice , published policies or a sufficiently specific current statement,  
the Council has indicated to other parties the will accept certain responsibilities, and
- b) as a result, the Council has created a valid expectation on the part of those parties that it will discharge  
those responsibilities.

### **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

### **CONTINGENT LIABILITY**

A contingent liability is either:

- a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**BABERGH DISTRICT COUNCIL  
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**GLOSSARY**

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**CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which the Council engages in specifically because it is an elected, multi-purpose authority. The costs 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. There is therefore no logical basis for apportioning these costs to services.

**CURRENT ASSETS**

An asset where the value may change because the volume held can vary through day-to-day activity, e.g. cash, stock.

**CURRENT LIABILITIES**

An amount which will become payable in the next accounting period (e.g. creditors, cash overdrawn).

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

- a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**DEFERRED CHARGES**

Expenditure which may properly be deferred, but which does not result in, or remain matched with, assets controlled by the Council.

**DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2006/07**

**GLOSSARY**

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**DEPRECIATION**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**DIRECT REVENUE FINANCING**

A charge to the revenue account to finance capital expenditure.

**DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

**EMOLUMENTS**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

**ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurements basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period.
- b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

**EVENTS AFTER THE BALANCE SHEET DATE**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

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**EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXPECTED RATE OF RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**FINANCE LEASE**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90 per cent or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit in the lease. However, where the present value of the minimum lease payments does not amount to 90 per cent or more of the fair value of the leased asset, it should not automatically be assumed that the lease is not a finance lease. FRS 5 requires that the substance of the transaction is reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

**GOING CONCERN**

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

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**GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

**INFRASTRUCTURE ASSETS**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

**INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**INVESTMENTS (PENSIONS FUND)**

The investments of the Pensions Fund will be accounted for in the statements of that fund. However the Council is also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

**INVESTMENTS (NON-PENSIONS FUNDS)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

**LIQUID RESOURCES**

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

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**LONG-TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

**NET BOOK VALUE**

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

**NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**NET DEBT**

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

**NET REALISABLE VALUE**

The open market value of an asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**NON DISTRIBUTED COSTS**

These are overheads for which no user now benefits and should not be apportioned to services.

**NON-OPERATIONAL ASSETS**

Fixed assets held by the Council but not used or consumed in the delivery of services or for the service or strategic objectives of the Council. Examples of non-operational assets include; investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property. It would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the Council and the rental income is negotiated at arms length.

**OPERATING LEASE**

A lease other than a finance lease.

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**OPERATIONAL ASSETS**

Fixed 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 or for the service or strategic objectives of the Council.

**PAST SERVICE COST**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**PRIOR PERIOD ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is the one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

**PRUDENCE**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

**PUBLIC WORKS LOAN BOARD (P.W.L.B.)**

A government agency which provides long term loans to local authorities at interest rates only 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, the rates of interest being generally lower than "market" rates.

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**RATEABLE VALUE**

A value placed on all properties subject to rating (Business properties only). The value is the annual assumed rental (determined by the Inland Revenue), calculated by deducting from the assessed gross annual rent an amount representing the cost of repairing, maintaining and insuring the property.

**RELATED PARTIES**

Two or more parties are related parties when at any time during the financial period:

- i) one party has direct or indirect control of the other party; or
- ii) the parties are subject to common control from the same source; or
- iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of the Council include:

- i) central government;
- ii) local authorities and other bodies precepting or levying demands on Council Tax;
- iii) its subsidiary and associated companies;
- iv) its joint ventures and joint venture partners;
- v) its members;
- vi) its chief officers; and
- vii) its pension fund.

Examples of related parties of a pension fund include its:

- i) administering authority and its related parties;
- ii) scheduled bodies and their related parties; and
- iii) trustees and advisors

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- i) members of the close family, or the same household; and
- ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

**RELATED PARTY TRANSACTION**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- i) the purchase, sale, lease, rental or hire of assets between related parties;
- ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- iv) the provision of services to a related party, including the provision of pension fund administration services;
- v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and

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vi) payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because they are not given in exchange for services rendered by employees.

**REVENUE EXPENDITURE**

The day-to-day costs the Council incurs in providing services; the Council's revenue expenditure covers employee expenses, running expenses and capital financing costs.

**SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**SETTLEMENT**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (i) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- (ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- (iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

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**STOCKS**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- (a) goods or other assets purchased for resale;
- (b) consumable stores;
- (c) raw materials and components purchased for incorporation into products for sale;
- (d) products and services in intermediate stages of completion;
- (e) long term contract balances, and
- (f) finished goods.

**TANGIBLE FIXED ASSETS**

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year.

**TOTAL COST**

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or brought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

**USEFUL LIFE**

The period over which the Council will derive benefits from the use of a fixed asset.

**VESTED RIGHTS**

In relation to a defined benefit scheme, these are:

- (a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- (b) for deferred pensioners, their preserved benefits;
- (c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.