

**BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03**

CONTENTS

Explanatory Foreword.....	2
Statement of Responsibilities for the Statement of Accounts	9
Statement on the System of Internal Financial Control.....	10
Consolidated Revenue Account.....	12
Housing Revenue Account	21
Collection Fund	27
Consolidated Balance Sheet.....	31
Statement of Total Movement in Reserves	43
Cash Flow Statement	46
Statement of Accounting Policies.....	49
Auditor's Opinion.....	55
Glossary.....	57

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

EXPLANATORY FOREWORD

1. GENERAL COMMENTARY

The Council's accounts for the year 2002/03 are set out on pages 2 to 56.

They consist of:

- **The Statement of Responsibilities and the Statement on the System of Internal Financial Control**, which is new for 2002/03.
- **The Consolidated Revenue Account** - details income and expenditure on all of the Council's services and how this is financed from Government grants and local taxpayers.
- **The Housing Revenue Account** - a separate statutory account for local authority housing provision.
- **The Collection Fund** - shows the transactions in relation to Non Domestic Rates, Council Tax and Community Charge, and illustrates the way in which these have been distributed to the Council's General Fund and Precepting Authorities.
- **The Consolidated Balance Sheet** - sets out the financial position of the Council on 31 March 2003.
- **The Statement of Total Movement in Reserves** - shows all losses and gains on disposal or revaluation of fixed assets and the surpluses and deficits on capital and revenue reserves.
- **The Cash Flow Statement** - summarises the inflows and outflows of cash arising from revenue and capital expenditure and income.
- **Statement of Accounting Policies**
- **The Auditor's Opinion.**

These accounts are supported by **explanatory notes** to the accounts and a **glossary of terms**.

This report provides a general commentary on the Council's finances for the year and gives an indication of the Council's overall financial position.

2. CONSOLIDATED REVENUE ACCOUNT

- 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.
- 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 Government grants in the Council's General Fund. The statement below shows this net expenditure for the year compared with the Council's budget:

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

EXPLANATORY FOREWORD

	Original Budget (£m)	Revised Budget (£m)	Actual (£m)	Variance from Revised Budget (£m)
Net expenditure	8.029	8.161	8.392	0.231
Direct revenue financing of capital schemes	0.254	0.481	0.267	(0.214)
Income from				
Government grants	(4.352)	(4.352)	(4.352)	-
Council Taxpayers	(3.178)	(3.178)	(3.178)	-
Surplus on Collection Fund	(0.012)	(0.012)	(0.012)	-
Reduction (and variation) in General Fund reserves	0.741	1.100	1.117	0.017

- The original budget was revised early in 2003 to reflect anticipated changes in income and expenditure for the year. Actual net expenditure for the year (excluding direct revenue financing of capital schemes) was £0.231m more than this revised budget.
- This arose due to the following:

	£m
Additional provision for loan repayment to achieve debt-free status	0.301
One-off costs not allowed for in budget	0.097
Reduced investment income	0.030
<u>Less:</u>	
Lower net expenditure on service costs	(0.197)
Overall increase compared to budget	0.231

- The overall net impact on reserves is reduced to only £0.017m by the Direct Revenue Financing saving of £0.214m. The additional provision for loan repayment of £0.301m will be offset by further Direct Revenue Financing Savings and lower levels of capital accruals in 2003/04.
- Once these factors and delayed revenue expenditure of £0.320m is taken into account, it is estimated that revenue reserves at the end of 2003/04 will be very close to those predicted in the approved budget.
- The reduction in Direct Revenue Financing of capital schemes largely arose from projects that will now be paid for in the current year. This sum will not, however, be needed due to the availability of additional capital resources as a result of the Council becoming debt-free.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

EXPLANATORY FOREWORD

3. COUNCIL HOUSING

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

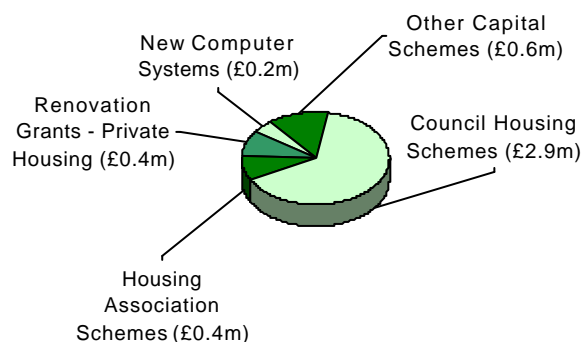
	Original Budget £m	Revised Budget £m	Actual £m	Variance from Revised Budget £m
Income	13.886	13.985	13.876	0.109
Expenditure – net of Appropriations	14.082	14.369	13.694	(0.675)
Decrease (increase) in reserves	0.196	0.384	(0.182)	(0.566)

- From this it can be seen that the use of reserves is considerably less than anticipated when the revised budget was agreed early in 2003, although £0.060m is required for revenue expenditure that has been carried forward into the year 2003/04.
- The main variations in income and expenditure compared to the revised budget are set out below, which shows that the main savings arose on revenue financing of capital schemes. As with the General Fund, this money will not be required due to the debt-free situation:

	£m
Anticipated deficit for the year	0.384
<u>Less:</u> Lower financing requirement for capital schemes	(0.286)
Lower repairs and maintenance costs	(0.111)
Lower supervision and management costs	(0.093)
Lower interest rates and leasing charges	(0.073)
Other net variations	(0.003)
Actual surplus for the year	(0.182)

4. CAPITAL INVESTMENT

- Capital investment in 2002/03 was substantial for a Council of Babergh's size. During the year £4.5m was spent on capital projects, (£4.1m in 2001/02) compared to a revised forecast for the year of £5.3m (excluding leased schemes). There were savings of almost £0.1m, and the balance of £0.7m relates to schemes that should be completed in the year 2003/04.
- This money was spent on providing the following schemes or services:



BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

EXPLANATORY FOREWORD

- This expenditure was financed from the following sources:

	2002/03 £m	2001/02 £m
Government Credit Approvals	1.1	0.7
Revenue Financing	0.3	0.5
Major Repairs Reserve	1.7	2.1
Capital Receipts	1.1	0.5
External Contributions/grants	0.3	0.3
Capital Accruals (change)	0.0	0.0
Total	4.5	4.1

- In addition to the above, £0.2m of Council housing and other expenditure was funded via leasing arrangements.
- Under Government rules the Council can only spend certain proportions of the capital receipts from the sale of Council houses (25%), housing land (50%) and other assets (100%). During the year a sum of £4.9m was received in respect of such capital receipts. Of this, £3.5m had to be set aside under these Government rules to meet the Council's credit liabilities. Of the balance, £1.1m was used to finance capital expenditure. The remaining £0.3m, together with usable receipts of £0.3m in hand at the start of the year, has been voluntarily set-aside in order for the Council to achieve debt-free status.
- The Council fully utilised all Government Credit Approvals received (£1.1m) and used £0.3m of other capital contributions and capital grants, mainly from the Government and Suffolk County Council. The Major Repairs Reserve relates to Council Housing and the Government makes an annual contribution to cover this. A sum of £2.1m was received in 2002/03 but £0.4m of this was not spent and this has been carried forward for use in 2003/04.

5. RESERVES, PROVISIONS AND REVENUE BALANCES

- 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 2003 £m	31 March 2002 £m
General Fund		
General Reserves/Balances	3.996	5.113
Collection Fund (Babergh element)	(0.091)	(0.059)
Deferred Credits	0.322	0.361
Provisions	0.097	0.092
	4.324	5.507
Housing Revenue Account	1.537	1.355
Total	5.861	6.862

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

EXPLANATORY FOREWORD

- In the case of both the General Fund and Housing Revenue Account reserves, there are sums of £0.149m and £0.444m respectively relating to capital work undertaken but not financed as at the 31 March 2003.
- Some of the Reserves and Balances will be required to fund the above and the remaining sums will be available to finance expenditure on services and/or in considering future Council Tax and Council House Rent levels.
- 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.
- In addition to the above, there are two further significant reserves in the balance sheet, which are the Fixed Asset Restatement Reserve and the Capital Financing Reserve. These reserves are required under Government rules and the restatement reserve reflects the difference between the historic or book value of the Council’s assets and its current value.
- The Fixed Asset Restatement Reserve stands at £177.0m. The capital financing reserve of £40.1m reflects the net effect of the amounts which 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

- 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.
- 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	
	2002/03	2002/03	2001/02
Council Tax	27.308	98.4%	98.1%
Business Rates	13.402	98.8%	98.6%
Council House Rents (net of housing benefits)	4.579	99.1%	97.8%

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

EXPLANATORY FOREWORD

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

	31 March 2003 £m	31 March 2002 £m
Council Tax	0.815	0.814
Business Rates	0.346	0.383
Council House Rents	0.308	0.327
Total	1.469	1.524

- 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 2003 £m	31 March 2002 £m
Council Tax	0.218	0.200
Business Rates	0.191	0.215
Council House Rents	0.113	0.106

7. OTHER MATTERS

Pension Fund

- The transitional provisions of accounting for pensions costs in relation to FRS 17: Retirement Benefits have been applied for the 2002/03 financial year. The objectives of the Standard are to ensure that financial statements reflect at fair value the assets and liabilities underlying the employer's obligations relating to retirement benefits, and that the true cost of these obligations is recognised. The Council has commissioned the actuary of the Suffolk Pension Fund, Hymans Robertson, to undertake pension expense calculations, which form the basis of the balance sheet and funding disclosures in respect of pension obligations under the Local Government Pension Scheme (see note 26, page 41 and 42).
- 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 2001 and costs in 2002/03 are based on this review. Contribution rates increased from 25.8% of employees' pensionable pay in 2001/02 to 29.2% in 2002/03. Future rates will increase further over the next few years in order to remove the deficit, which stood at £7.6m following the 2001 valuation.
- It should be noted, however, that the estimated deficit has increased to nearly £12.5m as at 31 March 2003 and the reasons for this, as assessed by the actuary, are given on page 42.
- The Council is making contributions towards the deficit from capital receipts and £0.366m was paid in 2002/03 to reduce the deficit.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

EXPLANATORY FOREWORD

Partnerships

- The Council has during the year, and will continue to, bid for funds and resources to enable it to provide the services that are required by the community. In addition, it has and will continue to work with a variety of organisations in partnerships to enable the best possible services to be delivered.

Future Challenges

- Looking to the future, there are many challenges facing the Council, which include:
 - The Government's Comprehensive Performance Assessment of all Councils. For Babergh, this is being undertaken in July 2004 by the Audit Commission and will result in an overall assessment of the Council being given, on a scale ranging from "poor" to "excellent".
 - The Euro - The Council's main I.T. systems are Euro compliant and the Council will prepare and implement plans to be ready for any future entry by the UK into the European Monetary Union (EMU) as and when required. Other resource commitments have been identified, although the full costs to be incurred will be more accurately known once firm plans are in place.

8. FURTHER INFORMATION

- A Statement of Responsibilities for the Statement of Accounts is included on page 9, 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 November 2003.
- Also, a statement on the system of internal financial control operated by the Council is shown on pages 10 and 11. This is a new requirement of the 2003 Code, governing what Local Authorities are obliged to report on in publishing their accounts.
- 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:

Geoff Kistner, Corporate Director

Telephone: 01473 825810

Email: geoff.kistner@babergh.gov.uk

Barry Hunter, Head of Finance and Performance Review

Telephone: 01473 825819

Email: barry.hunter@babergh.gov.uk

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

**BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03**

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director, Geoff Kistner.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the accounts

This Statement of Accounts was presented to and approved by Council on 19 August 2003. Subsequent amendments required by the District Auditor have been incorporated.

John Wyn Roberts, Chairman of the Council

Dated:

The Corporate Director's Responsibilities

The Corporate Director 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 2003, the Corporate Director has:

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

The Corporate Director 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 2003.

Geoff Kistner
Corporate Director

Dated:

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for Babergh District Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

1. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
2. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by Heads of Service and managers within the Council and is monitored by the Council's Internal Audit team. In particular, the system includes:
 - Comprehensive budgeting systems;
 - The preparation of regular financial reports that indicate actual expenditure against the forecasts;
 - Regular reviews of these by senior management and elected Members;
 - Setting targets to measure financial and other performance;
 - Clearly defined systems and processes to control and monitor expenditure and income.
3. The Council's Constitution provides that the Corporate Director responsible for the Council's financial affairs shall maintain and be responsible for an internal audit of the accounts of the Council and its officers.
4. The Internal Audit service is operated in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. Internal Audit reviews, appraises and reports upon:
 - The soundness, adequacy and application of accounting and other relevant internal controls established for the proper administration of the Council's activities.
 - The extent of compliance with established policies, plans and procedures to ensure that good standards of financial management are maintained and that the decisions made by the Council, its Committees and Management are properly applied.
 - The extent to which the Council's assets and interests are properly accounted for and safeguarded from losses of all kinds.
 - The application of proper authorisation within delegated authorities.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

5. In exercise of its duties, Internal Audit has access at all reasonable times to all records, correspondence and documents relating to any transactions of the Council and is entitled to such information and explanations from the Chief Executive, Corporate Directors, Heads of Service and any other staff as may, in its opinion, be necessary for audit purposes. The Performance Review and Audit Manager reports to the Head of Finance and Performance Review and also, where in his opinion circumstances require it, directly to the Corporate Director responsible for the Council's financial affairs, the Chief Executive and the Council.
6. Regular reports are provided to the Overview & Scrutiny (Stewardship) Committee, including the Annual Report on Internal Audit, their Work Programme and details of the progress made implementing audit recommendations.
7. The Annual Report on Internal Audit sets out the internal audit work completed during the financial year, provides an opinion on the overall adequacy and effectiveness of the Council's internal control system, and details any major control weaknesses that have been found. The Annual Report on Internal Audit 2001/2002 contained details of a significant weakness identified in the computerised personnel and payroll system in respect of a lack of segregation of duties and system access controls. Although good progress has been made in respect of some of the recommendations, limited progress has been made in resolving the fundamental concerns. A revised action plan to resolve the situation has been agreed and suitable controls should be in place by October 2003.
8. This review of the effectiveness of the system of internal financial control is informed by:
 - The work of Heads of Service and managers within the Council.
 - Internal Audit.

Signed _____

Corporate Director Responsible for the Council's Financial Affairs

Date: _____

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

CONSOLIDATED REVENUE ACCOUNT

This account shows the gross expenditure, income and net expenditure in 2002/03 on all services of the Council and any amounts transferred to and from reserves. This 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 2001/02 and 2002/03.

	Note Ref	2002/03			2001/02
		Gross Expenditure £000	Income £000	Net Expenditure £000	Net Expenditure £000
Environmental Services		3,659	(878)	2,781	2,524
Cultural Services		1,780	(138)	1,642	1,471
Planning Services	5,21	2,854	(1,667)	1,187	1,206
Transport Services		428	(36)	392	373
Housing Services					
General Fund Housing		6,301	(4,477)	1,824	1,485
Housing Revenue Account	4	25,176	(13,876)	11,300	9,608
Central Services to the Public	21	4,141	(3,114)	1,027	898
Corporate and Democratic Core	6	2,238	(240)	1,998	1,809
Unapportionable Central Overheads	6	1,203	-	1,203	925
Net Cost of Services		47,780	(24,426)	23,354	20,299
Precepts of Town/ Parish Councils	16			1,300	1,206
Asset Management Account	13			(13,007)	(11,362)
Losses on the early settlement of borrowing	23			97	69
Interest and Investment Income	12			(528)	(634)
Net Operating Expenditure	3			11,216	9,578
Council Housing transferred to/(from) HRA balances	4			182	(65)
Capital expenditure financed from revenue	14			267	490
Adjustment for provisions for loan repayment	15			(1,606)	(1,527)
Credit for Commutation					
Supplementary Credit Approval				(64)	(46)
Transfer to/from major repairs reserve				(35)	(37)
Amounts to be financed from Government Grants and Local Taxpayers				9,960	8,393
General Government Grant				(971)	(1,253)
Non Domestic Rate Redistribution				(3,381)	(3,000)
Council Taxpayers (Demand on the Collection Fund)	16			(4,479)	(4,115)
Transfers (from)/to the Collection Fund in respect of surpluses/deficits	17			(12)	(15)
Net General Fund (surplus)/deficit				1,117	10
General Reserve					
Balance at 1 April 2002				5,113	5,123
Balance at 31 March 2003				3,996	5,113

**BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03**

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Classification of Expenditure

The analysis of service costs by expenditure heading has been stated in accordance with the CIPFA's Best Value Accounting Code of Practice.

2. Capital Accounting System

Net expenditure on each service includes capital charges for the fixed assets used in the provision of that service. This charge covers the annual provision for depreciation, where appropriate plus a capital financing charge determined by applying a specified notional rate of interest (6%) based on the net amount at which the asset is included in the balance sheet. In order that there should be no effect on the Council Tax Payer these notional charges are credited to the Asset Management Account and offset by the true capital financing costs (see note 13, page 16). Capital charges are also included in the Housing Revenue Account and are based on rules laid down by the Government (see note 8 page 23).

3. Variations in Net Expenditure between 2001/02 and 2002/03

Net operating expenditure was £1.381m higher in 2002/03 than in the previous year. Council Housing net operating expenditure was £0.052m less than the previous year. Thus the net operating expenditure for the General Fund is £1.433m higher than in the previous year due to:

	£000
Pay award, and inflation	328
Interest costs, income and asset management account changes (net)	153
Net service cost increase	858
Increase in parish precepts	94
Total Increase	1,433

4. Inclusion of Council Housing Expenditure

The net cost of services relating to Council Housing and entries relating to corporate expenditure and income, appropriations, and the surplus or deficit for the year are required by the SORP to be included in the Consolidated Revenue Account. A full analysis of these figures is included in the Housing Revenue Account given on page 21. The net expenditure or surplus is transferred to/from the Housing Revenue Account so there is no effect on the totals to be financed from government grant and local taxpayers. Charges between the General Fund and the Housing Revenue Account are consolidated within this statement. (See also note 9 to the Housing Revenue Account).

5. 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:

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

	2002/03 £000	2001/02 £000
Income		
Rents	75	80
Other	-	1
	75	81
Expenditure		
Running Costs	(50)	(54)
Capital Charges	(73)	(74)
Net Surplus / (Loss)	(48)	(47)

6. Corporate and Democratic Core and Unapportionable Central Overheads

The Council incurs corporate and democratic costs specifically due to it being an elected multi-purpose authority. These costs are not related to the direct cost of the provision of services, and therefore are shown in total in the Consolidated Revenue Account. Unapportionable central overheads relate mainly to contributions to meet the pension fund deficit. In 2002/03 £0.457m (£0.361m in 2001/02) relating to these costs were apportioned to the Housing Revenue Account from the General Fund.

7. Section 137, Local Government Act 1972

The Local Government Act 2000 gives powers to authorities to promote well-being in their area. Previously, Section 137 empowered local authorities to incur expenditure that, in their opinion, was in the interest of their area or any part of it, or all or some of its inhabitants. Local authorities were required to account separately for any such expenditure. As a consequence of the new legislation, the majority of the provisions of s137 were repealed. It has therefore been assessed that the small number of grants previously made under the s137 power (which equated to £0.013m in 2002/03) now fall within the remit of the new power.

8. Publicity Memorandum Account

Section 5 of the Local Government Act 1986 requires Local Authorities to identify expenditure on publicity. In 2002/03 expenditure incurred totalled £0.348m compared to £0.284m in 2001/02. This figure includes the Authority's expenditure on Tourism.

9. Agency Services

The Council has a service agreement with Suffolk County Council to carry out grass cutting on District Highways. The total reimbursed during 2002/03 was £0.018m, the same as in 2001/02.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10. Pension Costs

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 2001.

In 2002/03 the authority paid an employer's contribution of £1.636m (2001/02 £1.345m) based on 29.2% of pensionable employees' reckonable pay. In addition to the annual employer's contribution, lump sum contributions of £1.050m are being paid towards the fund deficit between 2001/02 and 2003/04 from capital receipts – a sum of £0.366m was paid over in 2002/03.

During the year, 1 former employee was permitted to retire prematurely on efficiency grounds before they had attained their retirement age. The capitalised cost of the additional benefits relative to those reserved for under FRS17 is calculated at £4,000 (0.1% of employees' pensionable pay).

The actuarial valuation states that assets held at the valuation date of 31 March 2001 were sufficient to cover 84% of accrued liabilities assessed at that date.

The latest SORP requirements for accounting for pensions costs are undergoing substantial change over the financial years 2001/02 to 2003/04 in response to FRS 17 in relation to Retirement Benefits. Previously, local authorities have not been required to follow the UK GAAP when accounting for pension costs. Authorities have made charges to revenue based on employer's pension contributions payable in the year rather than benefits entitlements earned by employees.

The CIPFA/LASAAC Joint Committee has agreed that the requirements of FRS 17 will be incorporated fully into the SORP for the 2003/04 financial year on a staged basis. For 2002/03 transitional disclosures are required by way of a note to the balance sheet, showing the movement in the year on the net asset/liability relating to defined benefit schemes, analysed across the different gains and losses required by FRS17 (see note 26, page 41& 42).

Further information can be found in Suffolk County Council's Pension Annual Report, which is available upon request from: Director of Resource Management, PO Box 38, St Giles House, County Hall, Ipswich, IP4 2JP.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

11. Leases

The Council's policy is to acquire certain vehicles and equipment through operating leases, though no new leases were entered into during the year.

Outstanding obligations on operating lease agreements at the 31 March 2003 amounted to £0.101m (£0.219m at 31 March 2002). Operating lease payments for the year amounted to £0.225m (2001/02 £0.206m). There were no payments in the year on Computer equipment (2001/02 £0.020m). These figures exclude Council Housing – see note 11 on page 24.

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 has reduced from £0.634m to £0.528m mostly due to a reduction in the average interest rate from 4.71% in 2001/02 to 4.09% in 2002/03. Also the average level of surplus funds available to invest has reduced from £13.5m to £12.8m, mainly due to debt repayments of £4.3m made in the year (see note 15, page 37). However, as the repayments took place in March 2003, their impact on investment income this year is relatively low.

13. Asset Management Revenue Account

This account eliminates the notional amounts charged to service accounts for the use of assets and replaces this with the actual capital financing costs, and incorporates charges for both the Housing Revenue Account and General Fund. The amount credited to revenue in 2002/03 in relation to General Fund services was as follows compared with 2001/02. External interest paid has decreased from 2001/02 mainly due to the decision to repay debt and not re-borrow.

	2002/03 £000		2001/02 £000	
Capital charges to services for the use of fixed assets	(1,680)		(1,758)	
Prior Year Adjustment re MRP	-		(143)	
External Interest Payable	408	(9.7%)	478	(8.3%)
Less discount arising from debt rescheduling	(39)		(30)	
Release of Government Grants/Contributions	(76)		(63)	
Depreciation – General Fund	453		341	
General Fund credit to Revenue Account	(934)		(1,175)	
HRA credit to Revenue Account	(12,073)		(10,187)	
Total credit to Consolidated Revenue Account	(13,007)		(11,362)	

The balance on this account cannot be regarded as indicative of good or bad performance in relation to property management.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

14. Revenue Financing of Capital Schemes

Contributions to the cost of capital schemes undertaken during the year are made from the Revenue Account. In 2002/03 a total of £0.283m was financed in this way (2001/02 £0.498m). None of this was in respect of Council Housing Schemes (2001/02 £0.192m). An amount of £0.267m (2001/02 £0.298m) was charged to the General Fund and the remaining £0.016m was charged directly to services (2001/02 £0.008m).

15. Loan Repayment Provision

Under legislation, the Council must set aside a minimum revenue provision towards the repayment of external loans. For 2002/03 the statutory amount set aside was nil, as in 2001/02. However, a voluntary set-aside of £0.301m was made in 2002/03 to achieve debt-free status for the Council.

An adjustment for the difference between the minimum revenue provision and the amounts charged to the Asset Management account for depreciation and the writing down of deferred charges has to be made to ensure there is no impact on Council Taxpayers. The calculation of the amounts involved and the credit to the Revenue Account is shown below (including restatement of the figures for 2001/02, where appropriate, to reflect revised treatment of deferred charges):

	2002/03 £000	2001/02 £000
General Fund		
Minimum Revenue Provision:		
2% of Total Credit Ceiling	64	89
Less MRP Commutation Adjustment	(64)	(89)
Minimum Revenue Provision Required	0	0
Adjustment for charges to Asset Management Account:		
Depreciation – General Fund	(453)	(341)
Voluntary MRP	301	-
Deferred Charges	(1,640)	(1,392)
Appropriation re: Govt. Grants/Contributions	76	63
Credit to Revenue Account	(1,716)	(1,670)
HRA		
Minimum Revenue Provision:		
2% of Total Credit Ceiling	110	143
Total	(1,606)	(1,527)

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16. 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:

	2002/03 £000	2001/02 £000
Babergh District Council	3,179	2,909
Town/Parish Councils	1,300	1,206
Total Demand	4,479	4,115

17. Collection Fund Transfer

Under Collection Fund legislation any surplus 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.

18. 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 2003 in remuneration bands above £40,000 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
	2002/03		2001/02	
80,000 - 89,999	1	-	1	-
70,000 - 79,999	-	-	-	-
60,000 - 69,999	2	-	2	-
50,000 - 59,999	6	-	3	-
40,000 - 49,999	9	-	9	-
Total	18	-	15	-

19. Hadleigh Swimming Pool

The Council acts as sole Trustee for the Hadleigh Swimming Pool, which is a registered charity. The asset relating to the pool building is not included in the balance sheet as it is not an asset of Babergh District Council in its Local Authority role. The Authority, however, fully funds the net revenue expenditure of the pool as part of the Council's normal activities and this is recorded as such in the General Fund.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

20. 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.

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

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.

There were no transactions with Officers that were under their control or influence.

During the year transactions with related parties were as follows:

	Receipts £000	Payments £000	Receipts £000	Payments £000
	2002/03		2001/02	
Central Government				
• Revenue Grants				
- Specific and Special Grants	7,097	-	6,070	-
- Redistributed NNDR	3,381	-	3,000	-
- Revenue Support Grant	971	-	1,253	-
• Capital Grants				
- Government	420	-	420	-
Precepts				
• Suffolk County Council	-	23,435	-	20,537
• Suffolk Police Authority	-	2,559	-	2,049
• Parish Council Precepts	-	1,300	-	1,206
Chief Executive, Corporate Directors and Heads of Service				
- Car loans made available under the Council's scheme	9	-	17	16
Suffolk County Council Pension Fund				
- Payment of employer's pension contributions in respect of employees	-	1,636	-	1,345
- Additional lump sum contribution from capital receipts	-	366	-	211
Hadleigh Swimming Pool				
- Sole Trustee, revenue and capital transactions	-	38	-	84
Grants to Parish Councils, Community Councils and Village Halls		56		
	-		-	43
Other Grants to Voluntary Organisations		948		362

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Outstanding balances at the year-end were as follows:

	2002/03	2001/02
	£000	£000
Central Government		
• Revenue Grants		
- Specific and Special Grants	374	(204)
Chief Executive, Corporate Directors and Heads of Service		
- Car loans made available under the Council's scheme	11	20

21. Trading Accounts

The Council has two trading operations – Council Tax Collection and Building Control. Details of expenditure and income in relation to these activities is shown below:

Trading Activity	Income £m	Expenditure £m	Surplus/ (Deficit) £m	Surplus/ (Deficit) 2001/02 £m
Building Control – fee earning account	0.338	0.328	0.010	0.013
Council Tax Collection	0.318	0.320	(0.002)	(0.002)

22. Members' Allowances

The total amount of Members' allowances paid during 2002/03 was £0.161m (£0.129m in 2001/02).

23. Gains or Losses on the Early Settlement of Borrowing

A premium of £2.583m has been paid in 2002/03 (£0.764m in 2001/02) where external loans have been repaid prematurely. These are debited to the HRA over a period of ten years. Because these amounts 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 net residual impact of £0.097m in 2002/03 (£0.069m in 2001/02) relating to this amortisation charge is shown in the Consolidated Revenue Account.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

HOUSING REVENUE ACCOUNT

The Housing Revenue Account shows the major elements of Council housing revenue expenditure - maintenance, administration, rent rebates - 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	2002/03 £000	2001/02 £000
INCOME			
Dwelling rents	4	10,048	9,988
Non-dwelling rents		205	207
Charges for services and facilities	6	781	675
Contributions towards expenditure	9	110	90
Government Subsidy	17	2,724	2,713
Other income		8	3
		13,876	13,676
EXPENDITURE			
Repairs and maintenance		1,765	1,817
Supervision and management	2		
- General		1,873	1,836
- Special		1,256	1,116
Rents, rates, taxes and other charges	11	69	140
Housing Benefit	5	5,998	5,809
Increased provision for bad and doubtful debts	7	17	52
Cost of capital charge	18	12,482	10,714
Depreciation and impairment of fixed assets	16	2,144	2,134
Debt management costs		29	27
		25,633	23,645
Net Cost of Services		11,757	9,969
Net HRA income or expenditure on the Asset Management			
Revenue account	8	(12,073)	(10,187)
Interest on loan premium	19	31	-
Amortised premiums and discounts	19	97	69
Investment income	3	(69)	(84)
Net Operating Expenditure		(257)	(233)
Appropriations:			
Revenue contribution to capital expenditure	10	-	192
Contribution to minimum repayment provision		110	143
Transfer to/from Major Repairs Reserve	14	(35)	(37)
Total: Deficit/(Surplus) for the year	12	(182)	65
Housing Revenue Account Balance			
Balance at 1 April 2002		1,355	1,420
Balance at 31 March 2003		1,537	1,355

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The Council was responsible for managing an average of 3,810 dwellings during 2002/03. The stock was made up as follows as at 31 March 2003:

Houses and bungalows	3,033
Flats	685
Other	44
Total Stock at 31 March 2003	3,762

The change in the stock can be summarised as follows:

	2002/03	2001/02
Stock at 1 April	3,854	3,923
Less : sales	(92)	(69)
Stock at 31 March	3,762	3,854

The Council has part ownership (50%) of 8 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 2002/03 was 4.09% compared with 4.71% in 2001/02.

4. Gross Rent Income

During the year 0.9% of dwellings were vacant (0.8% in 2001/02). The actual average rent per week in 2002/03 was £51.54 (52 week basis), an increase of £1.58 (3.2%) over the previous year. The amount of rent/service charges due to be collected from tenants (net of rebates granted) was £5.036m (£5.061m in 2001/02).

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE HOUSING REVENUE ACCOUNT

5. Housing Benefit

Assistance with rents and service charges is available under the Housing Benefits Scheme for those on low incomes. Approximately 59% of the Council's tenants received some help in 2002/03 (57% in 2001/02).

6. Service and Facility Charges

These charges relate particularly to heating and scheme management services provided to residents in sheltered accommodation and homeless units. They also include the charges for community alarm systems in Council Houses.

7. Rent Arrears

At the end of the year rent arrears as a proportion of gross rent income decreased from 3.2% of the amount due to 3.0%. The figures are as follows:

	2002/03 £000	2001/02 £000
Arrears at 31 March	308	327

The balance sheet provision in respect of uncollectable debts is £0.113m, which includes an increase of £0.017m for 2002/03. The arrears figure includes some other charges that are normally paid by tenants with their rent.

8. Asset Management Revenue Account

This account reverses out charges for the use of assets included in the Net Cost of Services and replaces them with the actual financing costs. Depreciation costs are compensated by the major repairs allowance included in the Government subsidy receivable and from transfers to/from the Major Repairs reserve, in order to ensure that there is no impact on Council tenants.

	2002/03 £000	2001/02 £000
Capital charge – interest (notional)	(12,482)	(10,714)
Interest	409 (9.7%)	527 (8.3%)
Depreciation – dwellings and non-dwellings	2,144	2,134
Depreciation charged to net cost of services	(2,144)	(2,134)
Total	(12,073)	(10,187)

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE HOUSING REVENUE ACCOUNT

9. Contributions towards expenditure

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

10. Direct Revenue Financing of Capital Schemes

In 2002/03, none of the Housing Revenue Account capital programme was financed directly from revenue. It had been planned to spend £0.286m, though this was not required due to delayed financing of capital schemes.

11. Rent, Rates, Taxes and other charges

	2002/03 £000	2001/02 £000
Miscellaneous rents payable	4	4
Operating lease payments	65	136
Total	69	140

There were no new lease agreements entered into during 2002/03. Outstanding obligations on the operating lease agreements at 31 March 2003 amounted to £1.034m, which related to central heating systems and community alarms (£1.019m at 31 March 2002).

12. Variations in Net Expenditure between 2001/02 and 2002/03

The surplus/deficit changed by £0.247m in 2002/03 from the previous year. The main variations are detailed below:

	£000
Reduced direct revenue financing and capital charges	(255)
Increase in management, repairs and other costs	19
Increase in rent and other charges	(189)
Reduction in rent rebates/subsidy	178
Total increase	(247)

**BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03**

NOTES TO THE HOUSING REVENUE ACCOUNT

13. HRA Fixed Assets 2002/03

	Value as at 31 March 2003 £000	Value as at 1 April 2002 £000
Land	3,288	3,208
Houses	202,444	173,176
Other Property	2,303	2,216
	208,035	178,600
Operational assets comprising dwellings and other land and buildings	203,689	174,402
Non operational assets	4,346	4,198
	208,035	178,600

The value of the dwellings within the HRA shows the economic cost to Government of providing Council housing at less than open market rents. The vacant possession value of dwellings as at 1 April 2003 was £356.5m.

14. Major Repairs Reserve

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

	£000
Balance as at 1 April 2002	-
Amount transferred to the reserve (equivalent to depreciation on HRA dwellings)	(2,144)
Amount transferred from the reserve to the HRA	35
Capital Expenditure in the year (on Council dwellings)	1,719
Balance as at 31 March 2003	(390)

15. Capital Expenditure and Financing Summary

Capital expenditure in 2002/03 in the HRA was financed as follows:

	£000		£000
Dwellings	2,006	Capital receipts	-
Other Property	506	Use of credit approvals	515
		Revenue contributions	-
		Major repairs reserve	1,719
		Contributions	116
		Change in working capital	162
	2,512		2,512

Total capital receipts from disposals of Council houses through the Right to Buy scheme during 2002/03 were £3.92m, receipts from sale of DIYSO properties were £0.079m and receipts from sale of housing land were £0.135m.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE HOUSING REVENUE ACCOUNT

16. Depreciation and Impairment

The total charge for 2002/03 is as follows, with no requirement in relation to impairment being necessary for the year.

	Depreciation £000
Land	-
Houses	2,109
Other Property	35
	2,144
Operational assets comprising dwellings and other land and buildings	2,124
Non operational assets	20
	2,144

17. Breakdown of the Amount of HRA Subsidy Payable

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

	2002/03 £000
Management Allowance	1,049
Maintenance Allowance	1,960
Major Repairs Allowance	2,109
Housing Benefits	5,757
Charges for capital	895
Other items of reckonable expenditure	5
	11,775
Interest on Receipts	(11)
Notional Income from Rents	(9,072)
Adjustment to 2001/02 subsidy	32
Total subsidy receivable	2,724

18. Cost of Capital Charge

A cost of capital charge is included in the Housing Revenue Account. This represents a financing charge at a specified notional rate of interest (6%) based on the net amount at which the asset is included in the balance sheet. The charge is then credited out of the account below the 'Net Cost of Services' in order to ensure that there is no impact on tenants.

19. Amortised Premiums and Interest on Loan Premium

See note 23 to the Consolidated Revenue account on page 20.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

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, Non Domestic Rates and Community Charge and illustrates the way in which these have been distributed to Suffolk County Council, the Suffolk Police Authority and the Council's General Fund.

	Note Ref	2002/03 £000	2001/02 £000
INCOME			
Income from Council Tax	1	27,665	24,518
Transfers from General Fund			
- Council Tax Benefits	2	2,706	2,265
Income collectable from business ratepayers	3	13,065	14,010
Contribution from the General Fund (Discretionary Rate Relief)	7	74	56
Adjustments of previous year's Community Charges	4	-	(1)
		43,510	40,848
EXPENDITURE			
Precepts and Demands	6	30,407	26,629
Business Rates			
- Payment to National Pool	3	13,024	13,969
- Costs of collection	3	115	115
Council Tax - Bad and doubtful debts			
- Write offs		79	60
- Provisions	5	18	20
Contributions			
- Towards previous year's estimated Collection Fund Surplus	6	78	88
- Towards Council Tax Benefit Subsidy Limitation Surplus		-	16
		43,721	40,897
Movement on Fund Balance	7	(211)	(49)
FUND BALANCE			
Surplus at 1 April		22	71
Movement on fund balance		(211)	(49)
(Deficit)/Surplus at 31 March	7	(189)	22

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE COLLECTION FUND ACCOUNT

1. Council Tax Income

This figure reflects the net amount receivable from taxpayers in 2002/03 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 dwellings.

The calculation of the tax base for 2002/03 and the income it was forecast to generate is shown below:

Band	Chargeable Dwellings	Factor	Band D Equivalents	Forecast Income £000
A	3,318.67	6/9ths	2,212.45	2,163
B	9,690.04	7/9ths	7,536.70	7,367
C	6,679.34	8/9ths	5,937.19	5,803
D	6,064.92	9/9ths	6,064.92	5,928
E	3,498.37	11/9ths	4,275.79	4,179
F	1,794.20	13/9ths	2,591.62	2,533
G	1,364.39	15/9ths	2,273.98	2,223
H	146.88	18/9ths	293.76	287
Total	32,556.81		31,186.41	30,483
Less provision for bad and doubtful debts (0.25%)			(77.97)	(107)
Tax base for tax setting			31,108.44	30,376

The shortfall of £112,000 between the forecast gross income from the tax base of £30.483m and the amount of income from Council Tax payers, Benefits and Transitional Relief was equivalent to a reduction of 115 Band D properties and arose due to actual growth in the tax base being less than anticipated during the year.

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 2002/03

NOTES TO THE COLLECTION FUND ACCOUNT

3. Business Rates

The Council collects business rates in the district. The amount collected less an allowance for the cost of collection (of £0.115m in 2002/03) is paid over to the Government's National "Pool" for redistribution. The rateable value of all properties in the district at 31 March 2003 was £34.153m and the national rate in the pound (fixed by the Government) for the year was 43.7p. The comparable figures for 2001/02 were £34.472m and 43.0p.

The net amount collectable from ratepayers reduced from £14.010m in 2001/02 to £13.065m in 2002/03 due to movements in the rating list following the 2000 revaluation. 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.

Every 5 years, all business properties are re-valued by the District Valuer to reflect movement in market prices. This last took place on 1 April 2000.

4. Community Charge

All amounts in respect of Community Charge have now been collected and the account closed.

5. Bad and Doubtful Debts

Provision has been made for a 0.11% non-collection rate in respect of Council Tax, compared to 0.12% as at 31 March 2002.

6. Precepts / Demands

The amounts included in the accounts are as follows:

	2002/03		2001/02	
	£000	£000	£000	£000
Suffolk County Council	23,435		20,689	
Less CTBSL adjustment	-	23,435	(152)	20,537
Suffolk Police Authority	2,559		2,069	
Less CTBSL adjustment	-	2,559	(20)	2,049
Babergh District Council				
District Council purposes	3,179		2,909	
Town/Parish Council purposes	1,300		1,206	
		4,479		4,115
Total		30,473		26,701

The Government introduced the Council Tax Benefit Subsidy Limitation (CTBSL) scheme in 1999/00 where Council Tax increases exceeded specified limits. This reduced the net amount received by Councils as shown above. This scheme has been abolished in 2002/03.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE COLLECTION FUND ACCOUNT

7. 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 2003 there was a deficit on Council Tax overall of £0.115m.

The movement on fund balance in respect of individual precepting bodies in 2002/03 is as follows:

	Fund Balance 31 March 2003 £000	Movement on Fund Balance 2002/03 £000	Balance 1 April 2002 £000
Babergh District Council			
- Council Tax	(17)	(32)	15
- Discretionary Rate Relief	(74)	-	(74)
Suffolk County Council			
- Council Tax	(88)	(162)	74
Suffolk Police Authority			
- Council Tax	(10)	(17)	7
Total	(189)	(211)	22

The deficit of £0.074m 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 Consolidated Revenue Account for 2002/03.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

CONSOLIDATED BALANCE SHEET

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

	Note Ref	31 March 2003		31 March 2002	
		£000	£000	£000	£000
Fixed assets					
Operational assets					
- Council dwellings			202,444		173,176
- Other land and dwellings			9,756		9,509
- Vehicles, plant and equipment			103		825
- Infrastructure			760		847
Non operational assets			6,429		6,246
Assets under construction			61		54
Total fixed assets	1-5		219,553		190,657
Deferred Charges					
- Improvement grants	5,6		61		53
- Other	5,6		307		662
Long term debtors/mortgages	7		2,408		804
Long term investments	8		80		80
Total Long Term Assets			222,409		192,256
Current Assets					
Stocks and Stores			51		28
Debtors	9		3,752		2,652
Investments (short term)	10		3,663		8,014
Other current assets	11		638		458
			8,104		11,152
Current Liabilities					
Creditors	12		(2,700)		(2,665)
Other current liabilities	13		(1,261)		(1,008)
Provisions	14		(97)		(92)
Cash overdrawn			(1,182)		(979)
Net current assets			2,864		6,408
Total Assets less Current Liabilities			225,273		198,664
Long-term borrowing	15		-		(4,250)
Deferred capital receipts	16		(178)		(200)
Government grants - deferred	17		(243)		(279)
Capital contributions - deferred	17		(1,598)		(1,480)
Deferred credits	24		(322)		(361)
			(2,341)		(6,570)
Total Assets less Liabilities			222,932		192,094
Fixed asset restatement reserve	18		176,986		148,313
Capital financing reserve	18		40,054		37,002
Capital contributions unapplied	22		52		8
Capital grants unapplied	22		105		20
Capital receipts unapplied	20		1		261
Major Repairs Reserve			390		-
Revenue balances	23		5,344		6,490
Total Equity			222,932		192,094

.....
Geoff Kistner, Corporate Director

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Dated

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Movement of Fixed Assets

	Council Housing Dwellings £000	Other land and buildings £000	Vehicles Plant and Equipment £000	Infra-structure £000	Non-Operational incl. HRA £000	Assets under Construction £000	Total £000
Value as at 1 April 2002	173,176	9,509	825	847	6,246	54	190,657
Prior year adjustment			(698)			(18)	(716)
Expenditure in year	2,512	238	5	2	2	61	2,820
Disposals in year	(4,146)	(64)			(306)		(4,516)
Adjustments in year			36			(36)	0
Revaluations in year	33,011	330		(2)	567		33,906
Gross book Value 31 March 2003	204,553	10,013	168	847	6,509	61	222,151
Depreciation for year	(2,109)	(257)	(65)	(87)	(80)		(2,598)
Net book value 31 March 2003	202,444	9,756	103	760	6,429	61	219,553

The revaluation figures are analysed below:

Revaluations in Year 2002/03	£m
Annual indexing update of value of assets	36.7
Capital expenditure in year that does not increase asset values	(2.8)
Total Variation	33.9

There was a significant increase in the value of Council housing, in line with the recent surge in house prices.

The revaluation figures during 2002/03 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.

The prior year adjustment to Vehicles, Plant and Equipment relates to the depreciation of wheeled bins. This had not been accounted for in previous years, and they have now been written down to zero as at 31 March 2003, reflecting the write-down period of 15 years.

2. Capital Commitments

As at 31 March 2003 the Council was contractually committed to certain capital works. There are major commitments on the following items of capital expenditure:

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED BALANCE SHEET

	£000
Housing	
Drainage – Anglia Estates, Gt. Cornard	405
Local Authority Social Housing Grant (committed schemes)	195
Renovation Grants approved	188
Other commitments	467
Total	1,255

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

3. Information on Assets Held

Fixed assets owned by the Council include the following:

	Number at 31 March 2003	Number at 31 March 2002
Operational Assets		
HRA		
Council Dwellings (incl DIYSO)	3,762	3,854
General Fund		
Council Headquarters	1	1
Offices and Other Buildings (Note 1)	1	4
Tourist Information Centres (Note 1)	2	
Depots and Workshops	3	3
Off-Street Car Parks	22	22
Leisure Centres and Swimming Pools (note 2)	2	2
Public Conveniences	13	13
Bus Stations	1	1
Amenity Land and Community Assets (Note 1)	29	28
Non-operational assets		
HRA		
Shops	9	9
Misc Properties	8	8
Vacant Land	26	28
General Fund		
Commercial Property available for rent	14	24
Other dwellings	5	5
Surplus property	2	2
Infrastructure Assets		
General Fund		
Town Centre CCTV System	1	1
Gt Cornard Drainage System	1	1

Note 1: Certain assets have been reclassified for 2002/03 accounts. Tourist Information Centres are now shown separately, and Calais Street Pavilion is now included with Amenity Land and Community Assets.

Note 2: Includes Hadleigh Swimming Pool which the Council operates as sole trustee.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED BALANCE SHEET

4. Fixed Asset Valuation

The freehold and leasehold properties which comprise the authority's general fund property portfolio (and certain housing accommodation for the homeless) were professionally valued as at 1 April 1999. The valuation was carried out by an external independent FRICS 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 is included in the valuation of the buildings.

Properties regarded by the authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the asset, the depreciated replacement cost.

Properties regarded by the authority as non-operational have been valued on the basis of open market value.

Council dwellings were revalued on an Existing Use Value for Social Housing basis as at 1 April 2000, by an external independent FRICS qualified valuer from Countrywide Surveyors, in accordance with the requirements of Resource Accounting for the HRA. These values have been uplifted by Countrywide Surveyors to reflect any increase in valuations up to 31 March 2003.

Infrastructure assets represent the value of the Great Cornard Flood Relief Drainage System and the CCTV equipment installed in Sudbury and Hadleigh. These assets have been valued on the basis of historical cost.

5. Capital Financing

Capital expenditure in 2002/03 was financed as follows compared with 2001/02:

	2002/03 £000	2001/02 £000		2002/03 £000	2001/02 £000
Fixed Assets	2,820	2,863	Capital receipts	1,076	469
Deferred Charges	1,631	1,255	Use of credit approvals	1,083	720
			Revenue contributions	283	498
			Major Repairs Reserve	1,719	2,097
			Capital grants	187	196
			External Contributions	160	125
			Change in Working Capital	(57)	13
Total	4,451	4,118	Total	4,451	4,118

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED BALANCE SHEET

6. Deferred Charges

Under the capital accounting system deferred charges arise where expenditure is charged to capital and financed by loan but no tangible asset is acquired (e.g. grants towards capital costs incurred by other bodies/individuals). The balance is charged to the revenue account over an appropriate number of years. Movements in the year compared with 2001/02 were:

	2002/03 £000	2001/02 £000
Balance at 1 April	715	684
Prior year adjustment re CCTV	-	53
Expenditure	1,856	1,142
Accruals (change in level between years)	(225)	113
Amounts financed from usable receipts/revenue etc	(1,797)	(1,087)
Amounts charged to consolidated revenue account	(181)	(190)
Balance at 31 March	368	715

The total balance of deferred charges at 31 March is analysed between improvement grants and other capital expenditure as follows:

	Improvement Grants £000	Other £000	Total £000
Balance at 1 April 2002	53	662	715
Balance at 31 March 2003	61	307	368

Other deferred charges relate mainly to capitalised software and accrued expenditure.

7. 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.

In 2002/03 this includes £2.298m in loan premium repayments due to be charged to the HRA after more than one year that have been reclassified as long term debtors (see note 11). Prior year figures have also been restated.

The other main component is mortgages granted to previous Council house tenants of £0.099m (£0.120m in 2001/02) but this also includes mortgages in respect of private sector house purchases.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED BALANCE SHEET

8. 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; the earliest that any part of this could have been redeemed was June 2001. 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. Any future dividend arising from appreciated capital value of the ADC office building will accrue at the end of the debenture scheme in 2011. 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.

9. Debtors

The balance of monies due to the authority was £1.1m higher at 31 March 2003 than at the end of the previous year. This is mainly due to amounts outstanding in relation to Government grants towards rent allowances (£0.275m), an over payment to the NNDR pool (£0.515m) and a higher level of general debtors. Of the total balance at 31 March 2003, £0.190m relates to staff car loans, some of which falls due after one year (2001/02 £0.173m).

The Council has made provision for bad and doubtful debts in respect of local taxation and housing rent arrears. The debtors' balance shown has been reduced by these amounts.

The provisions at the 31 March were:

	2003 £000	2002 £000
Council Tax	218	200
Non Domestic Rates (NNDR)	191	215
Housing Rents	113	106
Total	522	521

10. Short-Term Investments

Short-term investments were deposited with the following lenders at 31 March. Surplus funds have reduced mainly because of the decision to repay two loans and not replace them.

	2003 £000	2002 £000
UK Clearing Banks	2,663	3,614
Foreign Banks	-	1,000
Building Societies	1,000	3,400
Total	3,663	8,014

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. Other Current Assets

These include payments made in advance for goods and services to be received in 2003/04. The total is £0.180m more than the previous year, which is due to the additional proportion of loan premiums chargeable to the HRA in 2003/04. The amounts of loan premium that are chargeable to the HRA after 2003/04 have been reclassified as long term debtors for 2002/03 and 2001/02 figures have also been restated (see note 7).

12. Creditors

The Council's liability to creditors at 31 March 2003 was £0.035m higher than the previous year.

13. Other Current Liabilities

The balance of £1.261m at 31 March 2003 was an increase of £0.253m on the previous year, largely due to higher Council Tax and Business Rates prepayments. At 31 March 2003 £0.901m relates to prepayments and credits for Council Tax, Non Domestic Rates and Council House Rents (£0.667m as at 31 March 2002).

14. Provisions

	31 March 2003 £000	Payments/ transfers in Year £000	Receipts in year £000	1 April 2002 £000
Insurance Fund (HRA)	-	(91)	58	33
Historic Buildings	-	(29)	5	24
Business Work Space	-	(23)	5	18
Planning Appeals	97	-	97	-
Environmental Challenge	-	(3)	3	-
Gas Supply (HRA)	-	(17)	-	17
Total	97	(163)	168	92

Most of the balances on these have been transferred to the revenue account in 2002/03. The remaining provision relates to two planning appeals where costs have been awarded against the Council. These liabilities were recognised at the balance sheet date and £75k has since been settled. The balance is likely to be settled during the second half of 2003.

15. Long Term Borrowing

	Total Outstanding at 31 March	
	2003 £000	2002 £000
Source of Loan:		
Public Works Loan Board (PWLB)	-	4,250
	-	4,250
An analysis of loans by maturity is:		
Maturing in more than 10 years	-	4,250
	-	4,250

The Council technically became debt-free on 1 April 2003, based on the above.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of assets, which will be received in installments over agreed periods of time. They arise principally from mortgages on sales of Council houses which form the main part of mortgages under long term debtors and £80,000 is also included in respect of the ADC debenture (see note 8 page 36).

17. 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 asset management revenue 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:

Capital Scheme	Grant/Contribution	2003 £000	2002 £000
Closed Circuit TV	Home Office Grant	65	93
Great Cornard Surface Water	Ministry of Agriculture Grant	125	130
Drainage – Phase 1	Suffolk County Council	175	183
Great Cornard Surface Water	Ministry of Agriculture Grant	53	54
Drainage – Phase 2	Suffolk County Council	73	75
Drainage – Anglia Estates	Suffolk County Council	142	-
Kingfisher Leisure Centre	National Lottery Award	218	226
	Other Sources	72	75
East House	Insurance	508	517
	Suffolk County Council	44	45
Flatford TIC	National Lottery Award	156	159
Girling Street Car Park	Tesco	38	38
Raydon Way, Great Cornard	Insurance Claim	47	47
Other Schemes	Various contributions	125	115
	Various grants	-	2
Total		1,841	1,759

18. Fixed Asset Restatement Reserve and Capital Financing Reserve

The movement on these reserves is fully detailed in the Statement of Total Movement on Reserves and the accompanying notes.

19. Capital Receipts

The government specifies the amount of capital receipts that has to be set aside for the repayment of external loans. This is 50% for Housing land sales, 75% of Council House sales and 100% of Housing Corporation Grant, but zero for sales of other assets. The remaining proportions can be used for new Capital investment. The figures for the last two years are as follows:

	2002/03 £000	2001/02 £000
Set aside	3,472	2,019
Usable	1,390	730
Total Receipts	4,862	2,749

**BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03**

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. Usable Capital Receipts

	2002/03 £000	2001/02 £000
Balance at 1 April	261	-
Receipts in year	1,390	730
Applied during the year:		
- on new expenditure	(710)	(258)
- to reduce pension fund deficit	(366)	(211)
- voluntary set-aside	(574)	-
Balance at 31 March	1	261

The voluntary set-aside was made to achieve debt-free status.

21. Amount set aside for Loan Debt Redemption (Memorandum Account)

The Council is required to set aside sums for the repayment of debt or the financing of capital expenditure (providing there are sufficient unused credit approvals). The balance is included within the capital financing reserve. No new borrowing was undertaken in 2002/03, therefore capital expenditure backed by credit approvals has been funded from internal investments.

	2003 £000	2002 £000
Balance at 1 April	15,321	16,917
Reserved receipts in the year	3,472	2,019
Usable receipts set-aside	574	-
Voluntary revenue provision	301	-
	19,668	18,936
External debt repayments	(4,250)	(2,895)
Used to finance capital expenditure	(1,083)	(720)
Balance at 31 March	14,335	15,321

The voluntary set-aside of usable receipts (£0.574m), together with a voluntary set-aside from revenue (£0.301m), has enabled the Council to obtain a negative credit ceiling which is a requirement to becoming “debt-free”.

22. Capital Contributions/Grants Unapplied

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.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED BALANCE SHEET

23. General Fund Reserves and Balances

The movements on the various reserves are shown below:

	Balance 31 March 2003 £000	(Used)/ Added in Year £000	Balance 1 April 2002 £000
General Fund Reserves/Balances	3,996	(1,117)	5,113
Housing Revenue Account	1,537	182	1,355
Collection Fund	(189)	(211)	22
Total	5,344	(1,146)	6,490

The collection fund balance consists of a £0.115m deficit on Council Tax, and a deficit of £0.074m resulting from the treatment of discretionary rate relief. The Council Tax deficit will be debited to the General Fund and to Suffolk County Council/Suffolk Police Authority in due course, although the actual debit will be dependent on future tax yields and collection rates. The discretionary rate relief will be charged to the General Fund in 2003/04 and an accrual has been made for this liability (see note 7 to the Collection Fund on page 30).

24. Deferred Credits

This is the balance of the discounts received on premature repayment of external debt and will be credited to the revenue account in future years to reduce capital financing costs in the asset management account. The current balance of deferred credits will be credited to revenue over the next 12 years. Note 20 of the accounting policies describes the basis (on page 54).

25. 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. These figures exclude the balances on the fixed asset restatement and capital financing reserves. The part of the collection fund attributable to Suffolk County Council and Suffolk Police Authority (£0.098m in 2002/03 and £0.081m in 2001/02) has also been excluded from this statement.

	31 March 2003 £000	31 March 2002 £000
General Fund	4,063	5,343
Housing Revenue Account	1,537	1,355
Total	5,600	6,698

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED BALANCE SHEET

26. Pension Fund

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

In 2002/03, pensions costs have been charged to the consolidated revenue account on the basis of contributions payable for the year to Suffolk County Council's Pension Fund (based on a formal actuarial valuation for 31 March 2001) and the pensions payable in the year to retired officers. Actuaries to the Pension Fund have assessed that, as at 31 March 2003, the Authority had the following overall assets and liabilities for pensions that have not been included in the balance sheet:

	31 March 2003 £000	31 March 2002 £000
Estimated liabilities in scheme	(32,401)	(30,972)
Estimated assets in scheme	19,955	23,231
Net asset/(liability)	(12,446)	(7,741)

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 are dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

Assumptions as at:	31 March 2003 %	31 March 2002 %
Rate of inflation	2.5	2.8
Rate of increase in salaries	4.0	4.3
Rate of increase in pensions	2.5	2.8
Rate for discounting scheme liabilities	6.1	6.4

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:

Assets (Whole Fund)	Long term return %	31 March 2003 % of assets	31 March 2002 % of assets
Equity investments	8.0	63	68
Bonds	4.8	20	18
Property	6.0	14	10
Cash	4.0	3	4
Total	7.0	100	100

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CONSOLIDATED BALANCE SHEET

The movement in net pension liability for the year to 31 March 2003 is as follows:

	£000s
Net pensions liability at 1 April 2002	(7,741)
Movements in the year:	
Current service cost	(729)
Employers' contributions payable to scheme	2,003
Retirement benefits payable to pensioners	-
Past service costs	(4)
Interest costs	(1,982)
Expected return on assets in the scheme	1,589
Actuarial gains / (losses)	(5,582)
Net pensions liability at 31 March 2003	(12,446)

The actuarial losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2003:

	£000s	%
Differences between the expected and actual return on assets	(5,872)	(29.4)
Differences between actuarial assumptions about liabilities and actual experience	290	0.9
Changes in the demographic and financial assumptions used to estimate liabilities	-	-
	(5,582)	

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.

27. Post Balance Sheet Events

The primary cause of the change from an estimated net liability of £7.741m at 31st March 2002 to an estimated net liability of £12.446m at 31st March 2003 has been the reduction in the capital value of the Fund's investment assets, arising from a fall in equity markets.

The £12.446m net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2003 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2003 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review of the Pension Fund, due to be carried out as at 31st March 2004. Their advice on whether or not there is any anticipated shortfall in the funding of the scheme at that time will determine the future level of pension contributions.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

STATEMENT OF TOTAL MOVEMENT IN RESERVES

The Statement of Total Movement in Reserves brings together all the recognised gains and losses of the Council during the year. The statement separates the movement between revenue and capital reserves. The current statutory framework for accounting for capital income and expenditure requires that profits and losses upon the disposal of fixed assets do not pass through the Consolidated Revenue Account. These transactions are reflected in the account below as movements in reserves.

	Note ref.	2002/03		2001/02	
		£000	£000	£000	£000
Surplus/(Deficit) for the year					
- General Fund		(1,117)		(10)	
- Housing Revenue Account		182		(65)	
- Collection Fund		(211)		(49)	
- Deferred Credits		(39)		81	
- Major Repairs Reserve		390		-	
Total increase/(decrease) in revenue resources			(795)		(43)
Increase/(decrease) in usable capital receipts		(260)		261	
Increase/(decrease) in unapplied capital grants and contributions		129		(22)	
Total increase/(decrease) in realised capital resources	1		(131)		239
Total increase/(decrease) in unrealised value of fixed assets	2		36,660		26,820
Value of assets sold, disposed of or decommissioned	3		(7,987)		(5,568)
Capital receipts set aside		4,063		2,026	
Revenue resources set aside		(1,011)		(520)	
Movement on Government Grants deferred		(36)		(26)	
Movement on contributions deferred		118		(34)	
Total increase/(decrease) in amounts set aside to finance capital investment	4		3,134		1,446
Total recognised gains and losses			30,881		22,894

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

1 Movements in realised capital resources	Usable capital receipts £000	Unapplied capital grants and contributions £000
Amounts receivable in 2002/03	1,390	476
Amounts applied to finance new capital investment in 2002/03	(1,076)	(347)
Voluntarily set aside to repay debt	(574)	-
Total increase/(decrease) in realised capital resources in 2002/03	(260)	129
Balance brought forward at 1 April 2002	261	28
Balance carried forward at 31 March 2003	1	157

2 Movements in unrealised value of fixed assets	Fixed asset restatement reserve £000
Gains/(losses) on revaluation of fixed assets in 2002/03	36,660
Impairment losses on fixed assets due to general changes in prices 2002/03	-
Total increase/(decrease) in unrealised capital resources in 2002/03	36,660
3 Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in 2002/03	(4,516)
Other movement on the reserve	(3,471)
	(7,987)
Total movement on reserve in 2002/03	28,673
Balance brought forward at 1 April 2002	148,313
Balance carried forward at 31 March 2003	176,986

Other movement on reserve relates to a prior year adjustment (£0.716m) and to capital expenditure that has not resulted in an increase in asset values (£2.755m). The prior year adjustment mostly relates to the depreciation of wheeled bins (£0.698m), which had not been accounted for in previous years. They have now been written down to zero as at 31 March 2003, reflecting the write-down period of 15 years. The balance relates to work carried out on public conveniences that did not, in fact, enhance their value as was previously thought.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

4 Movements in amounts set aside to finance capital investment	Capital Financing Reserve £000	Government Grants Deferred £000	Contributions Deferred £000	Total £000
Capital receipts set aside in 2002/03				
- reserved receipts	3,472			
- usable receipts applied	591			
Total capital receipts set aside in 2002/03	4,063			
Revenue resources set aside in 2002/03				
- capital expenditure financed from revenue	110			
- capital expenditure financed by BCA (deferred charges)	(377)			
- capital expenditure financed by MRA	1,719			
- reconciling amount for provision for loan repayment	(257)			
- adjustment re HRA depreciation	(2,144)			
- SCA re commutation	(64)			
- other adjustments	2			
Total revenue resources set aside in 2002/03	(1,011)			
Grants applied to capital investment in 2002/03			157	
Amounts credited to the asset management revenue account in 2002/03		(36)	(39)	
Movement on Government Grants Deferred		(36)	118	82
Total increase in amounts set aside to finance capital investment				82
Total movement on reserve in 2002/03	3,052	(36)	118	3,134
Balance brought forward at 1 April 2002	37,002	279	1,480	38,761
Balance carried forward at 31 March 2003	40,054	243	1,598	41,895

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

CASH FLOW STATEMENT

	Note Ref	2002/03		2001/02	
		£000	£000	£000	£000
Revenue Activities					
<u>Expenditure</u>					
Cash paid to and on behalf of employees		8,718		7,736	
Other operating costs		7,801		7,387	
Housing Benefit paid out		4,459		4,000	
Precepts and Demands		27,307		23,809	
Contribution to pool in respect of NNDR collected		13,024		13,969	
<u>Income</u>					
Rents (after rebates)		(4,471)		(4,516)	
Council Tax income (after Benefits)		(25,025)		(22,086)	
Non Domestic Rate Income (NNDR)		(13,273)		(14,095)	
Contribution from NNDR pool		(2,471)		(2,803)	
Revenue Support Grant		(971)		(1,253)	
DWP grants for housing benefits		(8,931)		(8,386)	
Other Government grants	5	(299)		(263)	
Cash received for goods and services		(2,298)		(2,585)	
Other revenue cash payments/income	2	(1,767)	1,803	(670)	244
Servicing of Finance					
<u>Expenditure</u>					
Interest paid		520		549	
<u>Income</u>					
Interest received		(471)	49	(692)	(143)
Capital Activities					
<u>Expenditure</u>					
Purchase of fixed assets		2,535		2,576	
Deferred Charges		1,631		1,255	
<u>Income</u>					
Sale of fixed assets		(4,943)		(2,796)	
Capital grants received		(445)		(135)	
Other capital cash payments/income		(326)	(1,548)	(220)	680
Net cash (inflow)/outflow before financing			304		781
Management of Liquid Resources					
Net increase/(decrease) in short term deposits	4		(4,351)		(3,011)
Financing					
<u>Expenditure</u>					
Repayments of amounts borrowed			4,250		2,895
Increase in cash and cash equivalents	3		203		665

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CASH FLOW STATEMENT

1. General

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2. 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.

	£000	£000
(Surplus)/Deficit for the year		1,146
Non Cash Transactions		
+/- SCA commutation adjustment	64	
+/- minimum revenue provision	(301)	
+/- provisions set aside in the year	(1)	
+/- contbs. to/from Major Repairs Reserve	(2,109)	
-/+ premature debt redemption	39	
		(2,308)
Items on an Accruals Basis		
+/- increase/decrease in stocks	23	
+/- increase/decrease in debtors	1,240	
+/- increase/decrease in payments in advance	1,811	
+/- increase/decrease in imprests	(2)	
-/+ increase/decrease in creditors	83	
-/+ increase/decrease in receipts in advance	(239)	
-/+ increase/decrease in suspense accounts	(14)	
-/+ increase/decrease in provisions	(5)	
		2,897
Items Classified in another Classification in the Cash Flow Statement		
Interest	(49)	
Internal recharges to capital	400	
Direct revenue financing of capital schemes	(283)	
Financing element	-	
		68
Net cash inflow from revenue activities		1,803

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

NOTES TO THE CASH FLOW STATEMENT

3. Increase / Decrease in Cash

The table below links the net increase in cash overdrawn with the movements in the balance sheet.

	Balance 31 March 2003 £000	Movement In year £000	Balance 1 April 2002 £000
Cash overdrawn	(1,182)	203	(979)

4. Increase/Decrease in Liquid Resources

The table below links the net increase in short term deposits with the movements in the balance sheet.

	Balance 31 March 2003 £000	Movement In year £000	Balance 1 April 2002 £000
Short term investments	3,663	4,351	8,014

5. Analysis of Other Government Grants

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

	2002/03 £000	2001/02 £000
HB (Admin) grant	152	155
Verification Framework Grant	53	56
H.B. Section 19 Fraud Grant	108	6
Participation in Housing Benefit Incorporation	7	-
Housing Defects Act subsidy	-	7
Council Tax reduction scheme grant	2	1
Civil Protection grant (Home Office)	7	6
Fast Track Subsidy	(30)	-
Fraud Incentive Scheme	15	22
Discretionary Housing Payments	(15)	10
Total	299	263

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

STATEMENT OF ACCOUNTING POLICIES

1. General

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 – Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs) - and the latest Statement of Recommended Practice (SORP).

The following accounting policies are consistent with the requirements of FRS18: Accounting Policies, to apply appropriate policies and to review those policies on a regular basis. The fundamental accounting concepts of going concern and accruals have been applied consistently.

2. Fixed Assets

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, which is charged direct to service revenue accounts.

Fixed assets are valued 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 as follows:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value
- 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 and net realisable value. In the case of investment properties, this is normally open market value
- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

The surpluses arising on the valuation of fixed assets are held in the fixed asset restatement reserve. These are planned at five yearly intervals, although annual values are uplifted or adjusted based on indices provided by the Council's external valuers. In addition, material changes to asset valuations are adjusted in the interim period.

Council dwellings are valued on an Existing Use Value for Social Housing basis in accordance with the requirements of Resource Accounting for the HRA.

The SORP contains a requirement to establish whether there has been any permanent diminution in the value of assets and introduces a more rigorous process for recognising impairment in order to ensure that:

- Fixed assets are recorded in the financial statements at no more than their recoverable amount;
- Any resulting impairment loss is measured and recognised on a consistent basis; and
- Sufficient information is disclosed to enable users to understand the impact of the impairment.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

STATEMENT OF ACCOUNTING POLICIES

Examples of circumstances where valuations are likely to have changed materially are:

- 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; and
- A commitment by the authority to undertake a significant reorganisation.

The SORP stipulates that an impairment review for fixed assets (other than non-depreciable land) is required when either no depreciation charge is made on the grounds that it would be immaterial, or the estimated remaining useful life of the fixed asset exceeds 50 years. The Council's assets where the remaining useful life is deemed to exceed 50 years are all properties, which have all been subject to an independent professional valuation at the end of the financial year (see note 4 to the Balance Sheet, page 34). Given that there was no indication of any impairment to these properties, it is not deemed necessary to undertake any further review.

Assets acquired under finance leases are also capitalised in the authority's accounts, including the liability to pay future rentals.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not reserved for the repayment of external loans and forms part of the capital financing reserve, and has not been used to finance new capital expenditure, is included in the balance sheet as usable capital receipts.

3. Depreciation

The SORP incorporates the requirements of FRS 15: Tangible Fixed Assets. This requires that apart from non-depreciable land, the only grounds for not charging depreciation on a tangible fixed asset are that the depreciation charge and related accumulated depreciation balance are not material, owing to a long estimated remaining useful economic life or high residual value.

Depreciation is provided for on all fixed assets with a finite useful life (which is determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are depreciated from the mid-point of the year, although assets in the course of construction are not depreciated until they are brought into use.
- depreciation is calculated using the straight-line method based on the length of the useful life of the asset, normally determined by professional valuation.

Certain classes of buildings have a long estimated remaining useful economic life, so that any provision for depreciation would not be material. Depreciation will also be charged in relation to any impairment loss relating to any other permanent diminution in asset values.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

STATEMENT OF ACCOUNTING POLICIES

Depreciation has been made in respect of tangible fixed assets relating to the Council Housing Service, including Council Houses, which have been depreciated by the 'Major Repairs Allowance' value calculated by the Government. This allowance is based on the estimated useful lives and replacement values of the property elements of Council Houses and equates to 1.22% of their value. This percentage has been applied to other assets in relation to the Council Housing Service, except where a useful life had been assessed by a professional valuer, in which case the straight-line method was used based on the length of the useful life of the asset.

4. Capital Charges to Revenue

General Fund service revenue accounts, central support services, statutory trading accounts and Direct Service Organisations are charged with a capital charge for all fixed assets used in the provision of services.

The total charge covers the annual provision for depreciation and any related impairment loss plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

The charge made to the Housing Revenue Account is laid down by legislation and is similarly calculated to include a depreciation, impairment and capital financing charge.

External interest payable and the provision for depreciation is charged to the asset management revenue account, which is also credited with capital charges made to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation and Council house rents.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the consolidated revenue account, after net operating expenditure.

5. Deferred Charges

Deferred Charges represent expenditure which has been properly capitalised, but does not result in a tangible fixed asset. The balance of deferred charges on the face of the balance sheet relates only to the element of deferred charges where a clear and continuing benefit accrues to the Council for a period in excess of one year. These charges are amortised to revenue over an appropriate period. All other deferred charges are financed in the year in which the expenditure occurs and a charge is made to the revenue account.

6. Leases

Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals is charged to the asset management revenue account.

Rentals payable under operating leases are charged to revenue on an accruals basis.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

STATEMENT OF ACCOUNTING POLICIES

7. 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 initially to the government grants-deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

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

8. Capital Receipts

Receipts from the disposal of assets are split between a usable part and a reserved (set aside) part as defined under the Local Government and Housing Act 1989. Usable receipts are held in a usable capital receipts account until such time as they are used to finance new capital expenditure, to repay debt or for other allowable purposes. Reserved receipts are held as amounts set aside for loan debt redemption.

9. Government Grants towards Revenue Costs

Grants and subsidies have been credited to the appropriate revenue accounts and accruals are made for revenue balances estimated to be receivable for the period.

10. Interest

Interest on external borrowing and invested reserves 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.

11. Debtors and Creditors

The capital and revenue accounts of the Council are maintained on an accrual basis in accordance with the Code of Accounting Practice and FRS18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. In addition, salaries and overtime are charged in the year in which they are paid. Income is accrued where amounts due clearly relate to the financial year of account. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

12. Stocks and Stores

Stocks and Stores held by the Council are included in the balance sheet at cost.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

STATEMENT OF ACCOUNTING POLICIES

13. Overheads

Charges or cost apportionments covering all support service costs are made to all users, including services to the public, trading undertakings, capital accounts, services provided to other bodies and other support services. The cost of service management is in the same way apportioned to the accounts representing the activities managed.

The bases of apportionment adopted are used consistently for all the heads to which apportionments are made.

The cost of service strategy and regulation of any service to the public are allocated to a separate objective expenditure head in the accounts of that service. The costs of the corporate and democratic core and of unapportionable central overheads are allocated to a separate objective expenditure head and are not apportioned to other expenditure heads.

14. Pensions

The SORP's requirements for accounting for pension costs are undergoing substantial change over the financial years 2001/02 to 2003/04 in response to FRS17: Retirement Benefits.

The pension costs that are charged to the Council's accounts in respect of its employees equal the contributions paid to the funded pension scheme for these employees and further costs arising in respect of certain pensions paid to retired employees on an unfunded basis. The capital cost of funding new early retirement cases is charged to revenue over a period of up to 5 years, depending on the savings payback period.

Contribution rates are determined in the long term on meeting 100% of the liabilities of the Pension Fund, in accordance with relevant Government regulations. However, the revenue account does not include proper provision for the pension costs of employees and the liabilities included in the balance sheet are understated in respect of pension costs. An estimate of the provision that it would have been necessary to make to meet future pension liabilities is disclosed in the notes to the accounts.

In respect of pension costs incurred under the Local Government Pension Scheme, additional information is disclosed in the notes to the accounts in preparation for full implementation of FRS 17 in 2003/04.

15. Reserves

The current system of capital accounting requires the establishment of the following reserves in the consolidated balance sheet:

- The fixed asset restatement reserve, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- The capital financing reserve, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

Details of all reserves are shown in the Notes to the Balance Sheet and in the Statement of total movement in reserves.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

STATEMENT OF ACCOUNTING POLICIES

16. Provisions for Bad and Doubtful Debts

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.

17. Other Provisions

The Council only sets aside provisions for specific future expenses that are likely or certain to be incurred but the amount or timing of which cannot be determined accurately as at the balance sheet date. Details of all current provisions are shown in the Notes to the Balance Sheet.

18. Investments

All investments have been recorded in the accounts at cost.

19. Value Added Tax

VAT is included in income and expenditure accounts only to the extent that it is irrecoverable.

20. Treatment of Premature Repayment Discount

As a part of debt management, 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 revenue 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 economic effect as the original debt, the discount or premium is credited or charged to the Asset Management Revenue Account 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 Long Term Debtor. This will be written down over subsequent years with amounts credited to the HRA in accordance with the Item 8 determination. There is a loss of interest to the General Fund where premiums have been paid out, and this is calculated each year and a charge made to the HRA.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

AUDITOR'S OPINION

Independent Auditor's Report to Babergh District Council

I have audited the financial statements on pages 12 to 48, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 49 to 54.

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 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 9 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on pages 10 to 11 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. I report if it does not meet the requirements specified by CIPFA/LASAAC 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 whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant Auditing Standards 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 judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the financial statements present fairly the financial position of Babergh District Council as at 31 March 2003 and its income and expenditure for the year then ended.

**BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03
AUDITOR'S OPINION**

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.

Signature: Date: 19 December 2003

Name: Melanie Richardson

Address: Audit Commission
 Springvale Court
 Hadleigh Road
 Sproughton
 Ipswich
 IP8 3AS

(A hard copy of the signed Auditor's report is available on request from the Council.)

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

GLOSSARY

ACCRUALS

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

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.

COLLECTION FUND

The collection fund records the income received in respect of Council Tax, Community Charges, Non Domestic Rates and Government Revenue Support Grant and the expenditure demands of Suffolk County Council, The Suffolk Policy Authority, Babergh District Council and Town/Parish Councils.

CREDIT CEILING

This is the balance of debt (external and internal) incurred for capital purposes offset by the amount set aside to repay this debt. The credit ceiling for the Housing Revenue Account is used to calculate capital charges. The Council's overall credit ceiling determines the minimum revenue provision for debt repayment.

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).

DEFERRED CHARGES

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets.

DEPRECIATION

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

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

GLOSSARY

DIRECT REVENUE FINANCING

A charge to the revenue account to finance capital expenditure.

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.

EXTRAORDINARY ITEMS

Material items which derive from events or transactions that fall outside the ordinary activities of the authority and which are therefore expected not to recur frequently or regularly.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL REPORTING STANDARDS (FRSs)

Standards issued by the ASB (Accounting Standards Board) for adoption in the preparation of accounts to ensure that, when applied within the Statement of Recommended Practice (SORP), they 'present fairly' the financial position and transactions of a local authority

FIXED ASSETS

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

GENERAL FUND

The main fund of the council into which all receipts are paid and liabilities met and which summarises the cost of services provided.

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.

HOUSING BENEFITS

A system of financial assistance to individuals towards housing costs, which is administered by the Council. The Social Security and Housing Benefits Act 1986 introduced the present arrangements, assistance takes the form of Council Tax Rebates, Rent Allowances (private dwellings) and Rent Rebates (council houses) towards which the Government pays a subsidy to the Council to cover a proportion of the costs.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

GLOSSARY

HOUSING REVENUE ACCOUNT (H.R.A.)

An account which covers the expenditure and income arising in connection with the Provision, Repairs & Maintenance and Supervision & Management of housing accommodation by a local authority.

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.

INVESTMENTS

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 which do not meet the above criteria should be classified as current assets.

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.

OPERATING LEASE

A lease other than a finance lease.

POST BALANCE SHEET EVENTS

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

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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.

BABERGH DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2002/03

GLOSSARY

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.

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.

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.

REVENUE SUPPORT GRANT

The main form of central government aid towards the cost of local authority expenditure. This grant seeks to compensate authorities for their differing levels of needs and revenue resources.

STATEMENTS OF RECOMMENDED PRACTICE AND STANDARD ACCOUNTING PRACTICE (SORPs AND SSAPs)

Accounting practice recommended by the ASB (Accounting Standards Board) for adoption in the preparation of accounts to ensure they 'present fairly' the financial position and transactions of a local authority.

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) finished goods.

TRANSITIONAL RELIEF

A government grant paid to compensate for reductions in the amount payable by Council Tax payers reflecting the difference between Community Charges paid and the new Council Tax. Transitional relief is also granted to some non-domestic ratepayers as a result of the revaluation of business premises.