

Mid Suffolk District Council

Statement of Accounts

2020/21 Unaudited



Contents

Section 1	Section 2	Section 3	Section 4	Section 5
Narrative Report and Statement of Responsibilities 1	Core Financial Statements 17	Notes to the Core Financial Statements 24	Supplementary Statements 99	Glossary of Terms 119
Narrative Report 2 Statement of Responsibilities for the Statement of Accounts 17	Expenditure and Funding Analysis 18 Movement in Reserves Statement 19 Comprehensive Income and Expenditure Statement 20 Balance Sheet 21 Cash Flow Statement 22		Housing Revenue Income and Expenditure Statement 98 Notes to the Housing Revenue Account 100 The Collection Fund Statement 107 Notes to the Collection Fund 108 Group Accounts and Explanatory Notes 114 Notes to the Group Accounts 117	

Section 1

Narrative Report and Statement of Responsibilities

Narrative Report	2
1. About the Council	2
2. The Council's Performance	2
3. Financial Performance	3
4. Treasury Management	91
5. Pensions	22
6. Future Challenges	33
7. Explanation of Accounting Statements	4
8. Further Information	5
Statement of Responsibilities for the Statement of Accounts	17

Narrative Report

1. About the Council



Mid Suffolk Facts

Median price of Properties -
Quarter 1 - 2020 Source Suffolk Observatory ONS

Flat or Maisonette	Terraced House	Semi-detached house	Detached house
£128,000	£195,000	£230,000	£345,750



Total Number of Properties - (ONS, 2020)

46,007

Number of Council owned dwellings - (2020/21)

3,230

Average Band D Council Tax 2020/21

£166.04

District charge



Number of Businesses by size
(employee numbers - 2020)

Large (250+)	Medium (50 - 249)	Small (10 - 49)	Micro (0 - 9)
10	105	615	4,780

TOTAL = 5,510

2020 Full time worker: median
annual pay (gross) **£28,678**

Data from ONS ASHE



104,857 Total population
estimate (ONS 2020)

District Council areas
and ward numbers

336	Square miles
26	Wards
34	Councillors
93	Parishes

Source: ONS 2020



31
Conservation areas



3,457
Listed buildings



2. The Council's Performance



Mid Suffolk Facts Performance



91% of major applications were determined
'in time' during 2020/21.



The Joint Waste Service emptied over **4.9 million**
refuse, recycling and garden waste bins and collected
over **64,800 tonnes** of waste & recycling, that
is equivalent to over **10,800** elephants!



The Council distributed **£29.9m** in Government grants
and self-isolation payments to support local businesses
and residents during the Covid emergency.



Mid Suffolk purchased **4** 'Market sale homes' within
the district to add to the Council Stock.



Disabled Facilities Grants - Awarded **87 DFG's** in
Mid Suffolk to the value of £606,882 to support
people to continue living independently.



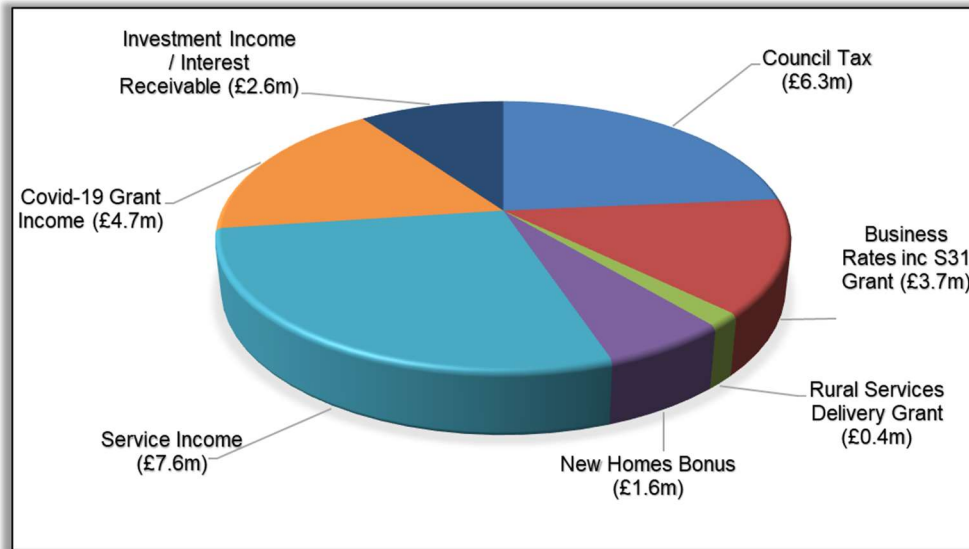
Narrative Report

3. Financial Performance

The General Fund

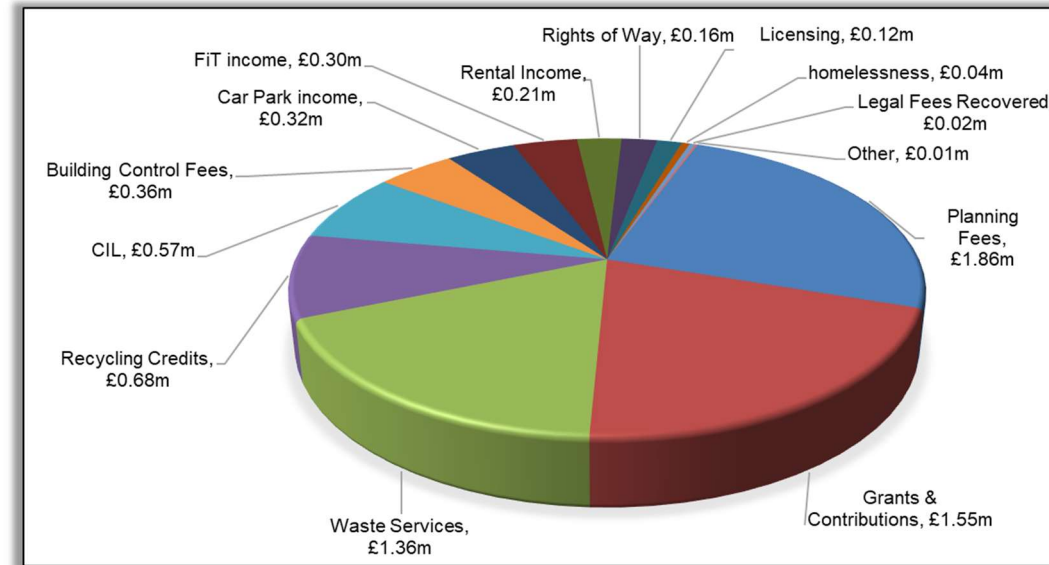
Income

In 2020/21 the Council's income was **£26.9m**, of this, 24% was from Council Tax, 14% from Business Rates, 28% from Service Income and 17% from Covid Grant Income. 6% came from New Homes Bonus, 10% from Investment Income and Interest Receivable and 2% coming from the Rural Services Delivery Grant.



Service Income

The following chart shows the breakdown of the £7.56m Service Income by service area. The largest areas are 25% generated by Planning Fees, 21% from Grants & Contributions, and 18% from Waste Services.

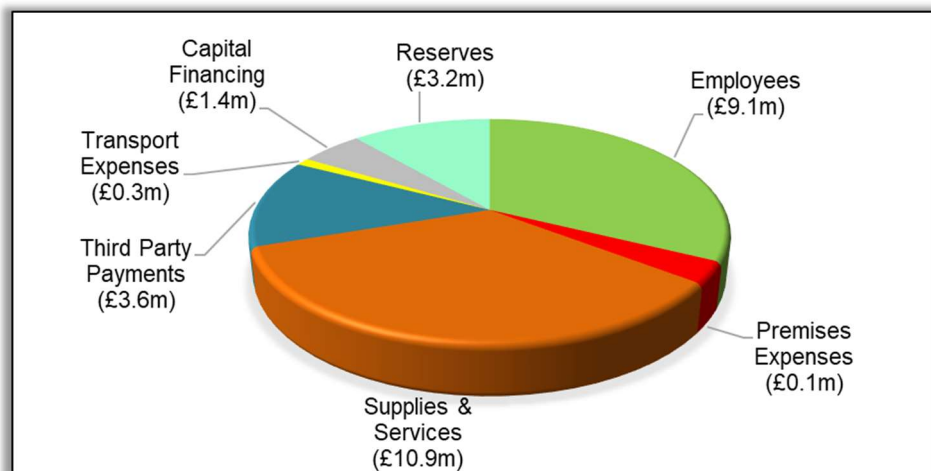


Narrative Report

3. Financial Performance

Expenditure

In 2020/21, the Council spent **£28.3m**, of which 32% was on employee costs, 34% on supplies and services, 13% on third party payments and 21% on other costs.



Actual compared to budget

The outturn position compared to the budget has resulted in a net favourable variance (reduced expenditure and/or increased income) of £911k.

The overall favourable variance of £911k can mainly be attributed to £665k within services after accounting for reserve movements and budgets carried forward. This is supplemented by a positive variance of £236k on capital financing costs. A full breakdown of both favourable and adverse

variances is shown in Table 1 below.

During 2020/21, the Council made contributions to its earmarked reserves of £81k, to the Covid reserve of £582k, and funded service expenditure of £293k (excluding CIL).

A breakdown of the £371k net transfer to reserves is broken down below:

Transfers to reserves:

- Covid-19 Reserve (£582k)
- Neighborhood Planning Grants (£36k)
- Elections (£20k)

Transfers from reserves:

- Commuted Maintenance Payments (£27k)
- Joint Local Plan (£124k)
- Community Housing Fund (£41k)
- Well-being (£27k)
- Homelessness (net £28k)
- Government Grants (£20k)

During the year £4.04m was spent on a number of key revenue and capital projects which were funded from both the Growth and Efficiency Fund and the Business Rates Retention Pilot reserve. Projects include The Regal Theatre and Mid Suffolk Leisure Centre.

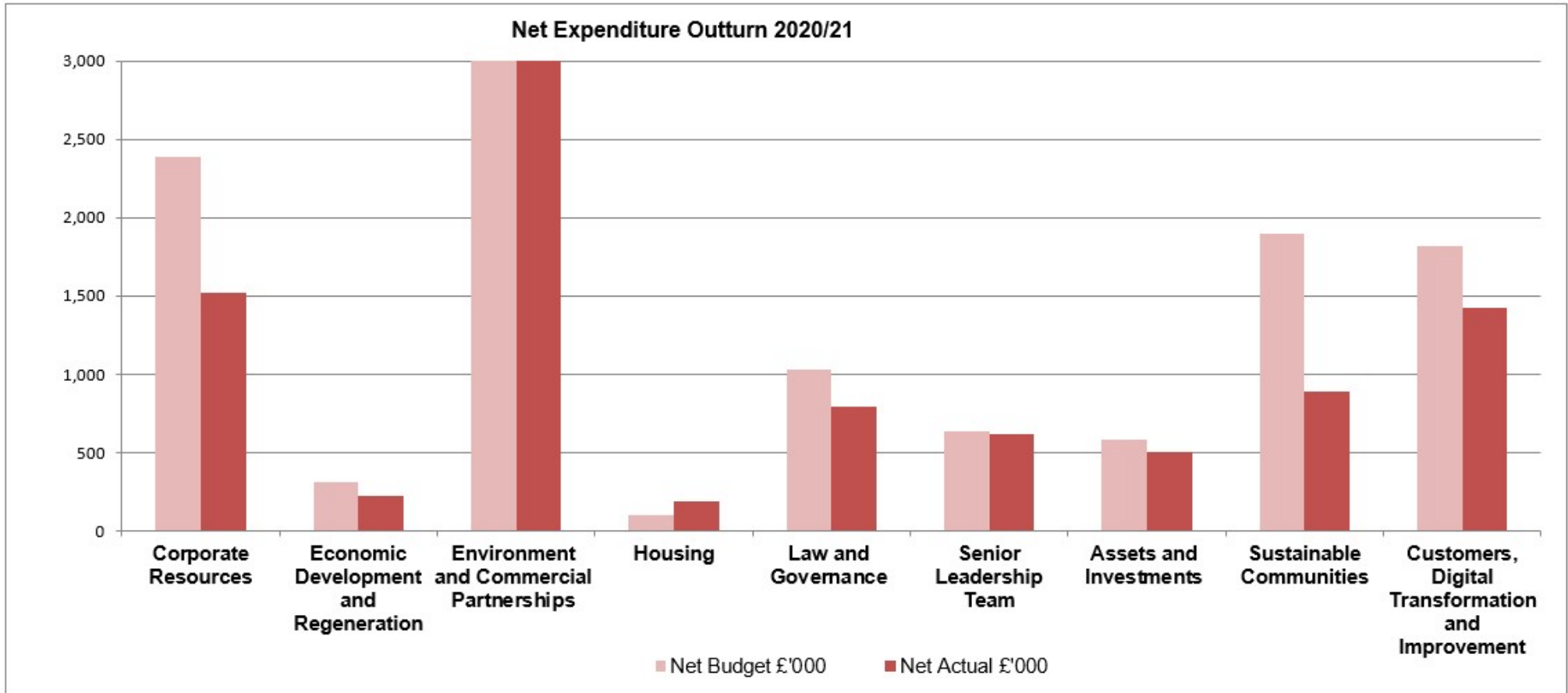
The business rates adverse position of £127k has been funded from the Business Rates Equalisation Reserve.

Of the net favourable variance of £911k, £297k has been transferred to the Waste, Planning and Joint Local Plan earmarked reserves and £613k transferred to the Growth and Efficiency Fund.

Narrative Report

3. Financial Performance

A breakdown of net expenditure by Service Area compared to budget is given in the following chart:



Narrative Report

3. Financial Performance

A summary of the major variations compared to budget are provided in Table 1. The detailed outturn report for 2020/21 was presented at Cabinet in July 2021.

	Variation (Favourable) / Adverse £'000
Adverse variances i.e. additional costs and / or lower income:	
Business Continuity/Emergency Plan/COVID	(1,398)
Development Management - appeals	(466)
Development Management	(377)
ICT	(201)
Customer Services	(116)
Leisure Contract	(115)
Local Plans	(108)
Economy & Business	(100)
BMS Invest	(82)
Other smaller variances	(76)
Strategic Property	(68)
HR and Organisational Development	(66)
Shared Revenues Partnership	(64)
Domestic Waste	(63)
Shared Legal Service	(57)
Business Improvement	(56)
Strategic Planning General	(53)
GF Non-Specific Grant Income	(47)
Building Regs Chargeable Service	(46)
Governance	(45)
Financial Resources	(42)
Grants & Contributions	(41)
Land Charges	(41)
Environmental Protection	(35)
Policy & Strategy Health & Wellbeing	(30)
Other smaller variances	(27)
Business Performance	(26)
South & Heart of Suffolk Marketing Campaign	(25)
Street Naming & Numbering	(23)
Communications	(21)
Chilton Fields	(21)
Other smaller variances	(19)
Endeavour House - HQ	(19)
Planning Enforcement	(16)
Other Housing Matters	(15)
Internal Audit	(15)
Corporate Management	(14)
Building Control	(12)
	(4,044)

Table 1 Major variances	Variation (Favourable) / Adverse £'000
Favourable variances i.e. underspends and / or additional income:	
Vacancy management budget	455
Car Parks	411
Council Tax Collection	147
Development Policy & Local Plans	82
Garden Waste	77
Pure Gym & Adjacent Building	77
Trade Waste	72
Civil Parking Enforcement	68
Other smaller variances	61
PV Panels	59
Regeneration	58
External Audit	31
Insurance Premiums	30
Treasury Management	29
Other smaller variances	25
Community Infrastructure Levy (CIL)	24
Bring Sites	23
Cedars Park Community Centre	20
Other smaller variances	10
	1,759
Net Adverse Variance	(2,285)
Funding:	
Recharge to HRA & Capital	19
MRP	(72)
Gateway 14	(259)
S31 grants	(72)
Business Rates - Pooling Benefit	(40)
Council Tax 19/20 (Surplus)/deficit	(26)
Investment Income	(21)
CIFCO	116
Baseline, less tariff, less levy	130
Carry forwards to 2021/22	717
Transfers to (from) reserves	883
TOTAL Net Adverse Variance	(911)

Narrative Report

3. Financial Performance

Reserves

The Council holds a General fund balance, at an agreed minimum level of **£1.052m**. In addition, there is a further **£20.422m** in earmarked reserves to provide financing for future expenditure plans. Details of Earmarked Reserves are shown in Note 8 of the Core Statements.

Capital Programme

Capital expenditure for 2020/21 totals **£28.9m** against a revised programme of £34.2m. The timing of some of the larger schemes is difficult to predict when setting the budget therefore most of the unspent budget will be carried forward to cover the delayed expenditure in future years. A breakdown of the expenditure and how this is financed is shown in this table.

Table 2 Capital Programme	Revised Budget	Actual	Variance (Favourable) / Adverse
	£'000	£'000	£'000
Expenditure - General Fund			
Housing	1,651	764	(887)
Environment and Commercial Partnerships	288	701	413
Economic Development and Regeneration	-	2,014	2,014
Communities & Public Access	389	25	(364)
Sustainable Communities	405	195	(211)
Leisure Contracts	3,801	1,914	(1,887)
Assets and Investments	8,294	3,306	(4,988)
Customers, Digital Transformation and Improvement	396	48	(348)
CIFCO	17,118	19,301	2,183
Gateway 14 Ltd	1,847	600	(1,247)
Total Capital Programme expenditure	34,189	28,867	(5,322)
Financed from:			
Non-supported borrowing	29,563	22,146	(7,417)
Capital receipts	-	47	47
Grants/external contributions	997	3,146	2,149
Revenue	3,629	3,528	(101)
Total	34,189	28,867	(5,322)

Narrative Report

3. Financial Performance

The Housing Revenue Account (Housing Services)

Financial Context

The financial position of the HRA for 2020/21 should be viewed in the context of the updated 30-year business plan.

A fundamental review of the housing service was undertaken during 2018/19 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The business plan, made possible by the change in funding for HRAs in April 2012, sets out the aspiration of the Council to increase the social housing stock by either buying existing dwellings or building new ones.

The Welfare Reform and Work Act 2016 requiring all social landlords to reduce rents by 1% each year ended in March 2020. This means rents can be increased by CPI +1% for five years from April 2020, which will reduce the impact of the 1% reduction on the 30-year plan.

Actual compared to budget

The original budget set for the HRA for 2019/20 showed a deficit of £564k. The final figure for 2019/20 is a surplus of **£524k**, a net favourable variance of £1.088m for the year. This is a welcome addition to reserves to support the revised 30-year business plan.

The detailed outturn report for 2020/21 was presented to Cabinet in July 2021.

A summary of the key HRA variations is provided in the following table:

Table 3 HRA Variations			
	Budget	Actual	Variance
	£'000	£'000	(Favourable) / Adverse
			£'000
Income:			
Rent, income and other charges	(15,334)	(15,260)	74
Expenditure			
Housing Management	3,165	3,295	130
Building Services	3,363	3,571	208
Depreciation	3,709	3,918	209
Interest payable	2,968	2,642	(326)
Revenue Contribution to Capital	2,604	1,221	(1,383)
Bad Debt Provision	89	89	-
	15,898	14,736	(1,162)
Deficit / (Surplus) for the year	564	(524)	(1,088)
Reserves			
Balance at 1 April 2020	(6,415)	(6,415)	-
Deficit / (Surplus) for the year - as above	564	(524)	1,088
Transfers to earmarked reserves		(9)	9
Balance at 31 March 2021	(5,851)	(6,948)	1,097
Working Balance 31 March 2021	(1,209)	(1,209)	-
Building Council Homes Programme Reserve	(20)	(20)	-
Leaseholder Reserve	(8)	(26)	18
Strategic Priorities Reserve	(3,785)	(5,693)	1,908
Total Reserves 31 March 2020	(5,022)	(6,948)	1,926

Narrative Report

3. Financial Performance

Reserves

The Council holds a HRA working balance at an agreed minimum level of **£1.2m**. In addition, there is a further **£5.7m** in the Strategic Priorities Reserve and £46k in other earmarked reserves, to provide financing for future expenditure plans. Details are shown in Note 8 of the Core Statements on page 38.

Capital Programme

Capital expenditure for 2020/21 totals **£11.1m** against a revised programme of £24.9m.

Of the £13.7m slippage in the capital programme spend, £5.4m can be attributed to contractual commitments for New Build (£4m) and Planned Maintenance (£1.4m). This is where funds have been contractually committed in 2020/21 but will be spent in 2021/22. A further £8.3m will be carried forward for spend in 2021/22.

Table 4 Capital Programme	Revised Budget	Actual	Variance (Favourable) / Adverse
	£'000	£'000	£'000
Expenditure - HRA			
Planned maintenance	4,044	1,798	(2,246)
ICT Projects	250	34	(216)
Environmental Improvements	40	-	(40)
Disabled adaptations to council dwellings	200	162	(38)
New build programme inc acquisitions	20,334	9,153	(11,181)
Total Capital Programme expenditure	24,868	11,147	(13,721)
Financed from:			
Non-supported borrowing	10,520	254	(10,266)
Capital receipts	4,201	4,820	619
Grants/external contributions	3,834	934	(2,900)
Major Repairs Reserve	3,709	3,918	209
Revenue	2,604	1,221	(1,383)
Total	24,868	11,147	(13,721)

Narrative Report

3. Financial Performance

COVID-19

The COVID19 pandemic has had a significant impact on the Council during 2020/21.

Throughout the year the Government announced several grant schemes and business rate reliefs to support businesses affected by COVID19. There was a combination of mandatory and discretionary schemes. The Government also introduced the self-isolation scheme to support those on low income, who are unable to work as a result of having to self-isolate. The amounts of grants administered during 2020/21 are shown below. The balance of £4.1m was carried forward into 2021/22 to provide further support.

Table 5 COVID Support Administered	Received from Government £'000	Paid out £'000
Small Business, Retail, Hospitality & Leisure Funding	(20,075)	20,075
Local Authority Discretionary Grant Fund for Small Businesses	(994)	994
Local Restrictions Support Grant Funding (LRSG)	(9,856)	7,406
Additional Restrictions Funding (ARG)	(3,001)	1,391
Total Business Grants	(33,925)	29,866
MHCLG Self Isolation Funding payments	(87)	19
Total Self Isolation Payments	(87)	19

The challenges presented by the COVID19 outbreak has resulted in significant unplanned costs and a loss of revenue income to the Council. In 2020/21 additional costs relating to COVID19 of £1.258m were incurred and a loss of income of £694k.

The Government has provided support to local authorities through general funds of £4.6bn, new burdens funding, £3.2m towards homelessness and sales, fees and charges compensation. In total these various sources of financial support for Mid Suffolk amount to £2.6m. Table 6 provides details of the financial impact of COVID19 for Mid Suffolk in 2020/21.

Table 6 COVID Financial impact	£'000
Garden waste	73
Trade waste	91
Car park income	374
Licensing	21
Council tax - income from court fees	135
Total loss of Income	694
Housing - rough sleeping accommodation and support	259
Public Health - Testing, contact tracing and outbreak management	31
Leisure centres - support	664
Cultural & related - Community grants	101
Additional staff costs - Home But Not Alone and Business grants	26
Supplies and materials including Personal Protective Equipment	147
Other	30
Total additional costs	1,258
Sales, fees and charges grant income	(354)
Small Business Grants & LRSG Administration	(355)
MHCLG Self Isolation Funding Programme	(28)
COVID-19 Local Authority Support Grant	(1,269)
Funding from other Local Authorities	(195)
Test and Trace funding	(75)
Compliance & Enforcement Grant income	(40)
National Leisure Relief Fund	(182)
Next Steps accommodation grant	(50)
Housing benefit income	(83)
Total Funding	(2,631)
Funding carried forward to 2021/22	(679)

Narrative Report

3. Financial Performance

The impacts of COVID19 for 2021/22 continue to remain a risk for the Council's finances as the pandemic continues to have an impact nationally and locally. The long-term effects and speed of recovery is still unknown at this stage, but the Council has the reassurance of being able to call upon the money being carried forward from 2020/21 as required.

The Council has assessed the impact on its financial position, liquidity and performance during 2020/21, 2021/22 and beyond. This is included in Note 35 Accounting Policies, part A. General Principles. The assessment has included modelling scenarios that consider the impact on:

Reductions in income

Increased expenditure

Cashflow and liquidity

General fund balances and reserves

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

Narrative Report

4. Treasury Management

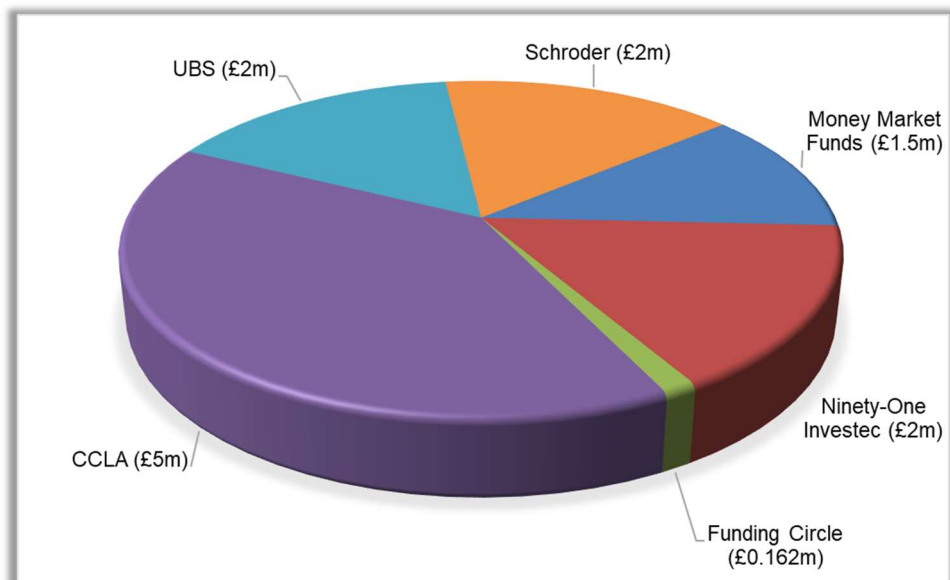
The CIPFA prudential code sets out the governance arrangements for borrowing and lending. It states what the authorised limit and operational boundary are for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities.

The level of long-term borrowing wholly relates to the HRA and is within the approved limits established for overall borrowing and the operational boundary, which were set at £209m and £194m respectively.

The current strategy is to use internal surplus funds to temporarily finance General Fund capital expenditure rather than borrow externally. Advice is sought regarding the timing or replacing of any internal borrowing with external borrowing.

In terms of the investment of surplus funds during the year, these were made with counterparties with high credit ratings as determined in the Council's Treasury Management Strategy.

At 31 March 2021, the amount of surplus funds invested was £12.7m (2019/20 £16.7m), as follows:



The Capital Financing Requirement, which represents the Council's underlying need to borrow for capital purposes, is summarised in Table 7.

Table 7	
	£'000
Underlying need to borrow at 31 March 2021 (Capital Financing Requirement)	183,769
Borrowing at 31 March 2021	
Long Term	(97,335)
Short Term	(45,237)
Net Borrowing Facility at 31 March 2021	41,197

Further details on treasury management activity are shown in Notes 14 and 34 to the Core Statements.

Narrative Report

5. Pensions

International Accounting Standard 19 'Employee Benefits' (IAS 19) requires the Council to disclose certain information within its Statement of Accounts and this appears in Note 32 to the Core Statements.

Included within that information is the net deficit on the proportion of the Suffolk County Council Pension Fund attributable to Mid Suffolk District Council. This is the difference between future liabilities and assets as

valued at 31 March 2021 and amounts to £40.664m. This will be addressed by future contributions to the Pension Fund.

The last formal three-yearly actuarial valuation was carried out at 31 March 2019. The valuation report sets out the rates of employers' contributions for the three years starting 1 April 2019. This was 23% for 2020/21.

The next formal valuation is at 31 March 2022.

Narrative Report

6. Future Challenges

In recent years the Government policy frameworks have been reducing core funding for Local Government as part of its deficit reduction strategy and increasingly incentivising funding to councils to deliver local economic and housing growth and to facilitate the development of strong, safe, healthy and self-sufficient communities. This is continuing, so encouraging and supporting both business and housing growth is essential to the financial future of the Council.

The Governments Fair Funding Review which aims to set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources was due to be implemented from 2020/21. This was delayed due to Brexit and at the end of April 2020 the Government made an announcement that this would be further delayed due to COVID 19.

The Government's three-year Comprehensive Spending Review (CSR) was planned to conclude in July 2020, however, on 24 March 2020 the Chancellor announced that the CSR would be delayed 'to enable the Government to remain focussed on responding to the public health and economic emergency'. On 21 October 2020, the Chancellor announced the decision to provide a one-year Spending Review (SR) for 2021/22 to prioritise the response to COVID19 and focus on supporting jobs. Details of this SR20 were published on 25 November 2020.

At this stage there is no indication of what the spending review for 2022/23 will look like or how many years this will cover.

A review of business rates was previously announced in the Spring 2020 Budget. The effect of COVID19 on the economy and on business rates has made fundamental change to business rates, or even replacement with a different business tax much more likely. The Government is considering responses to a call for evidence and a final report with conclusions of this review is expected during 2021. A consultation on business rates revaluations concluded in August 2021 with the outcome awaited.

The next business rates revaluation was scheduled to take effect on 1 April 2022 (based on a valuation date of 1 April 2019). A postponement of revaluation was announced in May 2020. The next revaluation will take place a year later, on 1 April 2023, and it will be based on property values as of 1 April 2021 "so that it better reflects the impact of COVID19".

Future funding and the ongoing economic impact of the COVID pandemic will continue to be an area of uncertainty and challenge into the future.

The revised medium-term forecasts show a cumulative surplus over the next three years to 2024/25 of £8.4m.

Narrative Report

7. Explanation of Accounting Statements

Core Statements	Supplementary Financial Statements
<p>Movement in Reserves Statement (MIRS) shows the movement in the year on the different reserves held by the Council, analysed between usable and unusable reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and the HRA for council tax setting and council house rent setting purposes.</p> <p>The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and HRA Balance before any discretionary transfers to or from earmarked reserves.</p>	<p>Expenditure and Funding Analysis (EFA) and additional notes to the Core Statements (Notes 5a, 5b and 6) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and non-domestic rates) by Councils in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.</p>
<p>Comprehensive Income and Expenditure Statement (CIES) shows the cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It includes the cost of council housing services (HRA). It should be noted that Councils raise taxation to cover expenditure in accordance with various regulations, which may differ from the way it has to be shown in accounting terms in the CIES. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.</p>	<p>Housing Revenue Account (HRA) shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations, which may be different from the accounting cost. The surplus or deficit for the year is shown in the Movement on the HRA Balance.</p>
<p>Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council.</p> <p>There are two types of reserves. There are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve – these can largely only be used to fund capital expenditure or repay debt).</p> <p>In addition, there are significant unusable reserves, which cannot be used to provide services. This includes reserves relating to capital financing adjustments and unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold.</p>	<p>Collection Fund reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic (business) rates.</p>

Narrative Report

7. Explanation of Accounting Statements

Core Statements	Supplementary Financial Statements
<p>Cash flow Statement shows the changes in cash and cash equivalents of the Council during the year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as either operating, investing or financing activities.</p> <p>The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.</p> <p>Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future capital cash flows (i.e. borrowing) by the Council.</p>	<p>Group Accounts – The Council acquired 100% shareholding in its subsidiary MSDC (Suffolk Holdings) Limited on 9 June 2017 and is required to reflect this in Group Accounts, which are produced in the same format as the statements explained above.</p>

The 2020/21 Statement of accounts has been prepared on a going concern basis.

8. Further Information

The Council publishes a number of important documents to inform the public about the work of the Council. These (including the annual Statement of Accounts and the annual Budget) can be viewed and downloaded via the Council and Finance page of the Council's website: www.midsuffolk.gov.uk

Further information about the accounts is available from the Council's Assistant Director, Corporate Resources:

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Mid Suffolk District Council
Endeavour House
8 Russell Road
Ipswich IP1 2BX
Tel: 01449 72480
Email: Katherine.Steel@baberghmidsuffolk.gov.uk

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. The designated officer at 31 March 2021 was the Assistant Director, Corporate Resources
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Assistant Director, Corporate Resources Responsibilities

The Assistant Director, Corporate Resources is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Assistant Director, Corporate Resources has:

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

The Assistant Director, Corporate Resources has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year then ended.

Katherine Steel CPFA

Assistant Director, Corporate Resources
Mid Suffolk District Council

Dated 16 February 2022

Section 2

Core Financial Statements

Expenditure and Funding Analysis	19
Movement in Reserves Statement	20
Comprehensive Income and Expenditure Statement	21
Balance Sheet	22
Cash Flow Statement	23

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and non-domestic rates) by local authorities in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. It is not a Core Statement to the Accounts.

It also shows how this expenditure is allocated for decision making purposes between the Council's directorates and services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (shown on page 20).

The split of the closing General Fund and HRA balances is shown in the Movement in Reserves Statement, in the table below.

2019/20				2020/21		
Net Expenditure Chargeable to General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
			General Fund			
791	1,270	2,061	Assets & Investments	566	(193)	373
412	32	444	Economic Development & Regeneration	355	18	373
10,850	(6,785)	4,065	Corporate Resources	10,455	(6,091)	4,364
1,381	365	1,746	Customers, Digital Transformation & Improvement	1,443	306	1,749
3,047	(1,931)	1,116	Environment & Commercial Partnerships	3,377	1,084	4,461
300	132	432	Housing	161	245	406
1,238	57	1,295	Law & Governance	794	22	816
(7,115)	660	(6,455)	Sustainable Communities	(8,138)	216	(7,922)
623	(74)	549	Senior Leadership Team	611	15	626
(1,223)	-	(1,223)	Charge to HRA & Capital	(1,045)	-	(1,045)
(966)	(125)	(1,091)	HRA	(552)	(3,167)	(3,719)
9,338	(6,399)	2,939	Net Cost of Services	8,027	(7,545)	482
(11,158)	2,676	(8,482)	Other Income and Expenditure	(11,575)	(110)	(11,685)
(1,820)	(3,723)	(5,543)	(Surplus) Deficit on Provision of Services	(3,548)	(7,655)	(11,203)
(23,066)			Opening General Fund And HRA Balance at 1 April	(24,886)		
(1,820)			Plus (Surplus) on General Fund And HRA Balance in Year	(3,548)		
(24,886)			Closing General Fund And HRA Balance at 31 March	(28,434)		

Movement in Reserves Statement

The Movement in Reserves Statement, shows the movement from the start of the year to the end in the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'.

The Statement shows how the movements in the year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year.

The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance	Earmarked General Fund Reserves	HRA Balance	Earmarked HRA Reserves	Usable Capital Receipts	Deferred Credits	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April 2019	(1,052)	(16,570)	(1,210)	(4,234)	(6,162)	(7)	(8,006)	(37,241)	Restated (108,682)	(145,923)
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	(6,776)		1,233					(5,543)	868	(4,675)
Adjustments between accounting basis and funding basis under regulations (Note 7)	5,922		(2,199)		54		(8,151)	(4,374)	4,374	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(854)	-	(966)	-	54	-	(8,151)	(9,917)	5,242	(4,675)
Transfer to/(from) Earmarked Reserves (Note 8)	854	(856)	966	(965)				(1)		(1)
(Increase)/Decrease in 2019/20	-	(856)	-	(965)	54	-	(8,151)	(9,918)	5,242	(4,676)
Balance at 31 March 2020 carried forward	(1,052)	(17,426)	(1,210)	(5,199)	(6,108)	(7)	(16,157)	(47,159)	(103,440)	(150,599)
Movement in reserves during 2020/21										
Total Comprehensive Income and Expenditure	(9,818)		(1,386)					(11,204)	(14,959)	(26,163)
Adjustments between accounting basis and funding basis under regulations (Note 7)	6,824		832		3,455		(7,241)	3,870	(3,870)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(2,994)	-	(554)	-	3,455	-	(7,241)	(7,334)	(18,829)	(26,163)
Transfers to / (from) reserves (Note 8)	2,994	(2,996)	554	(552)				-	-	-
(Increase)/Decrease in 2020/21	-	(2,996)	-	(552)	3,455	-	(7,241)	(7,334)	(18,829)	(26,163)
Balance at 31 March 2021	(1,052)	(20,422)	(1,210)	(5,751)	(2,653)	(7)	(23,398)	(54,493)	(122,269)	(176,762)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Councils raise taxation and rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

The taxation position is shown in both the Expenditure and Funding Analysis (shown on page 18) and the Movement in Reserves Statement (shown on page 19).

2019/20				Note	2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			General Fund				
2,213	(152)	2,061	Assets & Investments		577	(204)	373
448	(4)	444	Economic Development & Regeneration		398	(25)	373
18,060	(13,995)	4,065	Corporate Resources		22,360	(17,997)	4,363
1,746	-	1,746	Customers, Digital Transformation & Improvement		1,749	-	1,749
4,630	(3,514)	1,116	Environment & Commercial Partnerships		7,775	(3,314)	4,461
880	(448)	432	Housing		980	(574)	406
1,909	(614)	1,295	Law & Governance		1,282	(466)	816
5,884	(12,339)	(6,455)	Sustainable Communities		5,756	(13,678)	(7,922)
617	(68)	549	Senior Leadership Team		643	(17)	626
(1,223)	-	(1,223)	Charge to HRA & Capital		(1,045)	-	(1,045)
14,294	(15,385)	(1,091)	HRA		12,594	(16,313)	(3,719)
49,458	(46,519)	2,939	Cost of Services		53,069	(52,588)	481
4,193	-	4,193	Other Operating Expenditure	9	2,755	-	2,755
4,269	(2,730)	1,539	Financing and Investment Income and Expenditure	10	4,018	(3,104)	914
6,693	(20,907)	(14,214)	Taxation and Non-Specific Grant Income and Expenditure	11	7,236	(22,590)	(15,354)
64,613	(70,156)	(5,543)	(Surplus) on Provision of Services - A		67,078	(78,282)	(11,204)
		5,550	(Surplus) or deficit on revaluation of property, plant and equipment assets	19a			(28,465)
		872	Deficit from investments in equity instruments designated at fair value through other comprehensive income	19f			2,064
		(5,554)	Remeasurement of the net defined liability/(asset)	19c			11,442
		868	Other Comprehensive Income and Expenditure - B				(14,959)
		(4,675)	Total Comprehensive Income and Expenditure (A+B)				(26,163)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities held by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories, usable reserves, (i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use), and unusable reserves that the Council is not able to use to provide services.

The category of unusable reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations.'

The unaudited accounts were issued on 16 February 2022.

Katherine Steel CPFA

Assistant Director, Corporate Resources
Mid Suffolk District Council

Dated 16 February 2022

2019/20 £'000		Note	2020/21 £'000
Restated			
249,295	Property, Plant and Equipment	12	283,895
749	Intangible Assets	13	432
1,271	Long Term Investments		1,152
48,318	Long Term Debtors		66,895
299,633	Long Term Assets		352,374
14,970	Short Term Investments		13,718
48	Inventories		62
10,386	Short Term Debtors	15	16,549
7,013	Cash and Cash Equivalents	16	3,029
32,417	Current Assets		33,358
(42,232)	Short Term Borrowing	14	(45,634)
(9,677)	Short Term Creditors	17	(16,457)
(1,527)	Provisions	18	(2,071)
(53,436)	Current Liabilities		(64,162)
(93,572)	Long Term Borrowing	14	(97,335)
(5,671)	Capital Grants & Contributions Received in Advance	26	(6,808)
(28,772)	Defined Benefit Pension Scheme Liability	32	(40,664)
(128,015)	Long Term Liabilities		(144,807)
150,599	Net Assets		176,763
(47,159)	Usable reserves		(54,492)
(103,440)	Unusable reserves	19	(122,271)
(150,599)	Total Reserves		(176,763)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2019/20 £'000		Note	2020/21 £'000
(5,543)	Net (Surplus) or deficit on the provision of services		(11,204)
(11,889)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	20	(9,651)
3,404	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20	3,948
(14,028)	Net cash flows from Operating Activities		(16,907)
14,596	Investing Activities	21	28,078
(5,052)	Financing Activities	22	(7,187)
(4,484)	Net increase or decrease in cash and cash equivalents		3,984
(2,529)	Cash and cash equivalents at the beginning of the reporting period		(7,013)
(7,013)	Cash and cash equivalents at the end of the reporting period	16	(3,029)

Section 3

Notes to the Core Financial Statements

Note 1 - Accounting Standards that Have Been Issued but Have Not Yet Been Adopted	26	Note 12 - Property, Plant and Equipment	43
Note 2 - Critical Judgements in Applying Accounting Policies	27	Note 13 - Intangible Assets	46
Note 3 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	28	Note 14 - Financial Instruments	47
Note 4 – Events after the Reporting Period	31	Note 15 – Debtors	52
Note 5a – Note to the Expenditure and Funding Analysis	32	Note 16 - Cash and Cash Equivalents	52
Note 5b – Segmental Income	35	Note 17 – Creditors	52
Note 6 – Expenditure and Income Analysed by Nature	36	Note 18 – Provisions	53
Note 7 - Adjustments between Accounting Basis and Funding Basis under Regulations	37	Note 19 - Unusable Reserves	54
Note 8 - Transfers to / from Earmarked Reserves	39	Note 20 - Cash Flow Statement: Operating Activities	60
Note 8 - Transfers to / from Earmarked Reserves	40	Note 21 - Cash Flow Statement: Investing Activities	60
Note 9 - Other Operating Expenditure	42	Note 22 - Cash Flow Statement: Financing Activities	60
Note 10 - Financing and Investment Income and Expenditure	42	Note 23 - Members' Allowances	61
Note 11 - Taxation and Non-Specific Grant Income and Expenditure	42	Note 24 - Officers' Remuneration	62
		Note 25 - External Audit Costs	64
		Note 26 – Grant Income	65
		Note 27 - Related Parties	66

Notes to the Core Financial Statements

Note 28 - Capital Expenditure and Capital Financing	69	Note 32 - Pension Schemes Accounted for as Defined Benefit Schemes	73
Note 29 - Leases	70	Note 33 - Contingent Liabilities and Assets	77
Note 30 - Impairment Losses and Reversals	71	Note 34 - Nature and Extent of Risks Arising from Financial Instruments	78
Note 31 - Termination Benefits	72	Note 35 - Accounting Policies	82

Note 1 - Accounting Standards that Have Been Issued but Have Not Yet Been Adopted

The Council is required to disclose information relating to the impact of accounting changes that will be required by a new standard that has been issued but not yet adopted by the Code.

The standards or changes to be introduced in the 2021/22 Code will be implemented from 1 April 2021, therefore there is no impact on the Council's 2020/21 accounts. They are:

- **Amendments to IFRS 3 Business Combinations - Definition of a Business**
- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform**
- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases - Interest Rate Benchmark Reform: Phase 2**

The Code does not anticipate that the above amendments will have an impact on the information provided in the Council's financial statements i.e. there is unlikely to be a change to the reported information in the net cost of services or the Surplus or Deficit on the Provision of Services.

Note 2 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 35, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

Local Government Funding:

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Group Accounts:

The Council has an interest in other entities which fall within the group boundary of the Council on the grounds of control and significant influence, in line with The Code. The Council's interest in MSDC (Suffolk Holdings) Limited is material to the Council's overall financial position. Therefore, Group Accounts have been prepared to consolidate the Council's interest in the subsidiary.

Note 3 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Actual Results different from Assumptions
Valuations	
<p>The COVID-19 pandemic has impacted global financial markets and the measures taken to tackle this continue to affect economies and real estate markets globally.</p> <p>Nevertheless, as at the valuation date, (31 March 2021) property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate amount of market evidence exists upon which to base opinions of value.</p> <p>Accordingly, the valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, except for retail and specific trading related assets/sectors such as car parks.</p> <p>As at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base judgements.</p> <p>Valuation of retail and specific trading related assets/sectors such as car parks are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case</p> <p>This includes property shown in Note 12 to the Core Statements.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council's external valuers.</p>	<p>Given the unknown future impact that COVID-19 might have on the real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, we will keep our valuations under frequent review.</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recognised in the CIES.</p>

Note 3 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Uncertainties	Effect if Actual Results different from Assumptions
Property, Plant and Equipment	
<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The Depreciation policy is shown in Note 35 at Section P.</p>	<p>If the useful life of assets change, depreciation reduces or increases, and the value of the assets shown in the Balance Sheet will increase or decrease accordingly.</p> <p>It is estimated that the annual depreciation charge for council houses would increase by £125k for every year that useful lives had to be reduced.</p>
Business Rate Appeals	
<p>Since the introduction of the Business Rates Scheme on 1 April 2013, local authorities are liable for successful appeals against Business Rates charged to businesses in 2017/18 and previous financial years. A provision has therefore been made for this based on the valuation office ratings list of appeals and an analysis of successful appeals to date.</p> <p>Appeals which arose before 31 March 2015 can be backdated to the 2010 rating list, and the provision reflects the estimated outcome of those. Any further appeals, made since 1 April 2015, will only be effective from that date.</p> <p>Following the 2017 revaluation a Check, Challenge and Appeal process was introduced. The timing and impact of these is highly uncertain. A provision has been made for the estimated success of future appeals losses for the period ending 31 March 2021.</p>	<p>This provision is difficult to estimate as the number of successful appeals is unknown, as is the number of businesses likely to appeal against their change in business rates. If underestimated there will be higher write off costs than provided for and this will therefore reduce the income within the Collection Fund.</p>

Note 3 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Uncertainties	Effect if Actual Results different from Assumptions
<p>Fair Value Measurements</p> <p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques.</p> <p>Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. interest rates or yields for similar instruments).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Note 14 and Note 34.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. The risks associated with financial instruments are documented in Note 34.</p>
<p>Pensions Liability</p>	
<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>Further information can be found in Note 32.</p>	<p>During 2020/21 the Council's actuaries advised that the net pensions liability had increased by £11.7m.</p> <p>Further sensitivity analysis on pension liabilities is in Note 32.</p>

Note 4 – Events after the Reporting Period

The unaudited Statement of Accounts was authorised for issue by the Assistant Director, Corporate Resources (the Council's Section 151 Officer) on 16 February 2022.

Events taking place after this date are not reflected in the Statement of Accounts or notes. Where events taking place before this date provided

information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 5a – Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

2020/21	Adjustments Between Accounting Basis and Funding Basis			
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note A)	Net Change for the Pensions Adjustments (Note B)	Other Statutory and Non Statutory Differences (Note C)	Total Adjustments
	£'000	£'000	£'000	£'000
General Fund				
Assets & Investments	(208)	15	-	(193)
Economic Development & Regeneration	-	18	-	18
Corporate Resources	2,348	(760)	(7,475)	(5,887)
Customers, Digital Transformation & Improvement	306	-	-	306
Environment & Commercial Partnerships	878	206	-	1,084
Housing	185	60	-	245
Law & Governance	-	22	-	22
Sustainable Communities	36	180	-	216
Senior Leadership Team	-	15	-	15
HRA	4,595	33	(7,795)	(3,167)
Net Cost of Services	8,140	(211)	(15,270)	(7,341)
Other Income and Expenditure from the Expenditure and Funding Analysis	(103)	661	(667)	(109)
Difference between General Fund and HRA (Surpluses) / Deficits and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	8,037	450	(15,937)	(7,450)

Note 5a - Note to the Expenditure and Funding Analysis

2019/20	Adjustments Between Accounting Basis and Funding Basis			
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note A)	Net Change for the Pensions Adjustments (Note B)	Other Statutory and Non Statutory Differences (Note C)	Total Adjustments
	£'000	£'000	£'000	£'000
General Fund				
BMS Invest	1,251	19	-	1,270
Economic Development & Regeneration	-	32	-	32
Corporate Resources	(7,863)	(767)	1,329	(7,301)
Customer Services	365	-	-	365
Env & Comm P'ships	(2,352)	421	-	(1,931)
Housing	28	104	-	132
Law & Governance	-	57	-	57
Planning for Growth	292	368	-	660
Senior Leadership Team	(106)	32	-	(74)
HRA	6,411	254	(6,790)	(125)
Net Cost of Services	(1,974)	520	(5,461)	(6,915)
Other Income and Expenditure from the Expenditure and Funding Analysis	1,493	800	383	2,676
Difference between General Fund and HRA (Surpluses) / Deficits and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	(481)	1,320	(5,078)	(4,239)

Explanation of the major adjusting items

A - Adjustments for Capital Purposes

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

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

B - Net Change for the Pensions Adjustments

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

- **For Services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the CIES.

C - Other Statutory and Non-Statutory Differences

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

- **For Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 5b – Segmental Income

Income received on a segmental basis, as included in the Expenditure & Funding Analysis, is analysed in this table.

The segments are based on the Council's management structure.

	2020/21 Income from Services £'000	2019/20 Income from Services £'000
Services		Restated
General Fund		
Assets & Investments	(204)	(152)
Economic Development & Regeneration	(25)	(4)
Corporate Resources	(20,872)	(15,263)
Environment & Commercial Partnerships	(3,314)	(3,514)
Housing	(574)	(448)
Law & Governance	(466)	(614)
Sustainable Communities	(13,693)	(12,380)
Senior Leadership Team	(17)	(68)
HRA	(15,381)	(12,673)
Total income analysed on a segmental basis	(54,546)	(45,116)

Note 6 – Expenditure and Income Analysed by Nature

This note shows how the Council's expenditure and income is analysed by nature:

	2020/21 £'000	2019/20 £'000
Expenditure		
Employee benefits expenses	11,972	12,971
Other services expenses	42,642	36,462
Support service recharges	(121)	(153)
Depreciation, amortisation, impairment	6,472	7,670
Interest payments	3,357	3,469
Precepts and levies	2,859	2,701
Payments to Housing Capital Receipts Pool	335	1,975
(Gain)/Loss on the disposal of assets	(439)	(482)
Total Expenditure	67,077	64,613
Income		
Fees, charges and other service income	(35,150)	(33,147)
Interest and investment income	(3,104)	(2,730)
Income from Council Tax & Non Domestic Rates	(16,409)	(17,645)
Government grants and contributions	(23,619)	(16,634)
Total Income	(78,282)	(70,156)
(Surplus) / Deficit on Provision of Services	(11,205)	(5,543)

Note 7 - Adjustments between Accounting Basis and Funding Basis under Regulations

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

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. This balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account (HRA) Balance reflects the statutory obligation to maintain a revenue account for Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

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

Capital Grants Unapplied Account (Reserve)

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

Note 7 - Adjustments between Accounting Basis and Funding Basis under Regulations

2019/20							2020/21					
General Fund Balance	HRA Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Movement in Unusable Reserves		General Fund Balance	HRA Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Movement in Unusable Reserves
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
						Adjustments to the revenue resources						
						Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
(907)	(414)	-	-	-	1,321	Pensions costs (transferred to or from the pensions reserve)	(285)	(165)	-	-	-	450
(1,227)	-	-	-	-	1,227	Financial instruments (transferred to or from the pooled investment funds adjustments account)	609	-	-	-	-	(609)
818	-	-	-	-	(818)	Council tax and NDR (transfers to or from collection fund adjustment account)	(1,814)	-	-	-	-	1,814
(7)	(12)	-	-	-	19	Holiday pay (transferred to the accumulated absences reserve)	19	14	-	-	-	(33)
(99)	(7,324)	-	-	-	7,423	Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account):	(5,345)	(5,852)	-	-	-	11,197
(1,422)	(7,750)	-	-	-	9,172	Total adjustments to revenue resources	(6,816)	(6,003)	-	-	-	12,819
						Adjustments between revenue and capital resources						
3	1,411	-	(1,414)	-	-	Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	8	1,696	-	(1,705)	-	1
(1,975)	-	-	1,975	-	-	Payments to the government housing receipts pool (funded by a transfer from the capital receipts reserve)	(335)	-	-	335	-	-
-	4,007	(4,007)	-	-	-	Posting of HRA resources from revenue to the major repairs reserve	-	3,918	(3,918)	-	-	-
1,025	-	-	110	-	(1,135)	Statutory provision for the repayment of debt (transfer from the capital adjustment account)	1,183	-	-	138	-	(1,321)
-	-	-	(885)	-	885	Loans Repaid	-	-	-	(180)	-	180
140	133	-	-	-	(273)	Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	5,543	1,221	-	-	-	(6,764)
(807)	5,551	(4,007)	(214)	-	(523)	Total adjustments between revenue and capital resources	6,399	6,835	(3,918)	(1,412)	-	(7,904)
						Adjustments to capital resources						
-	-	-	268	-	(268)	Use of the capital receipts reserve to finance capital expenditure	-	-	-	4,867	-	(4,867)
-	-	4,007	-	-	(4,007)	Use of the major repairs reserve to finance capital expenditure	-	-	3,918	-	-	(3,918)
8,151	-	-	-	(8,151)	-	Application of capital grants to finance capital expenditure	9,267	-	-	-	(9,267)	-
-	-	-	-	-	-	Cash payments in relation to deferred capital receipts	(2,026)	-	-	-	2,026	-
8,151	-	4,007	268	(8,151)	(4,275)	Total adjustments to capital resources	7,241	-	3,918	4,867	(7,241)	(8,785)
5,922	(2,199)	-	54	(8,151)	4,374	Total adjustments	6,824	832	-	3,455	(7,241)	(3,870)

Note 8 - Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts transferred from earmarked reserves to meet General Fund and HRA expenditure in 2020/21.

	Balance	Transfers 2019/2020			Balance	Transfers 2020/2021			Balance
	31 March 2019 £'000	Intra £'000	Out £'000	In £'000	31 March 2020 £'000	Intra £'000	Out £'000	In £'000	31 March 2021 £'000
General Fund									
Carry Forwards	(85)	-	85	(164)	(164)		164	(717)	(717)
Growth and Efficiency Fund	(8,750)	1,000	640	(1,663)	(8,773)	1,640	4,154	(3,870)	(6,849)
Commercial Development Risk Reserve	(500)	(1,000)	-	-	(1,500)	(1,000)			(2,500)
Business Rates Equalisation Reserve	(2,962)	52	59	-	(2,851)	140		(2,148)	(4,859)
Business Rates Retention Pilot	(1,014)	(52)	162	-	(904)		90		(814)
Government Grants	(264)	-	93	(82)	(253)		20		(233)
Commuted Maintenance Payments	(775)	-	110	-	(665)		61	(34)	(638)
Elections Fund	(84)	-	75	(20)	(29)			(20)	(49)
Elections Equipment	(35)	-	-	-	(35)				(35)
Homelessness	(363)	-	37	(55)	(381)		83	(30)	(328)
Temporary Accommodation	(118)	-	8	(146)	(256)		25	(27)	(258)
Planning (Legal)	(506)	-	68	-	(438)			(133)	(571)
Neighbourhood Planning Grants	(28)	-	-	(46)	(74)			(35)	(109)
Community Housing Fund	-	(265)	21	-	(244)		41	(15)	(218)
Strategic Planning	(313)	265	-	(17)	(65)		15		(50)
Joint Local Plan	(224)	-	86	-	(138)		124	(86)	(100)
Planning Enforcement	(45)	-	-	-	(45)				(45)
Repairs and Renewals	(293)	-	-	-	(293)				(293)
Welfare Benefits Reform	(6)	-	-	-	(6)				(6)
Well-being	-	-	-	(275)	(275)		28		(247)
Waste	(205)	-	168	-	(37)			(78)	(115)
Covid-19	-	-	-	-	-	(280)		(582)	(862)
Rough Sleepers	-	-	-	-	-			(26)	(26)
Climate Change & Biodiversity	-	-	-	-	-	(500)			(500)
Total General Fund	(16,570)	-	1,612	(2,468)	(17,426)	-	4,805	(7,801)	(20,422)
Housing									
Strategic Priorities	(4,206)	-	-	(956)	(5,162)	-	-	(543)	(5,705)
Building Council Homes Programme (BCHP)	(20)	-	-	-	(20)	-	-	-	(20)
Leaseholder Repairs	(8)	-	-	(9)	(17)	-	-	(9)	(26)
Total Housing	(4,234)	-	-	(965)	(5,199)	-	-	(552)	(5,751)
Total Earmarked Reserves	(20,804)	-	1,612	(3,433)	(22,625)	-	4,805	(8,353)	(26,173)

Note 8 - Transfers to / from Earmarked Reserves

The earmarked reserves detailed in this table have been created for the following purposes:

General Fund

Carry Forwards

Agreed budget under spends in the current year to be spent in the following financial year.

Growth and Efficiency Fund

This fund was created during 2013/14 to meet part of the costs of the resources that are attributable to transformation and provide ongoing investment. This is to meet costs for developing programmes and projects and detailed business cases for investment. It will be allocated to projects and programmes of activity that demonstrate viable business cases and returns on investment in terms of savings, generating income or improved outcomes in line with the strategic priorities.

Commercial Development Risk Reserve

Established to mitigate against future risks associated with the level of commercial investment and development that the Council has or will be investing in

Business Rates Equalisation

Established in 2013/14, as a result of the huge change in the basis of funding for the new rates retention scheme as well as the impact of the Suffolk pooling arrangements. Will be used to neutralise the impact of any year on year fluctuations in growth or reduction of business rate income.

Business Rates Retention Pilot

Established to support a number of growth initiative projects, both Capital and Revenue following the 100% retention business rates pilot in 2018/19.

Government Grants

A reserve established for grants committed to future budgeted expenditure.

Commuted Maintenance Payments

A fund to help meet revenue expenditure requirements for the maintenance of bridges, open spaces and other amenities that comply with the provisions of a S106 agreement with a developer. It should be noted that additional S106 monies are held within capital receipts in advance for use on capital schemes such as play areas and affordable housing.

Elections Fund

To balance out expenditure on district elections held every four years. Annual contributions spread the expenditure equally year on year.

Elections Equipment

Established to enable the purchase of specific equipment on an ad hoc basis to support elections e.g. polling booths

Homelessness

Previously part of Government Grants, this reserve has been established to help facilitate the many implications arising from the new homeless legislation, the most significant being new prevention duties.

Temporary Accommodation (formerly Eric Jones House)

Established to fund the renewals of furnishing and kitchen fittings at all temporary accommodation establishments.

Planning (Legal)

Due to its unpredictable nature, Planning (Legal) was established to ensure that the core budget remains stable utilising the reserve to smooth year on year changes.

Neighbourhood Planning Grants

Established to allow for the timing differences associated with the receiving and spending of Neighbourhood Planning Grants.

Note 8 - Transfers to / from Earmarked Reserves

General Fund

Community Housing Fund

A reserve established from the receipt of Community Housing Fund and Custom Build grant monies which is committed to future budgeted expenditure.

Strategic Planning

A reserve established for Strategic Planning related grants that are committed to future budgeted expenditure.

Joint Local Plan

This reserve has been established to ensure that the core budget for the Joint Local Plan remains stable utilising the reserve to smooth year on year changes.

Planning Enforcement

A reserve established to fund any future legal costs.

Repairs and Renewals

Funds built up through contributions from revenue for the purpose of renewing assets currently in use in various service areas.

Welfare Benefit Reform

A fund established to help meet the costs of delivering the requirements of the Welfare Reform Act which started to come into effect in April 2013.

Well-being

Established in 2019/20 to support the creation of community capacity and enable communities to do more for themselves.

Waste

Established to smooth year on year changes such as the cost of materials recycling within the Waste Service, so that the core budget can remain stable.

Covid-19

Established in 2020/21 to ensure that the Council had specific funds set aside to respond to the financial impacts of the pandemic and to manage the timing difference between the receipt of support from the Government and when it is required to cover additional expenditure or loss of income.

Climate Change & Biodiversity

Established in 2020/21 to fund projects in order to support the Council's stated ambition to become carbon neutral by 2030.

Rough Sleepers

Established to allow for the timing differences associated with the receiving and spending of grants relating to rough sleepers.

HRA

Strategic Priorities

A reserve established to help meet future HRA spending priorities.

Building Council Homes Programme (BCHP) Reserve

A reserve established in 2018/19 to support the Council's new build development project utilising the grant received from the "Improvement and Development Agency for Local Government".

Leaseholder Repairs

Established to provide capital repairs for leasehold tenants.

Note 9 - Other Operating Expenditure

Other operating expenditure reported includes all levies payable, total payments made to the Government Housing Receipts Pool in line with statutory arrangements for certain property sales within the Housing Revenue Account and gains/losses generated from in year disposals of non-current assets.

	2020/21 £'000	2019/20 £'000
Parish council precepts	2,859	2,701
Payments to the Government Housing Capital Receipts Pool	335	1,974
(Gains) / Losses on the disposal of non current assets	(439)	(482)
Total	2,755	4,193

Note 10 - Financing and Investment Income and Expenditure

Financing and investment income and expenditure includes interest receivable and payable on the Council's investment portfolio.

The Council's net rental income on the properties it holds purely for investment purposes is also included. It also includes the interest element of the pension fund liability.

	2020/21 £'000	2019/20 £'000
Interest payable and similar charges	3,357	3,469
Net interest on the net defined benefit liability	661	800
Interest receivable and similar income	(3,099)	(2,740)
Impairment of Financial Instruments	(5)	10
Total	914	1,539

Note 11 - Taxation and Non-Specific Grant Income and Expenditure

This note consolidates all non-specific grants and contributions receivable that cannot be directly attributable to service expenditure and therefore not included in the gross income amount relevant to the service area.

All capital grants and contributions are credited to non-specific grant income even if service specific.

The note also identifies the Council's proportion of council tax and non-domestic rates used to fund in year service activities.

	2020/21 £'000	2019/20 £'000
Council Tax Income	(9,177)	(8,866)
Non-domestic rates income	(10,856)	(10,191)
Non-domestic rates Tariff payment to Central government	6,802	6,693
Non-ring-fenced government grants	(2,083)	(1,844)
Capital grants and contributions	(40)	(6)
Total	(15,354)	(14,214)

Note 12 - Property, Plant and Equipment

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

Cost or Valuation	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
2020/21							
Movements on Balances							
At 1 April 2020	213,235	21,425	8,316	1,158	7,240	1,296	252,670
Additions	7,322	1,539	782	-	45	4,047	13,735
Revaluation increases / (decreases) recognised in the Revaluation Reserve	23,549	2,422	-	-	(904)	-	25,067
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,815)	(111)	-	-	(217)	-	(2,143)
Derecognition - Disposals	(1,264)	-	(50)	-	-	-	(1,314)
Assets reclassified	-	1,662	-	-	(1,662)	-	-
Other movements in Cost or Valuation	86	-	14	-	(801)	701	-
At 31 March 2021	241,113	26,937	9,062	1,158	3,701	6,044	288,015

Accumulated Depreciation and Impairment	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
2020/21							
Movements on Balances							
At 1 April 2020	(1)	(2)	(3,279)	(93)	-	-	(3,375)
Depreciation charge	(3,748)	(461)	(781)	(3)	(14)	-	(5,007)
Depreciation written out to the Revaluation Reserve	3,202	184	-	-	14	-	3,400
Depreciation written out to the Surplus / Deficit on the Provision of Services	540	277	-	-	-	-	817
Derecognition - disposals	6	-	41	-	-	-	47
At 31 March 2021	(1)	(2)	(4,019)	(96)	-	-	(4,118)
Net Book Value							
At 31 March 2021	241,112	26,935	5,043	1,062	3,701	6,044	283,897

Note 12 - Property, Plant and Equipment

Cost or Valuation	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
2019/20 Movements on Balances							
At 1 April 2019	224,910	18,319	9,538	1,147	5,420	848	260,182
Additions	4,322	103	785	11	67	466	5,754
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(11,624)	306	-	-	2,106	-	(9,212)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(3,453)	2,697	-	-	(353)	-	(1,109)
Derecognition - Disposals	(920)	-	(2,025)	-	-	-	(2,945)
Other movements in Cost or Valuation	-	-	18	-	-	(18)	-
At 31 March 2020	213,235	21,425	8,316	1,158	7,240	1,296	252,670

Accumulated Depreciation and Impairment	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
2019/20 Movements on Balances							
At 1 April 2019	(2)	(2)	(4,557)	(87)	-	-	(4,648)
Depreciation charge	(3,861)	(535)	(740)	(6)	(106)	-	(5,248)
Depreciation written out to the Revaluation Reserve	3,446	218	-	-	-	-	3,664
Depreciation written out to the Surplus / Deficit on the Provision of Services	408	317	-	-	106	-	831
Derecognition - disposals	8	-	2,018	-	-	-	2,026
At 31 March 2020	(1)	(2)	(3,279)	(93)	-	-	(3,375)
Net Book Value							
At 31 March 2020	213,234	21,423	5,037	1,065	7,240	1,296	249,295

Note 12 - Property, Plant and Equipment

Capital Commitments

On 31 March 2021, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment and other capital projects in 2020/21 that total £7.5m, most of which is for housing. Similar commitments on 31 March 2020 were £10.65m. The major commitments are shown in this table.

2020/21 amounts	£'000
New Build of Council Dwellings / Social Housing	6,131
Needham Lake Visitors Centre	807
Mandatory Disabled Facilities Grant	354
HRA Planned Maintenance and other works	99
Community Development Grants	84
Streetcare - Vehicles and Plant Renewals	49
Total Commitments	7,524

Revaluations

Valuations are carried out by qualified valuers and, for land and buildings, are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Under IAS 16 the Council is required to revalue its assets at 5 yearly intervals, or sooner where there is a material change in any year. An annual impairment review is also carried out. The Council's valuers, Wilks Head & Eve, carried out full valuations for both the Housing Revenue Account and General Fund properties on 31 March 2021.

Due to the COVID-19 pandemic, our valuers have indicated that there may be a material valuation uncertainty for some of the valuations provided. However, they are of the view that as at the valuation date the valuations produced are appropriate and still can be relied upon with them being based on the comparable and cost data available at the valuation date.

The next full valuation for Housing Revenue Account properties is due on 31 March 2026 and for General Fund Properties on 1 April 2025.

Carried at Historical Cost	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Carried at Historical Cost	-	199	9,034	1,158	-	6,044	16,435
Fair Value as at:							
31 March 2021	241,113	26,738	-	-	3,701	-	271,552
Prior 2015	-	-	28	-	-	-	28
Total Cost or Valuation	241,113	26,937	9,062	1,158	3,701	6,044	288,015

Note 13 - Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses and specialist stock condition data for Housing Revenue Account properties.

All software is assigned a finite useful life of five years, based on an assessment of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis.

The amortisation charged to revenue in the year was charged to the ICT Administration cost centre.

The movement on Intangible Asset balances during the year :	2020/21	2019/20
	£'000	£'000
Balance at start of year:		
Gross carrying amount	3,403	3,988
Accumulated amortisation	(2,654)	(2,976)
Net carrying amount at start of year	<u>749</u>	<u>1,012</u>
Additions:		
Purchases	41	164
Other disposals	(15)	(749)
Amortisation for the period	(359)	(414)
Amortisation re assets written off in year for the period	16	736
Net carrying amount at end of year	<u>432</u>	<u>749</u>
Comprising:		
Gross carrying amount	3,429	3,403
Accumulated amortisation	(2,997)	(2,654)
	<u>432</u>	<u>749</u>

A - Financial Instruments - Classifications

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

Financial Liabilities

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

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- trade payables for goods and services received

Financial Assets

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

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts with Lloyds bank
- loans to the Council's companies, other small companies and housing associations
- trade receivables for goods and services delivered

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- equity investments in MSDC (Suffolk Holdings) Ltd held for service purposes

Fair value through profit and loss (all other financial assets) comprising:

- money market funds managed by specialist fund managers
- pooled equity, property and multi asset funds managed by Schroders, Investec, CCLA and UBS fund managers held as strategic investments.

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

Note 14 - Financial Instruments

B - Financial Instruments - Balances

The financial liabilities that are carried in the Balance Sheet are shown in this table.

The total short-term borrowing includes £1,237k (2019/20 was £1,367k) which represents accrued interest and principal repayments on long-term borrowing that are due within 12 months.

Financial Liabilities	Long Term		Short Term	
	2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s
Loans at amortised cost:				
Principal sum borrowed	97,335	93,572	45,237	41,767
Accrued interest		-	397	465
Total Borrowing	97,335	93,572	45,634	42,232
Liabilities at amortised cost				
Trade payables		-	6,092	4,870
Included in Creditors	-	-	6,092	4,870
Total Financial Liabilities	97,335	93,572	51,726	47,102

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

FVOCI – Fair Value through Other Income and Expenditure

FVPL – Fair Values through Profit and Loss

Financial Assets	Long Term		Short Term	
	2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s
Loans and receivables:				
Principal at amortised cost	65,051	46,009	1,087	3,934
Accrued interest		-	2,936	1,736
Loss allowance	(1,105)	(715)	(3)	(18)
At fair value through other comprehensive income:				
Equity investments elected FVOCI	1,152	1,271		-
At fair value through profit & loss				
Investments held for trading		-	10,079	9,471
Accrued interest		-	102	116
Total Investments	65,098	46,565	14,201	15,239
Loans and receivables:				
Cash (including bank accounts)	-	-	3,029	7,013
Total Cash and Cash Equivalents	-	-	3,029	7,013
Loans and receivables:				
Trade receivables	2,949	3,024	13,310	8,561
Included in Debtors	2,949	3,024	13,310	8,561
Total Financial Assets	68,047	49,589	30,540	30,813

Note 14 - Financial Instruments

C - Equity instruments elected to fair value through other comprehensive income

The Council has elected to account for their investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair Value		Dividends	
	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's
MSDC (Suffolk Holdings) Ltd	1,152	1,271		-
Total	1,152	1,271	-	-

The reduction in fair value is due to the impairment of the investment properties held by MSDC (Suffolk Holdings) Ltd.

D - Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

This table shows those instruments that have been offset on the balance sheet.

	Gross assets (liabilities) £000's	2020/21	Net position on Balance £000's	Gross assets (liabilities) £000's	2019/20	Net position on Balance sheet £000's
		(Liabilities) assets set off £000's			(Liabilities) assets set off £000's	
Bank accounts in credit	1,518		1,518	949	-	949
Short Term Deposits	1,500		1,500	6,000		6,000
Total Financial assets	3,018	-	3,018	6,949	-	6,949

E - Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are shown in this table:

	Financial Liabilities Amortised Cost £000s	Amortised Cost £000s	Financial Assets		2020/21 Total £000s	2019/20 Total £000s
			Elected to Fair Value through £000s	Fair Value through Profit & Loss £000s		
Interest expense	3,357				3,357	3,469
Impairment losses		(5)			(5)	10
Fees paid	42				42	19
Interest payable and similar charges	3,399	(5)	-	-	3,394	3,498
Interest income		(5)	(2,606)	(488)	(3,099)	(2,741)
Interest and investment income	-	(5)	(2,606)	(488)	(3,099)	(2,741)
Net impact or surplus/deficit on provision of services	3,399	(10)	(2,606)	(488)	295	757
Gains on revaluation				(642)	(642)	-
Losses on revaluation			2,064	34	2,098	2,099
Impact on comprehensive income	-	-	2,064	(608)	1,456	2,099
Net Gain/(Loss) for the year	3,399	(10)	(542)	(1,096)	1,751	2,856

F - Financial Instruments - Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows on 31 March 2021, using the following method and assumptions:

- Shares in MSDC (Suffolk Holdings) Ltd have been valued from the company's balance sheet net assets

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2021.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Note 14 - Financial Instruments

Financial Liabilities

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	Fair Value Level	Balance Sheet 2020/21 £000s	Fair Value 2020/21 £000s	Balance Sheet 2019/20 £000s	Fair Value 2019/20 £000s
Financial Liabilities held at Amortised cost					
Long term loans from PWLB	2	94,572	113,850	90,939	109,603
Long term LOBO loans	2	4,000	8,160	4,000	8,758
Short term loans	2	5,000	5,087	16,000	16,152
Sub Total		103,572	127,097	110,939	134,513
Liabilities for which fair value is not disclosed		45,489	-	29,735	-
Total Financial Liabilities		149,061	127,097	140,674	134,513
Recorded on balance sheet as:					
Short term creditors		6,092		4,870	
Short term borrowing		45,634		42,232	
Long term borrowing		97,335		93,572	
Total Financial Liabilities		149,061		140,674	

Financial Assets

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Property funds totaling £4.72m have been moved back from level 2 to level 1 of the hierarchy for 2020/21. This reflects the resumption of an active market in these instruments, following their suspension during 2019/20 caused by the economic consequences of the coronavirus pandemic.

	Fair Value Level	Balance Sheet 2020/21 £000s	Fair Value 2020/21 £000s	Balance Sheet 2019/20 £000s	Fair Value 2019/20 £000s
Financial assets held at fair value:					
Money market funds	1	1,500	1,500	6,000	6,000
Bond, Equity and property funds	1	10,079	10,079	4,721	4,721
Bond, Equity and property funds	2	0	0	4,750	4,750
Shares in unlisted companies	2	1,152	1,152	1,271	1,271
Financial assets held at amortised cost:					
Long term loans to companies	2	62,669	62,669	45,150	45,150
Sub Total		75,400	75,400	61,892	61,892
Assets for which fair value is not disclosed		23,188		18,510	
Total Financial Assets		98,588	75,400	80,402	61,892
Recorded on balance sheet as:					
Long term debtors		66,895		48,317	
Long term investments		1,152		1,271	
Short term debtors		13,795		8,830	
Short term investments		13,717		14,971	
Cash and Cash equivalents		3,029		7,013	
Total Financial Assets		98,588		80,402	

Note 15 – Debtors

This note shows the recoverable amount owed to the Council by short-term debtors (i.e. due to be received within one year) in each class net of impairment allowances.

The significant increase in debtors for other entities is amounts owed under the Community Infrastructure Levy.

The significant changes in the debtors for central government and other local authorities (namely Suffolk County Council) is their proportion of the deficit on the Collection Fund (council tax and business rates). This is shown in CF Note 1 of the Supplementary Statements – Notes to the Collection Fund, on page 109.

	2020/21 £'000	2019/20 £'000
Trade Receivables	309	809
Prepayments	219	195
Council Tax, Business Rates and Housing Benefits	1,537	566
Central Government	938	593
Housing Tenants	282	310
Other Local Authorities	1,918	1,003
Other Entities and Individuals	11,345	6,910
Total Debtors	16,548	10,386

Note 16 - Cash and Cash Equivalents

This note shows how the balance of Cash and Cash Equivalents is made up of its various elements. These consist of cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

	2020/21 £'000	2019/20 £'000
Bank current accounts	1,518	949
Short-term deposits and Money Market Funds	1,500	6,000
Cash in Transit	11	64
Total Cash and Cash Equivalents	3,029	7,013

Note 17 – Creditors

This note shows the amount owed by the Council to short-term creditors (i.e. due to be paid within one year) in each class.

The government paid to local authorities Section 31 grants in advance to offset the estimated cost of additional reliefs granted for business rates. The significant increase in central government creditors reflects the amount due to be returned to them.

	2020/21 £'000	2019/20 £'000
Trade Payables	(3,433)	(1,643)
Council Tax, Business Rates and Housing Benefits	(877)	(814)
Central Government	(8,290)	(5,014)
Other Local Authorities	(1,112)	(612)
Other Entities and Individuals	(2,745)	(1,594)
Total Creditors	(16,457)	(9,677)

Note 18 – Provisions

Non-Domestic Rate Appeals

The Local Government Finance Act 2012 introduced a non-domestic rates retention scheme that enables local authorities to retain a portion of the rates generated in their area. These arrangements came into effect on 1 April 2013. As part of this process each Council has assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

The provision relates to Mid Suffolk's share, 40% of billing authorities' estimates of the provision required for potential refunds relating to retrospective alterations to the rating list for those appeals that are already lodged with the Valuation Office as at 31 March 2020. This includes amounts under the Check, Challenge and Appeal process and potential outcomes following legal cases for ATMs and doctors' surgeries.

Mid Suffolk has not opted to spread the cost of these appeals (prior to 2013/14) over 5 years. This work has been supported by Wilks Head and Eve LLP, Sixth Floor, Fairgate House, 78 New Oxford Street, London WC1A 1HB. This includes amounts that were paid over in respect of 2012/13 and prior years to Central Government.

Accumulated Absence

An employer must accrue a liability for compensated absences payable to employees for their future absences, only if the following conditions are met:

- The payment obligation for future absences is based on employee services already rendered.
- The amount of the obligation can be reasonably estimated.

	Balance at 31 March 2020 £'000	(Add)/Reduced Provisions made in year £'000	Amounts used in year £'000	Balance at 31 March 2021 £'000
Non Domestic Rates Appeals	(1,345)	(1,104)	527	(1,922)
Accumulated Absence	(182)	(149)	182	(149)
Total	(1,527)	(1,253)	709	(2,071)

Note 19 - Unusable Reserves

All the Council's unusable reserves are described below and the movements in the year are disclosed.

Summary	2020/21 £'000	2019/20 £'000
a - Revaluation Reserve	(88,715)	(61,270)
b - Capital Adjustment Account	(82,523)	(76,010)
c - Pensions Reserve	40,664	28,772
d - Collection Fund Adjustment Account	1,800	(14)
e - Accumulated Absences Account	149	182
f - Financial Instruments Revaluation Reserve	5,737	3,673
g - Pooled Investment Funds Adjustment Account	619	1,227
Total Unusable Reserves	(122,269)	(103,440)

Note 19a - Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

	2020/21 £'000	2019/20 £'000
Balance at 1 April	(61,270)	(67,867)
Upward revaluation of assets	(30,742)	(13,006)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,277	18,556
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(28,465)	5,550
Difference between fair value depreciation and historical cost depreciation	784	806
Accumulated gains on assets sold or scrapped	236	241
Amount written off to the Capital Adjustment Account	1,020	1,047
Balance at 31 March	(88,715)	(61,270)

Note 19b - Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and additional costs.

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

Note 7 to the Core Statements provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2020/21 £'000	2019/20 £'000
Balance at 1 April	(76,010)	(77,588)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	6,331	5,525
Amortisation of intangible assets	359	414
Revenue expenditure funded from capital under statute	4,916	1,068
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,266	932
	<u>12,872</u>	<u>7,939</u>
Adjusting amounts written out of the Revaluation Reserve	(1,020)	(1,047)
Net written out amount of the cost of non-current assets consumed in the year	11,852	6,892
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(4,867)	(268)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,918)	(4,007)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,035)	(1,020)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,030)	-
Third Party Loans	180	885
Impairment of Financial Instruments	390	504
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,321)	(1,135)
	<u>(1,221)</u>	<u>(133)</u>
Capital expenditure charged against the General Fund and HRA balances	(5,543)	(140)
Capital expenditure charged against Earmarked Reserves	(18,365)	(5,314)
	<u>(82,523)</u>	<u>(76,010)</u>
Balance at 31 March	(82,523)	(76,010)

Note 19c - Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Details on the charge for the year are shown in Note 32 of the Core Financial Statements.

	2020/21 £'000	2019/20 Restated £'000
Balance at 1 April	28,772	33,005
Remeasurement of net defined liability/(asset)	11,442	(5,554)
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,121	3,949
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,671)	(2,628)
Balance at 31 March	40,664	28,772

Note 19d - Collection Fund Adjustment Account

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

	2020/21 £'000	2019/20 £'000
Balance at 1 April	(14)	804
The amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	1,814	(818)
Balance at 31 March	1,800	(14)

Note 19e - Accumulated Absences Account

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

	2020/21 £'000	2019/20 £'000
Balance at 1 April	182	163
Settlement or cancellation of accrual made at the end of the preceding year	(182)	(163)
Amount accrued at the end of the current year	149	182
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(33)	19
Balance at 31 March	149	182

Note 19f - Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through Other Comprehensive Income.

The balance is reduced when investments with accumulated gains are:

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

	2020/21 £'000	2019/20 £'000
Balance at 1 April	3,673	2,801
Downward revaluation of Equity Instruments	2,064	872
Balance at 31 March	5,737	3,673

Note 19g - Pooled Investment Funds Adjustment Account

The Pooled Investment Fund Adjustment Account was established in 2019/20 to mitigate the impact of fair value movements through profit and loss (FVPL) of pooled investment funds.

Where there are fair value gains or losses on a pooled investment fund, the Council, under a statutory override (SI 2018/2107), must charge that amount to an account established, charged and used solely for the purpose of recognising fair value gains and losses in accordance with this regulation.

The balance increases when gains are made by the Council arising from increases in fair value and reduced when revalued downwards. There are no adjustments for impairment losses, sales or disposals.

	2020/21 £'000	2019/20 £'000
Balance at 1 April	1,227	-
Upward revaluation of investments	(642)	-
Downward revaluation of investments	34	1,227
Balance at 31 March	619	1,227

Note 20 - Cash Flow Statement: Operating Activities

Cash Flow Statement - Operating Activities	2020/21 £'000	2019/20 £'000
The cash flows for operating activities include the following items:		
Interest received	(1,913)	(1,730)
Interest paid	3,379	3,428
	1,466	1,698
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:		
Depreciation and amortisation	(5,366)	(5,662)
Impairment and (downward valuations)/reversals	(718)	(1,515)
(Increase)/decrease in creditors	(6,862)	(3,939)
Increase/(decrease) in debtors	5,543	1,196
Increase/(decrease) in inventories	14	4
Movement on pension liability	(450)	(1,321)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,268)	(932)
Other non-cash items	(544)	280
	(9,651)	(11,889)
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,705	1,414
Other items for which the cash effects are investing or financing activities	777	292
	2,482	1,706
Net cash flows from operating activities	(5,703)	(8,485)

Note 21 - Cash Flow Statement: Investing Activities

	2020/21 £'000	2019/20 £'000
Purchase of property, plant and equipment, investment property and intangible assets	13,861	4,164
Purchase of short-term and long-term investments	77,970	36,480
Other payments for investing activities	1,000	33
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,705)	(1,414)
Proceeds from short-term and long-term investments	(60,696)	(22,208)
Other receipts from investing activities	(2,352)	(2,459)
Net cash flows from investing activities	28,078	14,596

Note 22 - Cash Flow Statement: Financing Activities

	2020/21 £'000	2019/20 £'000
Cash receipts from short and long term borrowing	(20,902)	(63,533)
Repayments of short-term and long-term borrowing	13,715	58,481
Net cash flows from financing activities	(7,187)	(5,052)

Note 23 - Members' Allowances

The Council paid the following amounts to Members of the Council during the year.

The Independent Remuneration Panel (IRP) was appointed to review and make recommendations to the Council regarding members allowances following the introduction of a Leader/Cabinet Governance Model in May 2017 and in accordance with legal requirements under the Local Authorities (Members' Allowances) (England) Regulations 2003.

	2020/21 £'000	2019/20 £'000
Basic Allowances	181	174
Special Responsibility Allowance	118	104
Expenses	9	30
Total	308	308

Further details of the Council's Scheme and schedules for Member's Allowances can be found in the Transparency pages on the Council's website at:

<https://www.midsuffolk.gov.uk/the-council/finance/senior-officers-remuneration/mid-suffolk-member-allowances/>

Note 24 - Officers' Remuneration

Following the integration with Babergh District Council in June 2013, the two Councils share both staff and services. The Senior Leadership Team comprises a Chief Executive, a Strategic Director and eight Assistant Directors.

Post holders continue to be employed by the Council which employed them prior to the introduction of the Senior Leadership Team.

The following two tables apply to Mid Suffolk District Council employees only. Remuneration for the other officers is published in Babergh District Council's Statement of Accounts.

	Year	Salary, Fees and Allowances £'000	Expenses / Benefits in Kind £'000	Pension Contribution £'000	Exit Packages £'000	Total £'000
Strategic Director (left 10.11.2019)	2020/21	-	-	-	-	-
	2019/20	56,917	589	12,977	-	70,483
Assistant Director - Corporate Resources (Section 151 Officer)	2020/21	86,551	-	19,907	-	106,458
	2019/20	84,358	1,450	19,402	-	105,210
Assistant Director - Environment and Projects (left 14.06.2019)	2020/21	-	-	-	-	-
	2019/20	15,381	599	3,446	51,236	70,662
Assistant Director - Law & Governance	2020/21	79,549	-	18,296	-	97,845
	2019/20	38,400	-	17,572	-	55,972
Assistant Director - Sustainable Communities	2020/21	74,292	-	17,087	-	91,379
	2019/20	71,028	945	16,630	-	88,603

The remuneration paid to the Council's senior employees is shown in this table.

A senior employee, for the additional disclosure, is the head of paid service. A statutory chief officer is anybody who has power to direct or control the major activities of the body. This has been interpreted as the Senior Leadership Team. The previous table shows the full costs of Mid Suffolk's employees who met this definition.

Note 24 - Officers' Remuneration

These numbers relate solely to those staff directly employed by the Council and exclude any officers who received more than £50,000 from Babergh District Council and whose costs may have been shared between the two Councils.

Details of the total costs of the Senior Leadership Team (inclusive of salary and expense payments made, as well as pension fund contributions) are set out in the following table. Seven members of Senior Leadership Team were employed by Babergh District Council and their remuneration, in the format of the previous table, is disclosed in that Council's Statement of Accounts. The next table sets out how Babergh reimburses Mid Suffolk for its 50% share of these costs for the relevant period in 2020/21. There is one exception where costs are not shared equally. This relates to the role of the Assistant Director for Investment and Commercial Delivery. These costs are shared 35% Babergh and 65% Mid Suffolk. In addition, other transactions are disclosed in Note 27, Related Parties.

The amounts shown in the following table (relating to Mid Suffolk employees) are different to those included in the Senior Officers' remuneration (see previous page) as they include employers National Insurance contributions. These costs are shared with Babergh District Council under the integration arrangements, as explained in the following paragraphs.

	2020/21 Expenditure by Babergh £	2020/21 Expenditure by Mid Suffolk £	2019/20 Expenditure by Babergh £	2019/20 Expenditure by Mid Suffolk £
Senior Management				
Joint Chief Executive	181,346	-	171,820	
Strategic Director (left 10.11.2019)	-	-	-	77,999
Strategic Director	131,411	-	130,573	-
Assistant Director Corporate Resources	-	117,355	-	116,596
Assistant Director - Customer, Digital Transformation and Improvement	100,419	-	95,053	-
Assistant Director Assets and Investments	115,390	-	116,684	-
Assistant Director Sustainable Communities	-	100,214	-	97,562
Assistant Director - Environment and Projects (left 14.06.2019)	-	-	-	75,535
Assistant Director - Environment and Commercial Partnerships (from 27.05.2019)	75,140	-	59,063	-
Assistant Director Economic Development and Regeneration	111,196	-	89,969	-
Assistant Director Housing	96,080	-	90,391	-
Assistant Director Law and Governance	0	107,646		62,870
Total Expenditure	810,982	325,215	753,553	430,562
Net Adjustment between Councils	(257,398)	257,398	(174,549)	174,549
Total	553,584	582,613	579,004	605,111

Note 24 - Officers' Remuneration

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the amounts shown in the following table.

	2020/21	2019/20
	Number of employees	Number of employees
£50,000 - £54,999	6	6
£55,000 - £59,999	-	1
£60,000 - £64,999	2	1
£65,000 - £69,999	-	1
£70,000 - £74,999	-	2
TOTAL	8	11

Note 25 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims by the Council's External Auditors, (Ernst & Young LLP).

	2020/21	2019/20
	£'000	£'000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the year	47	39
Fees payable to the external auditor for the certification of grant claims and returns for the year	40	19
Total	87	58

Note 26 – Grant Income

The Council debited payments and credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement, as shown in this table.

This note consolidates all non-specific grants and contributions receivable that cannot be directly attributable to service expenditure and therefore not included in the gross income amount relevant to the service area.

The note also identifies the Council's proportion of council tax and non-domestic rates used to fund in year service activities.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The amount shown in the balance sheet is detailed in this table.

	2020/21 £'000	2019/20 £'000
Credited to Taxation and Non-Specific Grant Income and Expenditure:		
Revenue Grants and Contributions:		
Council Tax Income	(9,175)	(8,866)
Council Tax TIG & Hardship	(2)	-
Non-Domestic Rates Levy Payable	1,024	514
Non-Domestic Rates Income	(8,258)	(9,294)
LCTS Support & S31 Grants	(3,622)	(1,411)
Non-Domestic Rates Payable to Central Government (Tariff)	6,802	6,693
Rural Services Support Grant	(433)	(433)
New Homes Bonus	(1,613)	(1,380)
Other Revenue Grants	(37)	(31)
Total Revenue Grants	(15,314)	(14,208)
Capital Grants and Contributions:		
Section 106	(36)	-
Other	(4)	(6)
Total Capital Grants	(40)	(6)
Total Credited to Taxation and Non-Specific Grant Income and Expenditure	(15,354)	(14,214)
Grants and Contributions Credited to Services:		
HB Subsidy & Admin Grant	(11,943)	(12,598)
Covid 19 Grants from Government	(4,489)	-
Disabled Facilities Grant	(688)	(331)
Highways England	-	(230)
Homelessness	(364)	(234)
Homes England	(930)	-
Leisure Contracts	(194)	-
S106 Contributions	(389)	(389)
Misc Other Grants	(297)	(385)
Total Grants and Contributions Credited to Services	(19,294)	(14,167)

Capital Grants Receipts in Advance:	2020/21 £'000	2019/20 £'000
S106 Contributions	4,801	4,641
Disabled Facilities Grant	473	462
Public Sector Decarbonisation Scheme	1,399	-
Homes England	135	568
Total Grants	6,808	5,671

Note 27 - Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the Core Financial Statements Note 6 Expenditure and Income Analysed by Nature and Note 26 Grant Income.

Members

Members of the Council have direct control over the Council's financial and operating policies and strategy. The total of members' allowances and expenses paid in 2020/21 is shown in Note 23.

Babergh / Mid Suffolk Integration (BMI)

Integration between Mid Suffolk and Babergh District Council commenced with the appointment of a Joint Chief Executive in May 2011. Full integration in terms of staff and services has been in place since June 2013.

During 2013/14, it was agreed that all costs would generally be shared 50:50 between the two Councils. Evidence of this can be seen within the Officers Remuneration note, (Note 24) and the Termination Benefits note, (Note 31).

There continues to be two separate groups of Members as the Councils are two separate legal entities. There is currently a Joint Overview and Scrutiny Committee, a Joint Audit and Standards Committee and Joint HR Panel.

A total of £5,272k of employee related expenditure was recharged to the Council by Babergh and the Council recharged £4,279k of payroll expenditure to Babergh.

A total of £1,114k of non-employee related expenditure was recharged to the Council by Babergh and the Council recharged £3,856k of non-employee related expenditure to Babergh.

Suffolk County Council and the Police and Crime Commissioner

The Council pays precepts for council tax to Suffolk County Council, the Police and Crime Commissioner and various parish councils. The Council also pays a share of non-domestic rates to the County Council. Details of these transactions are given in the Income and Expenditure Statement for the Collection Fund.

Suffolk County Council Subsidiaries

Suffolk County Council has a number of wholly owned subsidiaries including Vertas Group Ltd, Concertus Design and Property Consultants Ltd and Opus People Solutions Ltd. During 2020/21, the Council incurred expenditure of £285k (£606k in 2019/20).

Shared Revenues Partnership

From 1 April 2011 the Shared Revenues Partnership (SRP) was set up to deliver a Shared Revenues and Benefits Service for Babergh and Mid Suffolk District Councils and Ipswich Borough Council. Each Council has delegated its authority for this function to a Joint Committee, comprising of Members from each Council, and oversees the running of the SRP.

Note 27 - Related Parties

The cost of delivering the partnership is reviewed annually and is based on cost drivers such as number of businesses, number of billing items (council tax) and number of housing benefit documents. Mid Suffolk's share represents net expenditure of £997k in 2020/21 (£977k in 2019/20).

Shared Legal Services

From 1 November 2016 the Shared Legal Services team was created to deliver a strong, skilled legal service that proactively seeks out new knowledge and different ways of working for Babergh, Mid Suffolk and West Suffolk Councils. Expenditure is shared on the following basis: Babergh and Mid Suffolk District Councils 57%, West Suffolk Council 43%.

Citizens Advice Bureau (CAB)

The Mid Suffolk CAB was provided with a grant during the year of £87k (£87k in 2019/20). Councilor David Muller has an interest in the organisation but has not been appointed as a council representative. The Council has no significant interest in the CAB nor any entitlement to any surpluses or deficits of this Not-for-Profit organisation.

During the year transactions with the various related parties were as follows:

	2020/21 £'000	2019/20 £'000
Suffolk County Council	3,530	1,654
Suffolk County Council - subsidiaries	285	606
Grants & Contributions to Parish Councils, Community Councils, Village Halls and Theatres	699	629
Police & Crime Commissioner	58	100
Mid Suffolk Citizens Advice Bureau	87	87
Museum of East Anglian Life	38	59
Wingfield Barns CIC	30	31
Total	4,727	3,166

Note 27 - Related Parties

Entities Controlled or significantly influenced by the Council

The Council has a wholly owned subsidiary company, MSDC (Suffolk Holdings) Limited, incorporated on 9 June 2017, over which it exerts control. This holding company owns 50% shares of CIFCO Capital Limited and 100% of Gateway 14 Limited, over which the Council exerts significant influence.

Their principal activities are the purchase of commercial property for investment purposes.

The following officers and members hold or have held positions on the boards of the companies controlled or significantly influenced by the Council:

MSDC (Suffolk Holdings): -

Arthur Charvonia – Company Secretary
Councillor Gerard Brewster - Director (from 9 June 2017)
Councillor Paul Ekpenyong – Director (from 24 July 2019)
Councillor Peter Gould – Director (from 24 July 2019)
Councillor Richard Meyer – Director (from 24 July 2019)

Gateway 14 Ltd (100% Shareholding): -

Emily Atack – Director
Councillor John Whitehead – Director (from 1 November 2017)
Councillor Paul Ekpenyong – Director (from 25 March 2021)

Other Directors who are not officers/members of the Council:

Henry Cooke (from 5 March 2018)
Stephen Davies (from 5 March 2018)
Sir Christopher Haworth (from 1 November 2017)

CIFCO Capital Ltd (50% Shareholding): -

Emily Atack – Director
Councillor Richard Meyer – Director (from 18 July 2019)

Other Directors who are not officers/members of the Council:

Henry Cooke (from 12 June 2017)
Sir Christopher Haworth (from 12 June 2017)
Mark Sargeantson (from 12 June 2017)

Mid Suffolk Growth Ltd (50% Shareholding)

The holding company also owns 50% shares Babergh Growth Ltd which was incorporated on 19 March 2019.

The principal activities are for the development of building projects.

The following officers and members hold positions on the board

Emily Atack – Director
Councillor Paul Ekpenyong – Director (from 18 April 2019)
Councillor Lavinia Hadingham – Director (to 30 September 2020)
Councillor Harold Richardson – Director (from 1 October 2020)

Other Directors who are not officers/members of the Council:

Richard Gawthorpe – Director (from 18 April 2019)
Daniel Squirrell-Hughes – Director (from 18 April 2019)

The Group Accounts are shown on page 112 to page 118.

Note 28 - Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in this table, together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

The CFR is analysed in the second part of this note.

	2020/21 £'000	2019/20 £'000
Opening Capital Financing Requirement	162,692	153,396
Capital investment		
Property, Plant and Equipment	13,735	5,754
Intangible Assets	41	164
Revenue Expenditure Funded from Capital under Statute	4,916	1,069
Mortgages/Loans	1,000	33
Acquisition of Share Capital	1,944	410
Loans to Joint Venture	18,376	8,569
Sources of finance		
Capital receipts	(4,867)	(268)
Government grants and other contributions	(2,066)	(1,020)
Sums set aside from revenue:		
Direct Revenue Contributions	(6,764)	(273)
Major Repairs Reserve	(3,918)	(4,007)
Minimum Revenue provision for the repayment of debt	(1,183)	(1,025)
Third Party Loan Repayments	(138)	(110)
Closing Capital Financing Requirement	183,769	162,692
Explanation of movements in year		
Increase / (decrease) in underlying need to borrowing (unsupported by government financial assistance)	22,398	10,431
Minimum Revenue provision for the repayment of debt	(1,321)	(1,135)
Increase/(decrease) in Capital Financing Requirement	21,077	9,296

The Council as Lessee

Operating Leases

The Council leases in property and equipment under operating leases. Some examples of property and equipment leased in are as follows:

- vehicle trackers and vehicle radios
- Endeavour House, Ipswich – relates to its shared use with Babergh District Council since November 2017.
- land for car park use (Union Street West, Stowmarket)

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

	2020/21 £'000	2019/20 £'000
The future minimum lease payments payable under non-cancellable lease in future years are:		
Expires not later than one year	226	221
Expires later than one year and not later than five years	742	796
Expires later than five years	221	368
Total	1,189	1,385

The Council as Lessor

Operating Leases

The Council leases out land and buildings under operating leases for the following purposes:

- for the provision of community services
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

	2020/21 £'000	2019/20 £'000
The future minimum lease payments receivable under non-cancellable leases in future years are:		
Not later than one year	99	64
Later than one year and not later than five years	171	89
Later than five years	157	88
Total	427	241

Note 30 - Impairment Losses and Reversals

Valuations by the Council's valuers on 1 April 2020 and 31 March 2021 resulted in a net impairment of £1,326k in the year (see Note 12 to the Core Financial Statements). This is explained by decreases in the value of council dwellings of £1,275k and £217k in sites being held for housing development. These decreases are offset by an increase in the value of other non-current assets of £166k in the 2020/21 financial year.

These changes are reflected in both the General Fund and Housing Revenue Account and in the Comprehensive Income and Expenditure Statement.

Note 31 - Termination Benefits

As part of the integration with Babergh District Council it has been agreed that the costs for 2020/21 will generally be shared in the ratio 50:50. There may be exceptions to this, where staff costs are fully incurred by one Council only or the basis of apportionment is something other than 50:50. The 2020/21 accounts reflects one occasion where a member of staff left the organisation and where costs were shared 50:50 with Babergh.

Termination Benefits - Exit Packages	2020/21				2019/20			
	Number of Employees	Redundancy Costs £	Pension Contribution £	Total £	Number of Employees	Redundancy Costs £	Pension Contribution £	Total £
Voluntary Redundancies								
£0 - £19,999	-	-	-	-	3	27,569	-	27,569
£20,000 - £39,999	1	35,806	-	35,806	3	75,200	10,081	85,281
£40,000 - £59,999	-	-	-	-	4	158,304	41,266	199,573
Total	1	35,806	-	35,806	10	261,073	51,347	312,423

This table sets out how the Council reimburses Babergh for its share of their costs.

Shared Exit Package Costs	Number of Employees Mid Suffolk	Number of Employees Babergh	Total Expenditure Mid Suffolk £'000	Total Expenditure Babergh £'000
2020/21				
£20,000 - £39,999	1	0	35,806	-
Total	1	0	35,806	-
Net Adjustment between Councils			(17,903)	17903.00
Total Cost to each Council			17,903	17,903

Note 32 - Pension Schemes Accounted for as Defined Benefit Schemes

Participation in the pension scheme

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

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

The following table shows the current bandings of employee's pensionable pay and percentage contributions required.

Local Government Pension Scheme - Salary Bandings for Employee Contributions	2020/21
Up to £14,600	5.50%
£14,601 - £22,800	5.80%
£22,801 - £37,100	6.50%
£37,101 - £46,900	6.80%
£46,901 - £65,600	8.50%
£65,601 - £93,000	9.90%
£93,001 - £109,500	10.50%
£109,501 - £164,200	11.40%
Over £164,200	12.50%

Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme - Transactions relating to post-employment benefits	2020/21 £'000	2019/20 Restated £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	2,480	3,164
Past Service cost/(gain) including curtailments	-	4
Financing and Investment Income and Expenditure:		
Net interest expense	661	800
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	3,141	3,968
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of net defined liability comprising:		
Return on plan assets (excluding amounts included in net interest expense)	13,135	(5,826)
Actuarial gains and losses arising on changes in demographic assumptions	(1,511)	2,342
Actuarial gains and losses arising on changes in financial assumptions	(24,225)	8,191
Other	1,159	655
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(11,442)	5,362
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	3,141	3,968
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	(2,671)	(2,628)
Contributions in respect of unfunded benefits	(20)	(19)

Note 32 - Pension Schemes Accounted for as Defined Benefit Schemes

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined plan is in the following table:

Local Government Pension Scheme -	2020/21	2019/20
Pensions Assets and Liabilities Recognised in the Balance Sheet	£'000	Restated £'000
Present value of the defined benefit obligation	(129,971)	(103,580)
Fair value of plan assets	89,307	74,808
Net liability arising from defined benefit obligation	(40,664)	(28,772)

Reconciliation of the Movements in Fair Value of the Scheme (Plan) Assets

Local Government Pension Scheme -	2020/21	2019/20
Reconciliation of the movements in Fair Value of the Scheme (Plan) Assets	£'000	£'000
Opening fair value of scheme assets 1 April	74,808	78,990
Interest income	1,713	1,897
Remeasurement gains and (losses):		
Return on plan assets (excluding net interest)	13,135	(5,826)
Employer contributions	2,671	2,628
Contributions in respect of unfunded benefits	20	19
Contributions from employees into the scheme	425	483
Benefits paid	(3,445)	(3,364)
Unfunded Benefits paid	(20)	(19)
Closing fair value of scheme assets 31 March	89,307	74,808

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Local Government Pension Scheme -	2020/21	2019/20
Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	£'000	Restated £'000
Opening balance 1 April	(103,580)	(111,995)
Current service cost	(2,480)	(3,164)
Interest cost	(2,374)	(2,697)
Contributions by scheme participants	(425)	(483)
Remeasurement gains and (losses): -		
Actuarial gains/losses arising from changes in demographic assumptions	(1,511)	2,337
Actuarial gains/losses arising from changes in financial assumptions	(24,225)	8,172
Other	1,159	871
Past Service Costs	-	(4)
Benefits paid	3,445	3,364
Unfunded benefits paid	20	19
Closing balance at 31 March	(129,971)	(103,580)

Local Government Pension Scheme assets comprised of:

Local Government Pension Scheme -	2020/21	2019/20
Assets comprised:	Fair Value of Scheme Assets £'000	Fair Value of Scheme Assets £'000
Cash and Cash Equivalents	1,323	1,233
Equity Instruments (by industry)		
Consumer	2,164	1,887
Manufacturing	1,238	802
Energy & Utilities	290	357
Financial Institutions	1,180	871
Health & Care	571	576
Information Technology	482	307
Other	1,198	628
Sub-total Equity Instruments	7,123	5,428
Bonds (by sector)		
Corporate Bonds (investment grade)	19,556	16,754
UK Government	-	-
Sub-total Bonds	19,556	16,754
Private Equity		
All	903	621
Sub-total Private Equity	903	621
Property		
UK Property	6,972	7,239
Sub-total Property	6,972	7,239
Other Investment Funds		
Equities	38,109	25,002
Bonds	3,473	6,059
Hedge Funds	4,825	4,456
Other	-	-
Sub-total Other Investment Funds	46,407	35,517
Derivatives		
Foreign Exchange	(8)	31
Sub-total Derivatives	(8)	31
Other Quoted Assets:		
	Assets in Non Active Markets £'000	Assets in Non Active Markets £'000
Quoted Prices for:		
Private Equity	2,667	2,625
Infrastructure	2,333	4,059
Other	2,031	1,301
	7,031	7,985
Total Assets	89,307	74,808

Note 32 - Pension Schemes Accounted for as Defined Benefit Schemes

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Suffolk County Council Fund being based on the latest full triennial valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme - Basis for estimating assets and liabilities	2020/21	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22 years	22 years
Women	25 years	24 years
Longevity at 65 for future pensioners:		
Men	23 years	23 years
Women	26 years	26 years
Rate of increase in salaries	3.6%	2.6%
Rate of increase in pensions	2.9%	1.9%
Rate for discounting scheme liabilities	2.0%	2.3%

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The following table shows the sensitivity of the results to changes in assumptions used to measure the scheme liabilities:

Local Government Pension Scheme - Sensitivity Analysis:	Increase in Assumptions to Employer Liability	Increase in Assumptions to Employer Liability
Impact on the Defined Benefit Obligation in the Scheme	%	£'000
Change in assumptions at year ended 31 March 2020:		
0.5% decrease in Real Discount Rate	9%	11,673
0.5% increase in the Salary Increase Rate	1%	923
0.5% increase in the Pension Increase Rate	8%	10,521

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

Note 32 - Pension Schemes Accounted for as Defined Benefit Schemes

Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The weighted average duration of the defined benefit obligation for scheme members is 19 years in 2020/21 (19 years in 2019/20).

The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 are £2.43m. This includes a contribution of £0.844m towards the Council's pension fund deficit.

Note 33 - Contingent Liabilities and Assets

Contingent Liabilities:

The Council has no contingent liabilities.

Contingent Assets:

The Council has no contingent assets

Note 34 - Nature and Extent of Risks Arising from Financial Instruments

Financial Instruments - Risks

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

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

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

The main risks covered are:

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

Credit Risk: Investments

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

A limit of £2m /10% of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Council also sets limits on investments in certain sectors. No more than £2m /10% in total can be invested for a period longer than one year.

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

Credit Rating	2020/21		2019/20	
	Long term £000s	Short term £000s	Long term £000s	Short term £000s
AAA	-	1,500	-	6,000
A+	-	2,018	-	1,449
Unrated pooled funds	-	10,079	-	9,471
Unrated companies	63,516	584	46,249	416
Central Government	-	-	-	3,000
Total investments	63,516	14,181	46,249	20,336

Note 34 - Nature and Extent of Risks Arising from Financial Instruments

Credit Risk: Trade and Lease Receivables

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

Loss allowances on trade and contract assets have been calculated by reference to the Council's historic experience of default. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due.

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are six years past due, but steps are still taken to collect sums owing.

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

	2020/21	2019/20
	£'000	£'000
Neither past due nor impaired	83	688
Past due < 3 months	34	45
Past due 3 - 6 months	5	11
Past due 6 - 12 months	15	22
Past due 12+ months	95	77
Total receivables	232	843

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies.

There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

Time to maturity (Years)	2020/21			2019/20		
	Liabilities £000s	Assets £000s	Net £000s	Liabilities £000s	Assets £000s	Net £000s
				Restated	Restated	
Not over 1	(51,726)	30,262	(21,464)	(47,103)	30,571	(16,532)
Over 1 but not over 2	(1,107)	-	(1,107)	(1,237)	-	(1,237)
Over 2 but not over 5	(3,443)	20,184	16,741	(3,381)	18,644	15,263
Over 5 but not over 10	(18,959)	-	(18,959)	(19,963)	-	(19,963)
Over 10 but not over 20	(31,896)	-	(31,896)	(31,848)	-	(31,848)
Over 20 but not over 40	(29,698)	-	(29,698)	(29,552)	-	(29,552)
Over 40	(12,233)	42,851	30,618	(7,592)	26,091	18,499
Uncertain date	-	5,291	5,291	-	5,096	5,096
Total	(149,062)	98,588	(50,474)	(140,676)	80,402	(60,274)

The Council has £4m (2019/20 was £4m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Note 34 - Nature and Extent of Risks Arising from Financial Instruments

Credit Risk: Loans, Financial Guarantees and Loan Commitments

The Council has lent money to CIFCO Ltd to invest in commercial property and Gateway 14 Ltd to develop an employment site for economic regeneration at market rates of interest. If CIFCO Ltd or Gateway 14 Ltd default on loan repayments the Council has the right to repossess assets and recover funds.

The Council manages the credit risk inherent in its loans for service purposes, financial guarantees and loan commitments in line with its published Investment Strategy

Loss allowances on loan commitments have been calculated by reference to predicted future repayments of interest and principal discounted to adjust for current and forecast economic conditions. They are determined to have suffered a significant increase in credit risk when there are changes in the circumstances of CIFCO Ltd or Gateway 14 Ltd being able to make repayments and they are determined to be credit-impaired when loan repayments are not made.

Borrower	Exposure Type	Balance sheet	Risk exposure	Balance sheet	Risk exposure
		2020/21	2020/21	2019/20	2019/20
		£000s	£000s	£000s	£000s
Local Company	Loans at market rates	99	99	147	147
Subsidiary	Loan commitment at market rates	62,569	62,569	45,003	45,003
Total		62,668	62,668	45,150	45,150

Note 34 - Nature and Extent of Risks Arising from Financial Instruments

Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services.

Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income and Expenditure or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. On 31 March 2021, £103.572m (2020 was £110.939m) of principal borrowed was exposed to fixed rates and £44m (2020 was £24.4m) to variable rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2020/21 £000s	2019/20 £000s
Increase in interest payable on variable rate borrowings	299	210
Increase in interest receivable on variable rate investments	(179)	(165)
Impact on Surplus or Deficit on the Provision of Services	120	45
Decrease in fair value of available for sale financial assets	(61)	(61)
Impact on Comprehensive Income and Expenditure	(61)	(61)
Decrease in fair value of loans and receivables	(141)	(33)
Decrease in fair value of fixed rate borrowings/liabilities	(12,635)	(13,121)

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

Market Risks: Price Risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices would result in a £0.234m charge to the Surplus or Deficit on the Provision of Services until the investment was sold.

The Council's investment in a pooled equity fund is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £2m. A 5% fall in share prices would result in a £0.151m charge to the Surplus or Deficit on the Provision of Services until the investments were sold.

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 and these regulations require it to be prepared in accordance with proper accounting practices.

These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

B Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by

the contract

- Where revenue and expenditure has been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written off and a charge made to revenue for income that might not be collected.

The Council applies a £1,000 de-minimis policy on accruals at year-end. This means the Council does not record accruals for transactions under £1,000 except for the following:

- transactions relating to grant funding
- transactions going through our automated ordering system
- other minor exceptions

The application of the £1,000 de-minimis policy does not materially affect the accounts of the Council

C Cash and Cash Equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. They include short term investments in Money Market Funds. Further details can be found in Note 16 (Cash and Cash Equivalents) to the Core Statements.

D Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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

E Charges to Revenue for Non-Current Assets

Service revenue accounts and support services are charged with the following amounts to record the cost of holding non-current assets during the year:

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

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

Contracts related to assets under construction are accounted for using the percentage of completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the Balance Sheet date.

F Council Tax and Non-Domestic Rates (NDR)

The Council is a Billing Authority. It acts as an agent collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due

in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made the asset is written off and a charge made to the Collection Fund.

G Employee Benefits – International Accounting Standard 19 (IAS 19)

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for leave etc earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out by a credit to the Accumulating Compensated Absences Adjustment Account through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. Further details can be found at Note 19e.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or through voluntary redundancy. Costs incurred as a result are charged on an accruals basis to the appropriate service segments within the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (if they take up the option to be part of the scheme), which is administered by Suffolk County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees working for the Council.

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

- The defined benefit liabilities of the Suffolk County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and expectations of projected earnings for current employees.
- Scheme liabilities are discounted to their value at current prices. The discount rate employed for the 2020/21 accounts is 2.0% which is based on the yield available on long-dated, high quality corporate bonds, as measured by a Corporate Bond yield curve constructed as follows:
 - Use the “Hymans Robertson” corporate bond yield curve (based on the constituents of the iBoxx AA Corporate bond index)
- The assets of the Suffolk County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value.
- The change in the net pensions liability is analysed into three main components:

Service Cost comprising:

- Current service cost: the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net Interest on the net defined benefit liability (asset), i.e. net interest expense for the Council: the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Re-measurements comprising:

- The return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset): charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve and shown as Other Comprehensive Income and Expenditure.

Contributions:

- Contributions paid to the Suffolk County Council Pension Fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

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

For more information on Retirement Benefits and IAS19 see Note 32 of the Core Statements.

H Events after the Reporting Period

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

I Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Note 35 - Accounting Policies

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

The Council holds financial assets measured at:

- Amortised cost - These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) –assets are measured and carried at fair value. Gains and losses are recognised as they arise in Other Comprehensive Income.
- Fair Value through Profit and Loss (FVPL) - assets are measured and carried at fair value. Gains and losses due to changes in fair value (both realised and unrealised) are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The Council recognises expected credit losses on all of its financial assets held at amortised cost and FVOCI, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors). Changes in loss allowances (including balances outstanding at the date of de-recognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

Interest and Dividends are credited to the CIES when they become receivable by the Council.

J Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. A condition exists if the grant stipulates a return of the funds if it is not used as directed.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve.

Note 35 - Accounting Policies

Where it is applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy (CIL)

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects including rail facilities, Leisure Centre refurbishment, Primary and high school extensions, alterations and extensions to Health facilities. It will also be used for adaptations to local village halls and community facilities to deliver necessary infrastructure to support development growth of both Districts (as set out in the Councils Infrastructure Delivery Plan).

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

K Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised

where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Depreciation is calculated on the basis of a useful life of 5 to 7 years (except Stock Condition Survey which is 10 years).

L Interests in Companies and Other Entities

The Council has a 100% shareholding in MSDC (Suffolk Holdings) Limited. The holding company has a 50% shareholding in CIFCO Capital Limited, a 100% shareholding in Gateway 14 Limited and a 50% shareholding in Mid Suffolk Growth Ltd. This relationship has created a requirement for the Council to prepare Group Accounts.

In the Council's single entity accounts, its interest in these companies are classified as financial assets and measured at cost less provision for any losses.

M Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, except where inventories are acquired through a non-exchange transaction in which case their cost is deemed to be fair value as at the date of acquisition.

N Leases

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

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

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

The Council as Lessee

Finance Leases

The Council has no finance leases where it is the lessee.

Operating Leases

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

The Council as Lessor

Finance Leases

The Council has no finance leases where it is the lessor.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

Note 35 - Accounting Policies

Initial direct costs incurred in negotiating and arranging the lease are added to the Balance Sheet value of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

O Overheads and Support Services

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

P Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. The Council has set a minimum level of expenditure of £10,000.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

- Infrastructure – depreciated historical cost
- Council Dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Vehicles, plant and equipment – depreciated historical cost. These assets have short useful lives and any difference from current replacement cost would be insignificant
- Assets under construction and community assets, which are mainly parks and open spaces, are included in the Balance Sheet at historical cost
- All other assets, including Heritage assets– current value, using a valuation method appropriate for the asset in its existing use.

Note 35 - Accounting Policies

Assets included in the Balance Sheet at current value are revalued sufficiently regularly (by desktop valuations) to ensure that their Balance Sheet value is not materially different from their current value at the year end, but as a minimum a full valuation is undertaken every five years. Valuations of land and buildings are carried out in accordance with the specific bases and methods of valuation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (CIES) where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the Balance Sheet value of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or insufficient balance, the Balance Sheet value of the asset is written down against the available balance and then charged to the relevant service line(s) in the CIES.

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the Balance Sheet value of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified they are accounted for:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the Balance Sheet value of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the balance sheet value of the asset is written down against the relevant service line(s) in the CIES

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Note 35 - Accounting Policies

Depreciation is charged from the quarter following addition and is calculated on the following bases:

- Council dwellings, other buildings and surplus assets – straight-line allocation over the useful life of the property as estimated by the Valuer
- Infrastructure - straight line allocation over 30 years
- Vehicles, plant and equipment - straight line over its useful life, as advised by a suitably qualified officer
- IT and Communications - 5 years

Where an asset of significant value, for example the leisure centres, includes a number of components with significantly different asset lives, e.g. plant and equipment (services) then these components are treated as separate assets and depreciated over their own useful economic lives.

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

Where an item of Property, Plant and Equipment has major components with different useful lives and a cost that is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £500,000 for individual General Fund assets to determine whether an asset needs to be componentised. For these assets a component is required to have a value of more than 20% of the total asset value to be depreciated separately.

Council dwellings are not componentised beyond land, buildings and PV Panels as the value of components is not considered to be significant in relation to the total cost of the asset and the difference in depreciation, which would result if componentisation was applied, is not considered to be material.

The componentisation policy applies retrospectively. Componentisation for HRA assets will remain under review.

Stowmarket Leisure Centre, Stowmarket depot and Stradbroke swimming pool are depreciated on a component basis as per the agreed £500,000 de-minimis policy. Non-specialised properties assets have been split into five components: land, structure, roof, services, and, fixtures and fittings. For specialised assets such as the Leisure Centre additional specialised components have been considered.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the Balance Sheet value of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then stated in the Balance Sheet at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Note 35 - Accounting Policies

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to Council dwelling disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Q Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made, but where the timing of the transfer is uncertain.

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

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

Provisions for housing rent bad debts, housing benefit overpayments and sundry debtor arrears have been made. A provision has also been made in the Collection Fund for uncollectable Council Taxes and Non-Domestic Rates.

Contingent Liabilities

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

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

Contingent Assets

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

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

R Reserves

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance or Housing Revenue Account in the Movement in Reserves Statement.

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

Certain reserves are kept to manage the accounting processes for

non-current assets, local taxation, financial instruments, retirement and employee benefits that do not represent usable resources for the Council. These reserves are explained in more detail in Note 19 to the Core Statements.

S Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

T VAT

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

U Joint working with Babergh District Council (BDC)

Costs or savings that arose through integration with Babergh District Council during 2020/21 were shared between the two Councils using an agreed basis determined as part of the budget setting process. All service areas were consulted and a basis was identified for cost sharing for each individual employee.

The basis for cost sharing will be reviewed on an ongoing basis to ensure accuracy.

V Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at the Balance Sheet date.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

W Heritage Assets

All assets in excess of £10,000 maintained principally for their contribution to knowledge and culture will be recognised at valuation in the Balance Sheet as Heritage Assets. Valuations may be made by any method that is appropriate and relevant; this may include, for example, insurance valuations. Where it is not practicable to obtain a valuation, the assets will be measured at historical cost. Where information on cost or value is not available, the asset will not be recognised in the Balance Sheet, but a disclosure will be made in the notes to the accounts

Acquisitions of heritage assets will initially be recognised at cost.

A full revaluation every five years is not required. However, the carrying amount of all heritage assets will be reviewed annually to ensure they remain current. An impairment review will only be undertaken where it is evident that the asset has suffered physical deterioration.

Heritage Assets will not be subject to a depreciation charge.

X Basis of consolidation for Group Accounts

The Group Accounts have been prepared using the Group Accounts requirements of the CIPFA Code of Practice. Companies that are within the Council's group boundary have been included in the Council's Group Accounts to the extent that they are either quantitatively or qualitatively material to users of the financial statements.

This will give the reader the ability to see the complete economic activities of the Council and its exposure to risk through interests and participation in their activities.

The Council's subsidiary, MSDC (Suffolk Holdings) Limited, its joint ventures, CIFCO Capital Ltd, and its wholly owned subsidiary, Gateway 14 Ltd have been consolidated on a line by line basis, subject to elimination of intra-group transactions from the statements, in accordance with The Code.

No amendments have been necessary to the accounts of the group, since the accounting policies are the same.

Note 36 – Interest in Companies

The Council holds an interest in MSDC (Suffolk Holdings) Limited which was incorporated on 9 June 2017, and the company registration number is 10812689. It issued 100 of £1 ordinary shares to the Council.

This company has a 50% shareholding in CIFCO Capital Ltd, a 100% shareholding in Gateway 14 Ltd and a 50% shareholding in Mid Suffolk Growth Ltd. (which was incorporated on 19 March 2019).

The Council has prepared Group Accounts which can be found on pages 112 to 118. The statements are intended to present financial information about the parent company (the Council) and to reflect the Council's share of the holding company's net assets.

Note 37 - Heritage Assets

At 31 March 2021 the Council recognises that it holds non-current assets meeting the heritage asset criteria. However, it is not material to classify these assets separately in the Balance Sheet.

The Council recognises Eye Castle as meeting the heritage asset criteria. Eye Castle is a Norman Motte and Bailey castle with medieval walls and a Victorian folly. The castle is held within community assets valued at historical cost (£43,000).

The Council also has two Bronze Age ring ditches at Needham Lake, meeting the heritage asset requirements. These ditches are of a diverse nature and have no comparable market value. The Council therefore does not consider that reliable cost or valuation information can be obtained for these assets and as a result the assets are not carried in the Balance Sheet.

Note 38 – Going Concern

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

The Council has carried out a detailed assessment of the likely impact of the COVID-19 pandemic on its financial position, liquidity and performance during 2020/21, 2021/22 and beyond. This has included modelling scenarios that consider the impact on:

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

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

Although the Council suffered loss of income and additional costs as a result of the COVID-19 pandemic, this has been mitigated by Government funding and the Council has £1.171m in an earmarked reserve at 31st March 2021 to cover further COVID impacts and enable recovery in 2021/22 and beyond.

Note 38 – Going Concern

The most recent balances compared to the year-end reported in these statements is as follows:

Date	General Fund	Housing Revenue Account	Earmarked Reserves
31/3/2020	£1.1m	£1.2m	£22.6m
31/3/2021	£1.1m	£1.2m	£26.2m
Estimated 31/3/2022	£1.1m	£1.2m	£24.2m

The Council has also considered the impact of all the above on its cash flow and treasury management, including availability of liquid cash. At the beginning of February 2022, the Council had £6.0m in MMF, £11.1m in Pooled funds and £1.8m in the Bank. The Council has no issues obtaining the short-term borrowing it requires and is currently benefiting from the lower interest rates of new loans secured during the first 3 months of 2020/21.

At the time of preparing these accounts the lost income and additional costs relating to Covid-19 for 2021/22 are estimated to amount to £823k based on a combination of actual expenditure to date and further estimated costs. These costs cover additional accommodation costs for rough sleepers, costs to support the leisure centres, supplies and materials, as well as the additional staff costs incurred to cover out of hours work on the Home But Not Alone phone line and covering the additional work as a result of the business grants and reliefs and council tax hardship funds. The Council has so far received £563k in Government Funding to support COVID costs in 2021/22.

Considering all the above factors and taking into account additional savings identified during 2021/22 the Council is forecasting the 2021/22 outturn to show a surplus of £398k.

The provisional Local Government Settlement for 2022/23 was announced in December 2022. This included an increase in New Homes Bonus of

£718k and a new Service Grant of £157k, although Lower Tier Services Grant reduced by £126k. The Council has reviewed and revised its medium-term forecasts, updating our assumptions for pay award, investment income, increase in Local Council Tax Reduction (LCTR) caseload, and the potential impact on its tax base growth.

Over the next three years to 2024/25 the position for Mid Suffolk is a cumulative surplus of £7.3m.

Section 4

Supplementary Statements

Housing Revenue Income and Expenditure Statement	100
Notes to the Housing Revenue Account	102
The Collection Fund Statement	109
Notes to the Collection Fund	110
Group Accounts and Explanatory Notes	114
Notes to the Group Accounts	119

Housing Revenue Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2019/20 £'000		HRA Note	2020/21 £'000
	Expenditure		
	Repairs, Maintenance and Management:		
3,885	- Repairs and Maintenance	1	3,592
3,666	- Supervision and Management	2	3,012
102	Rents, rates and other charges		238
6,461	Depreciation, Impairment and Revaluation losses of Non-current Assets:	3	5,495
10	Debt Management Costs		6
-	Increase in Bad Debt allowance	4	89
14,124			12,432
	Income		
	Gross Rental Income:		
(14,194)	- Dwelling Rents	5	(14,231)
(392)	- Non-Dwelling Rents	5	(407)
(707)	Charges for Services and Facilities	6	(741)
(42)	Contributions towards expenditure	7	(1)
(15,335)			(15,380)
(1,211)	Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(2,948)
170	HRA share of Corporate and Democratic Core	8	162
(49)	HRA share of other amounts included in Net Cost of Services but not allocated to specific services	9	(934)
(1,090)	Net Income for HRA Services		(3,720)
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
(499)	(Gain) / Loss on the disposal of non current assets	10	(439)
2,678	Interest payable and similar charges	11	2,643
(16)	Interest receivable and similar income	11	(2)
160	Net interest on the net defined benefit liability / (asset)	12	132
1,233	Deficit / (Surplus) for the year on HRA services		(1,386)

Housing Revenue Account Movement on the HRA Statement

The overall objectives for the Movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated.

The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2019/20 £'000		HRA Note	2020/21 £'000
(1,210)	Balance on the HRA at the end of the previous reporting period		(1,210)
1,233	Deficit / (Surplus) for the year on the HRA Income and Expenditure Statement		(1,386)
(2,199)	Adjustments between accounting basis and funding basis under statute (Note 7 to the Core Statements)		832
(966)	Net increase before transfers to reserves		(554)
966	Transfers to / (from) earmarked reserves	19	554
-	Increase in year on the HRA		-
(1,210)	Balance on the HRA at the end of the current reporting period		(1,210)

Notes to the Housing Revenue Account

Note 1 – Repairs and Maintenance

This line covers the expenditure of the Council for the year in respect of the repair and maintenance of dwellings and other properties within the HRA account. This includes works to property such as painting or the replacement of broken windows. It does not include work such as re-roofing or the installation of double glazing as this is capital expenditure.

Note 2 – Supervision and Management

This line represents the expenditure of the Council for the year in respect of the supervision and management of dwellings (the stock of Council dwellings), including tenancy management, rent collection, and grounds maintenance, etc.

Note 3 – Depreciation, Impairments and Revaluation Losses

The Council is required to charge depreciation, impairment and revaluation losses on all HRA properties calculated in accordance with proper practices, including non-dwelling properties.

The depreciation charge in respect of 'Other HRA Property' is included in the Surplus / Deficit on the Provision of services but is reversed out of net operating expenditure as a transfer from the Major Repairs Reserve (MRR) so as not to impact on housing rents.

Impairment is charged to the line for HRA in the Comprehensive Income and Expenditure Statement. Impairment of dwellings is reversed out in the Movement in Reserves Statement and therefore does not affect the overall working balance of the HRA.

	2020/21	2019/20
	£'000	£'000
HRA accounting authorities are required to show depreciation charges for all of the HRA's non current assets, as follows:		
Dwellings	3,748	3,861
Other Land and Buildings	91	67
Other HRA property	80	80
Impairment of Dwellings and Other Land and Buildings charged to the Income and Expenditure Account	1,576	2,453
Total	5,495	6,461

Notes to the Housing Revenue Account

Note 4 – Movement in the Allowance for Bad Debts

The following table shows the change in rent arrears during the year, and the corresponding overall decrease in the allowance for bad debts:

	2020/21 £'000	2019/20 £'000	Movement £'000
Total Arrears			
Rent arrears - current tenants	409	394	15
Rent arrears - former tenants	2	107	(105)
Total Arrears at end of year	411	501	(90)
Bad Debt Provision at start of year	190	232	(42)
Write offs in the year	(45)	(42)	(3)
Increase / (Decrease) in Provision in the year	89	-	89
Bad Debt Provision at end of year	234	190	44

Note 5 - Dwelling and Non – Dwelling Rents

Dwelling Rents

This line comprises the income of the Council receivable for the year from rents in respect of dwellings within the HRA. The Code's requirement for this item to be disclosed 'gross' means that the total includes rent remitted by way of rebate, which is financed by a compensating credit from the General Fund.

The requirement for a 'gross' disclosure means that the figure excludes any amounts in respect of rent foregone on void properties and discretionary rent-free periods.

The average rent per week in 2020/21 was £83.08 (2019/20 was £80.94).

Non - Dwelling Rents

This line includes the income of the Council receivable for the year from rents and charges in respect of other property within the account, such as land, garages and shops etc.

Note 6 - Charges for Services and Facilities

This represents the income of the Council for the year in respect of services or facilities provided by the Council in connection with the provision of dwellings and other properties within the account,

These charges relate to heating, warden and other communal services provided to residents in sheltered accommodation. They also include charges to tenants for community alarm systems and central heating servicing but exclude payments for welfare services that are outside the scope of the HRA.

Note 7 – Contribution towards expenditure

This line covers contributions received, mainly from the General Fund and outside bodies or persons, towards expenditure which has been properly debited to the HRA, such as those in respect of benefits or amenities provided under housing powers but shared by the wider community. Where service charges are received from leaseholders, they can be applied to net down the relevant expenditure, rather than credited as part of this item, provided that the expenditure was incurred directly on the leasehold property and can be identified separately from that incurred on HRA property.

Notes to the Housing Revenue Account

Note 8 – HRA Share of Corporate and Democratic Core

The Net Cost of Services in the HRA Income and Expenditure Statement is generally prepared in accordance with the total cost requirements of the Service Reporting Code of Practice (SeRCOP). However, the statutory requirement for the HRA to be debited with the expenditure actually incurred by the Council during the year means that an additional debit is required to charge the HRA with elements of Corporate and Democratic Core costs that can either:

- be identified directly to HRA services, or
- be fairly apportioned to HRA services in line with SeRCOP's seven general principles of overhead apportionment.

The debit is made to the HRA Income and Expenditure Statement after a sub-heading for the Net Cost of HRA Services included in the whole Council Comprehensive Income and Expenditure Statement, so that the entry for the HRA in the latter can be read across straightforwardly to the HRA Statement. However, the aggregate HRA Net Cost of Services is then presented to include this debit.

Note 9 – HRA Share of other amounts included in the whole Council Net Cost of Services but not allocated to specific services

In addition to a share of Corporate and Democratic Core costs that can be allocated to the HRA, there may be other items of expenditure excluded from total cost that should reasonably be debited against the HRA Net Cost of Services in order to satisfy statutory requirements. These include non-distributed costs, e.g. past service costs and settlements relating to post-employment benefits that can fairly be related to HRA activity.

Note 10 – Gain or Loss on Disposal of Non-Current Assets

Non-Current Assets identified as surplus are required to be valued at Fair Value, and for Housing "Right to Buy" disposals the applicable discounts are applied after revaluation. Both the capital receipt arising from the asset sale and the carrying value of the asset at the point of disposal are then taken to the Comprehensive Income and Expenditure Statement, and any difference between the two amounts is recognised as a gain or loss on disposal.

It is important to highlight that gains and losses are not a charge on HRA tenants, and the impact is reversed out in the Movement in Reserves Statement to ensure there is no real impact on fund balances for the

	2020/21 £'000	2019/20 £'000
Cost of selling Council Dwellings	14	9
Carrying value of disposed assets	1,257	912
Receipts	(1,710)	(1,420)
(Gain) / Loss on disposal of Housing Non Current Assets	(439)	(499)

year.

Notes to the Housing Revenue Account

Note 11- Interest Payable and Receivable

Interest Payable and Similar Charges

This represents the real interest charges to the HRA in respect of financing capital expenditure. Throughout the year interest is charged directly to the HRA for long-term borrowing and charged to the General Fund for short term borrowing. The Item 8 adjustment then distributes the relevant interest charge for short-term borrowing to the HRA.

Interest and Investment Income

This represents interest receivable on balances. As with short term borrowing, all investment income is credited to the General Fund in the year and then distributed to the HRA as part of the Item 8 adjustment.

Note 12 - Net Interest on the Net Defined Benefit Liability / Asset

Allocations to the HRA of a share of the Council's overall IAS 19 pensions interest cost is based on an apportionment of costs between the General Fund and HRA. For a fuller explanation of the pension scheme, see Note 32 Pension Schemes Accounted for as Defined Benefit Schemes, within the Notes to the Core Statements.

Note 13 - Housing Stock

This table analyses the total of the Council's housing stock by type of dwelling.

	2020/21 No.s	2019/20 No.s
		Restated
The stock of dwellings has changed as follows:		
Opening stock of dwellings	3,230	3,238
Add: additions/conversions	26	4
Less: sales - Right to Buy (RTB)	(12)	(12)
- Non-RTB	(1)	-
Less: properties lost to conversion, disposal and deletion	(9)	-
Closing stock of dwellings	3,234	3,230
Analysis of closing stock numbers:		
Houses and Bungalows	2,705	2,693
Flats	248	248
Sheltered Housing - Bungalows, Flats & Bedsits	281	289
Total	3,234	3,230
In addition the Council owns a share of 23 shared ownership properties		

Notes to the Housing Revenue Account

Note 14 – Non-Current Assets at Balance Sheet Value

The following table shows the Balance Sheet values of all the HRA Non-Current assets on 31 March 2021.

The Council's Valuer (Wilks Head & Eve) carried out a full valuation of HRA properties as at 31 March 2021.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate amount of market evidence exists upon which to base opinions of value. Accordingly, the valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

	31 March 2021 £'000	31 March 2020 £'000
Operational Assets		
Dwellings -General Stock	241,114	213,234
Other Land and Buildings	5,247	4,785
Community Assets	55	55
Intangible Assets	45	117
Vehicles, Plant and Equipment	5	12
Non-Operational Assets		
Surplus Assets not Held for Sale	660	1,055
Assets under construction	5,237	386
Total Balance Sheet Value of HRA Non Current Assets	252,363	219,644

The net decreases in value resulted in impairment losses of £1,576k. Revaluation losses that were less than previous revaluation gains have been absorbed within the Revaluation Reserve.

A full valuation of Council dwellings is required every five years; the next full valuation is due on 31 March 2026.

Note 15 – Council Dwellings at Vacant Possession Value

The vacant possession value of Council dwellings on 31 March 2021 is based on valuations on 1 April 2020. It is £563m for 2020/21 (£589.2m for 2019/20).

The only assets valued at vacant possession now are Council dwellings (including special units) and Sheltered Accommodation. The vacant possession value is the Council's estimate, based on information from the Council's Valuer, of the total sum that it would receive if all the assets were sold on the open market.

The Balance Sheet Value for the dwellings is the 'Existing Use Social Housing Value' (EUSHV) and reflects the fact that the dwellings are occupied by secure tenants.

The Vacant Possession Value for the dwellings is equivalent to the open market value. The difference between the two values is a discount of 62%, based on guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG), and reflects the economic cost of providing Council housing at less than the open market value.

Notes to the Housing Revenue Account

Note 16 - Capital Expenditure

The following table summarises the HRA capital programme and how it was financed.

	2020/21 £'000	2019/20 £'000
Capital Expenditure:		
Dwellings	7,322	4,322
Assets under Construction	3,785	120
Other (including IT Infrastructure)	39	15
Total Expenditure	11,146	4,457
Financed by:		
Borrowing	(254)	-
Useable Capital Receipts	(4,819)	(268)
Revenue Contributions	(1,221)	(133)
Major Repairs Reserve	(3,918)	(4,007)
Grants and Contributions	(934)	(49)
Total Financing	(11,146)	(4,457)

Note 17 - Capital Receipts

The following table summarises the number and types of assets sold and the total capital receipts generated during 2020/21.

	2020/21 No's	2019/20 No's
Number of dwellings disposed in year		
Right to Buy	12	12
Shared Ownership	-	2
Other	1	-
	13	14
	£'000	£'000
Receipts from disposals		
Right to Buy	1,520	1,328
Open Market Sales	190	-
Shared Ownership	-	82
Other Land and Buildings	-	10
	1,710	1,420

Notes to the Housing Revenue Account

Note 18 - Major Repairs Reserve

The Council is required under statute to maintain a Major Repairs Reserve (MRR) to help finance major capital projects.

Credits to the Major Repairs Reserve

- (a) an amount equal to HRA dwellings depreciation for the year
- (b) transfers from the HRA required by statutory provision

Item (a) has to be debited to the Capital Adjustment Account and item (b) to the HRA Balance and included as a reconciling item in the Statement of Movement on the HRA Balance and in the Reserves Adjustments, which can be seen in Note 7 to the Core Statements.

Debits to the Major Repairs Reserve

- (a) capital expenditure on land, dwellings and other property within the HRA, where this is to be funded from the MRR
- (b) any repayment, made in the year, of the principal of any amount borrowed where the repayment was met by payment out of the MRR
- (c) transfers to the HRA required by statutory provision.

	2020/21 £'000	2019/20 £'000
Balance at 1 April	-	-
Charged in the Comprehensive Income and Expenditure Statement	(3,918)	(4,007)
Transfer to Capital Adjustment Account	3,918	4,007
Balance at 31 March	-	-

Items (a) and (b) have to be credited to the Capital Adjustment Account and item (c) to the HRA Balance and included as a reconciling item in the Statement of Movement on the HRA Balance and in the Reserves Adjustments, which can be seen in Note 7 to the Core Statements.

This table summarises the movement on the Major Repairs Reserve:

Note 19 – HRA Reserves

After transferring £9k to the Leaseholder Repairs Reserve, the surplus on this year's HRA activity of £543k has been transferred to the Strategic Priorities Reserve.

The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council (as billing authority) to maintain a separate Collection Fund.

The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

The County Council and all the Suffolk billing authorities have entered a countywide non-domestic rates pool arrangement, which includes provision for the risks and benefits to be shared on an agreed basis.

Council Tax 2019/20 £'000	Non Domestic Rates 2019/20 £'000		Note	Council Tax 2020/21 £'000	Non Domestic Rates 2020/21 £'000
		Income:			
(64,811)	-	Income from Council Tax	3	(67,469)	-
-	-	Transfers from the General Fund	3	(434)	-
-	(23,828)	Income from Non Domestic Ratepayers	2	-	(21,611)
-	(1,361)	Contributions towards previous year's estimated Collection Fund Deficit		-	(25)
-	(167)	Transitional Protection Payments		-	-
(64,811)	(25,356)			(67,903)	(21,636)
		Expenditure:			
		Precepts and Demands			
47,604	2,240	Suffolk County Council	4	50,119	2,336
7,838	-	Suffolk Police & Crime Commissioner	4	8,309	-
8,818	8,962	Mid Suffolk District Council	4	9,155	9,342
-	11,203	Central Government	4	-	11,678
64,260	22,405			67,583	23,356
		Charges to the Collection Fund			
-	-	Transitional Protection Payments		-	112
		Impairment of Debts and Appeals:			
-	39	Write Offs		-	-
203	222	Increase/(Decrease) in Bad Debt Allowance		170	371
-	1,308	Increase/(Decrease) in Provisions for Appeals		-	1,441
-	126	Cost of Collection		-	126
-	333	Energy Scheme credited to General Fund		-	347
195	-	Contributions towards previous year's estimated Collection Fund Surplus / (Deficit)		387	150
64,658	24,433			68,140	25,903
(153)	(923)	Movement on Fund Balance - (Surplus) / Deficit	1	237	4,267
(226)	1,186	(Surplus) / Deficit Brought Forward 1 April	1	(379)	263
(379)	263	(Surplus) / Deficit Carried Forward 31 March		(142)	4,530

Notes to the Collection Fund

CF Note 1 – Movement on the Collection Fund Balance

The collection of council tax and non-domestic rates is in substance an agency arrangement and the cash collected belongs proportionately to the Council, the Government and major preceptors. The Council's share of the fund balance is taken to the Collection Fund Adjustment Account. Balances belonging to major preceptors and the Government are shown in the accounts within debtors or creditors as appropriate. The balance on the Council Tax fund will be taken into account in setting future council tax levels.

Council Tax

Movements on the Collection Fund Balance - Council Tax	Balance 31 March 2019	Movement 2019/20	Balance 31 March 2020	Movement 2020/21	Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Preceptors					
Mid Suffolk District Council	(32)	(20)	(52)	32	(20)
Suffolk County Council	(168)	(113)	(281)	176	(105)
Police and Crime Commissioner	(26)	(20)	(46)	29	(17)
(Surplus) / Deficit	(226)	(153)	(379)	237	(142)

Non-Domestic Rates

Movements on the Collection Fund Balance - NDR	Balance 31 March 2019	Movement 2019/20	Balance 31 March 2020	Movement 2020/21	Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Preceptors					
Central Government	194	25	219	2,046	2265
Suffolk County Council	198	(189)	9	444	453
Mid Suffolk District Council	794	(759)	35	1,777	1812
(Surplus) / Deficit	1,186	(923)	263	4,267	4,530

Notes to the Collection Fund

CF Note 2 – Non-Domestic Rates

The Council collects non-domestic rates in the district. From 1 April 2013 the non-domestic rates retention scheme was introduced which means that the total amounts collected from non-domestic ratepayers are no longer paid into a national pool administered by the Government. Instead, they are shared between non-domestic rates preceptors and the Government with the surplus or deficit adjusted in the following year.

The Council's share of this redistribution is shown in the Comprehensive Income and Expenditure Statement.

The valuation list was revised in April 2017. The next revaluation of all non-domestic properties is due in April 2023.

The actual income of £21.611m, shown in the accounts, differs to the estimate of £23.356m due to changes in rateable values, allowances made during the year and the additional reliefs granted because of the impact of COVID19.

The total non-domestic rateable value at the year-end and the national non-domestic rate multiplier for the year	2020/21	2019/20
Total Rateable Value of Business Properties in March	£69.218m	£63.240m
National Rate in the £	51.2p	50.4p
Small Business Rate Multiplier	49.9p	49.1p

Notes to the Collection Fund

CF Note 3 - Income from Council Tax

The Council estimated its tax base for 2020/21 as 37,301.55 (2019/20 was 36,841.45) as shown in the following table.

To meet the demands of Suffolk County Council, Suffolk Police and Crime Commissioner, Mid Suffolk District Council and Parish/Town Councils, a council tax of £67.583m (£64.260m for 2019/20) was levied on the tax base, providing an average Band D Council Tax of £1811.78 (£1,744.24 for 2019/20).

The actual income of £67.903m, shown in the accounts, differs to the estimate of £67.582m due to changes in dwelling numbers, discounts allowed during the year and actual reliefs granted because of the impact of COVID19.

Council Tax Band	Chargeable Dwellings	Factor	Band D Equivalents £
Disabled A	16.25	5/9ths	9.03
A	4,574.02	6/9ths	3,049.35
B	11,120.46	7/9ths	8,649.25
C	9,191.76	8/9ths	8,170.45
D	6,820.35	9/9ths	6,820.35
E	5,158.96	11/9ths	6,305.39
F	2,819.70	13/9ths	4,072.90
G	1,561.13	15/9ths	2,601.88
H	98.04	18/9ths	196.08
Total	41,360.67		39,874.68
Less Council Tax Reduction Scheme			(2,386.72)
Adjustment for Collection Rate for Year which was estimated at 99.5%			(186.41)
Taxbase (Band D Equivalent)			37,301.55
			2020/21
Average Band D Council Tax			1,811.78
Mid Suffolk's Share			168.79

Notes to the Collection Fund

CF Note 4 - Precepts and Demands

Council Tax

The precepts for Suffolk County Council (£50.119m) and the Suffolk Police and Crime Commissioner (£8.309m) are charged to the Collection Fund.

Precepts by Parish and Town Councils are charged to the Council's General Fund and included in Mid Suffolk District Council's demand on the Collection Fund of £9.155m for 2020/21 (£8.818 m for 2019/20).

For 2020/21 the total of the Parish Precepts was £2.859 m (£2.701m for 2019/20).

Non-Domestic Rates

From 1 April 2020, demands on the non-domestic rates collection fund were from central government (£11.678m), Suffolk County Council (£2.336m) and the District Council, at the rate of 50%, 10% and 40% respectively.

Of Mid Suffolk's £9.342m, £6.802m was paid over to the Suffolk Pool (an element of this is then retained by Suffolk County Council and the rest paid over to Central Government) as a tariff payment, leaving a £2.540m payment to the Council's General Fund in 2020/21.

Actual income and expenditure for the year is then reflected in the Collection Fund Balance (see CF Note 1 above). There is a deficit shown for the year. In response to the economic situation caused by Covid-19, the government provided extra business rate discounts for the retail, hospitality, leisure and childcare sectors during 2020/21. To cover this loss of rating income they provided additional Section 31 grants to councils. For Mid Suffolk, this grant was £3.622m (for 2019/20 £1.411m).

Group Accounts and Explanatory Notes

Introduction

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out comprehensive requirements for Group Accounts requiring Councils to consider all their interests in subsidiaries, associates and joint ventures.

The purpose of Group Accounts is to provide a picture of Mid Suffolk District Council and the group of companies which are either controlled or are significantly influenced by the Council.

The Group Accounts show the full extent of the Council's wider assets and liabilities and show its exposure to risk through interests in other entities and participation in their activities.

While the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate entities.

The Group Accounts include the following:

- **Group Movement in Reserves:**
This shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group Reserves.
- **Group Comprehensive Income and Expenditure Statement:**
This summarises the resources that have been generated and consumed in providing services and managing the group during the year. It includes all day to day expenses and related income on an accruals basis.
- **Group Balance Sheet:**
This reports the Council Group financial position at the year end.
- **Group Cash Flow Statement**
This shows the changes in cash and cash equivalents of the group during the year. The statement shows how the group generates and

uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.

- **Notes to the Group Accounts:**
This shows where the balances are materially different to those in the single entity accounts.

Results of Subsidiary

The following notes provide additional details about the Council's involvement in the entities consolidated to form the Group Accounts.

MSDC (Suffolk Holdings) Limited was incorporated as a private limited company on 9 June 2017 as a commercial investment vehicle for the Council.

The Council owns 100% of the shareholding, has full voting rights and can appoint and remove directors. The Council's chief executive officer is the company secretary and three councillors are board members.

The holding company owns 50% shares of CIFCO Capital Limited (incorporated on 12 June 2017) and 50% shares in Mid Suffolk Growth Limited (incorporated on 19 March 2019). Each company has two councillors on their boards of five directors. The holding company also owns 100% of Gateway 14 Limited which has two councillors on its board of six directors.

All the boards must provide regular reports of the activities and results to the holding company board.

For 2020/21, the company's result showed a deficit of £1,945k (2019/20 was a deficit of £867k). These were due to one-off costs of acquiring additional assets during 2020/21 (including stamp duty and fees) and an adjustment in portfolio valuation following the annual year-end revaluation reflecting a reduction in the portfolio value.

The company appointed Ensors Chartered Accountants who have prepared the accounts for the period ending 31 March 2021. The company's registered office is c/o Babergh and Mid Suffolk District Councils, Endeavour House, 8 Russel Road, Ipswich, Suffolk, IP1 2BX.

Group Accounts and Explanatory Notes

Group Movement in Reserves Statement

This statement summarises the differences between the outturn on the Group Comprehensive Income and Expenditure Account and the movement on the General Fund Balance and Housing Revenue Account.

It also shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Surplus or (Deficit) On the Provision of Services Line shows the true economic cost of providing the Council's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

	General Fund Balance	Earmarked General Fund Reserves	HRA Balance	Earmarked HRA Reserves	Usable Capital Receipts	Deferred Credits	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of Reserves of Subsidiary and Joint Venture	Total Reserves (Including Group)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 31 March 2019	(1,052)	(16,570)	(1,210)	(4,234)	(6,162)	(7)	(8,006)	(37,241)	(111,181)	(148,422)	2,499	(145,923)
Movement in reserves during 2019/20												
Total Comprehensive Income and Expenditure	(6,776)	-	1,233	-	-	-	-	(5,543)	868	(4,675)	-	(4,675)
Adjustments between Group Accounts and Council Accounts	867	-	-	-	-	-	-	867	(867)	-	-	-
Adjustments between accounting basis and funding basis under regulations	5,922	-	(2,199)	-	54	-	(8,151)	(4,374)	4,374	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	13	-	(966)	-	54	-	(8,151)	(9,050)	4,375	(4,675)	-	(4,675)
Transfer to/(from) Earmarked Reserves	(13)	(856)	966	(965)	-	-	-	(868)	-	(868)	868	-
(Increase)/Decrease in 2019/20	-	(856)	-	(965)	54	-	(8,151)	(9,918)	4,375	(5,543)	868	(4,675)
Opening Balance at 1 April 2020	(1,052)	(17,426)	(1,210)	(5,199)	(6,108)	(7)	(16,157)	(47,159)	(106,806)	(153,965)	3,367	(150,598)
Movement in reserves during 2020/21												
Total Comprehensive Income and Expenditure	(9,818)	-	(1,386)	-	-	-	-	(11,204)	(14,959)	(26,163)	-	(26,163)
Adjustments between Group Accounts and Council Accounts	2,064	-	-	-	-	-	-	2,064	(2,064)	-	-	-
Adjustments between accounting basis and funding basis under regulations	6,824	-	832	-	3,455	-	(7,241)	3,870	(3,870)	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(930)	-	(554)	-	3,455	-	(7,241)	(5,270)	(20,893)	(26,163)	-	(26,163)
Transfers to / (from) reserves	930	(2,996)	554	(552)	-	-	-	(2,064)	-	(2,064)	2,064	-
(Increase)/Decrease in 2020/21	-	(2,996)	-	(552)	3,455	-	(7,241)	(7,334)	(20,893)	(28,227)	2,064	(26,163)
Balance at 31 March 2021	(1,052)	(20,422)	(1,210)	(5,751)	(2,653)	(7)	(23,398)	(54,493)	(127,699)	(182,192)	5,431	(176,761)

Group Accounts and Explanatory Notes

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing service for the group in accordance with International Financial Reports Standards.

Councils raise taxation and other charges to cover expenditure in accordance with regulations which may differ from the accounting cost.

2019/20 Restated			2020/21		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
1,360	(101)	1,259			
448	(4)	444	(411)	(140)	(550)
18,060	(13,995)	4,065	398	(25)	373
1,746	-	1,746	22,360	(17,997)	4,363
4,630	(3,514)	1,116	1,749	-	1,749
880	(448)	432	7,775	(3,314)	4,461
1,909	(614)	1,295	980	(574)	406
5,884	(12,339)	(6,455)	1,282	(466)	816
617	(68)	549	5,756	(13,678)	(7,922)
(1,223)	-	(1,223)	643	(17)	626
			(1,045)	-	(1,045)
14,294	(15,385)	(1,091)	12,594	(16,313)	(3,719)
48,605	(46,468)	2,137	52,081	(52,524)	(442)
4,193	-	4,193	2,755	-	2,755
4,269	(1,809)	2,460	4,018	(2,062)	1,956
6,693	(20,907)	(14,214)	7,236	(22,590)	(15,354)
63,760	(69,184)	(5,424)	66,090	(77,175)	(11,085)
		748			1,945
		(4,676)			(9,140)
		5,550			(28,465)
		(5,362)			11,442
		188			(17,023)
		(4,488)			(26,163)

Group Accounts and Explanatory Notes

Group Balance Sheet

The group balance sheet shows the value of assets and liabilities recognised by the group.

These are funded by the usable and unusable reserves of the Council.

2019/20 £'000		Note	2020/21 £'000
249,295	Property, Plant and Equipment		283,895
749	Intangible Assets		438
5	Long Term Investments		5
29,562	Long Term Debtors		47,539
279,611	Long Term Assets		331,878
14,970	Short Term Investments		13,718
21,969	Inventories		24,139
8,439	Short Term Debtors	G3	13,508
7,094	Cash and Cash Equivalents		3,254
52,472	Current Assets		54,618
(42,232)	Short Term Borrowing		(45,634)
(9,710)	Short Term Creditors		(17,221)
(1,527)	Provisions		(2,071)
(53,469)	Current Liabilities		(64,926)
(93,572)	Long Term Borrowing		(97,335)
(5,671)	Capital Grants & Contributions Received in Advance		(6,808)
(28,964)	Defined Benefit Pension Scheme Liability		(40,664)
(128,207)	Long Term Liabilities		(144,807)
150,407	Net Assets		176,763
3,015	Usable reserves - (Profit) & Loss		4,959
(47,159)	Usable reserves		(54,492)
(106,263)	Unusable reserves		(127,230)
(150,407)	Total Reserves		(176,763)

Group Accounts and Explanatory Notes

Group Cash Flow Statement

The group cash flow statement shows the changes in the cash and cash equivalents of the Group, classifying cash flows as operating, investing and financing activities for the Group.

Operating cash flow shows the funding and expenditure on services for the group.

Investing activities shows the extent to which cash outflows are made to contribute to future service delivery of the group.

Cash flows from financing activities show payments and receipts for investing and borrowing activities.

2019/20 £'000		Note	2020/21 £'000
(4,676)	Net (Surplus) or deficit on the provision of services		(9,140)
(12,926)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	G2	(10,688)
3,528	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G2	4,072
(14,074)	Net cash flows from Operating Activities		(15,756)
14,596	Investing Activities		28,078
(5,052)	Financing Activities		(7,187)
(4,530)	Net increase or decrease in cash and cash equivalents		5,135
(2,564)	Cash and cash equivalents at the beginning of the reporting period		(7,094)
(7,094)	Cash and cash equivalents at the end of the reporting period		(1,959)

Notes to the Group Accounts

Notes to the Group Accounts

Where added value is provided, additional disclosures are presented below in respect of the Group Accounts. These are referenced with a **G** and can be referred to against the main statements of the Group Accounts on pages 113 to 116.

Where there are no changes to values from the accounts of Mid Suffolk District Council then no additional notes have been prepared as these are referred to in the notes in the single entity accounts.

Note G1 - Accounting Policies for the Group

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

The Council has consolidated its interests in the entities over which it exercises control or significant influence because they are material to the Council's balance sheet.

The results of the Council's subsidiary have been consolidated on a line-by-line basis. Intra-group transactions have been eliminated before consolidation.

The Accounting Policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Mid Suffolk District Council, as set out in Note 35 of the Notes to the Core Statement of Accounts.

Notes to the Group Accounts

Note G2 – Cash Flow Statement: Operating Activities

	2020/21 £'000	2019/20 £'000
The cash flows for operating activities include the following items:		
Interest received	(1,913)	(1,730)
Interest paid	3,379	3,428
	1,466	1,698
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:		
Depreciation and amortisation	(5,366)	(5,662)
Impairment and (downward valuations)/reversals	(718)	(1,515)
(Increase)/decrease in creditors	(6,871)	(3,948)
Increase/(decrease) in debtors	154	(4,193)
Increase/(decrease) in inventories	5,123	5,113
Movement on pension liability	(450)	(1,321)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,268)	(932)
Other non-cash items	(1,292)	(468)
	(10,688)	(12,926)
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,705	1,414
Other items for which the cash effects are investing or financing activities	901	416
	2,606	1,830
Net cash flows from operating activities	(6,616)	(9,398)

Notes to the Group Accounts

Note G3 – Group Debtors

This note shows the recoverable amount owed to the Group by short-term debtors (i.e. due to be received within one year) in each class, net of impairment allowances.

Debtors	31 March 2021 £'000	31 March 2020 £'000
Trade Receivables	309	809
Prepayments	219	195
Other receivable amounts	12,980	7,435
Total Debtors	13,508	8,439

Note G4 – Material movements in Group accounts

This note shows significant movements in the primary activities within the group.

Material movements in group accounts	31 March 2021 £'000	31 March 2020 £'000
Increase in Long term debtors - Inter company loans	(600)	(4,153)
Increase in inventories - Gateway14 land holdings	2,156	5,227

Section 5

Glossary of Terms

Accruals

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Accrued Retirement Benefits (Pensions)

The retirement benefits for service up to a given point in time, whether vested rights or not.

Actuarial Gains and Losses (Pensions)

For a defined benefit scheme, the changes in deficits or surpluses that arise because events have not coincided with actuarial assumptions used in the last valuation (experience gains or losses) or because actuarial assumptions have changed.

Agency Services

These are services that are performed by or for another Council or public body, where the principal (the Council responsible for the service) reimburses the agent (the Council carrying out the work) for the costs of the work.

Amortisation

The process of decreasing or accounting for an amount over a period of time. Amortisation of capital expenditures of certain assets under accounting rules, particularly intangible assets, in a manner analogous to depreciation.

Appropriations

Amounts transferred to or from revenue or capital reserves.

Asset

An item owned by the Council which has an economic value e.g. land and buildings, debts or cash.

Budget

A financial statement of the Council's plans for any given year.

Capital Adjustment Account

A complex balance, it is debited with the historical cost of acquiring, creating or enhancing assets over the life of those assets, and of Revenue Expenditure Financed from Capital under Statute over the period of benefit (usually one year), and is credited with resources set aside to finance capital expenditure.

Capital Expenditure

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

Capital Financing Charges

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money.

Capital Grants

Grants received towards capital spending on a particular service or project.

Capital Receipts

Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing debt e.g Right to Buy capital receipts which can only be spent on providing new housing provision (known as 1-4-1 replacement)

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Community Assets

Assets the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.

Community Infrastructure Levy (CIL)

An income stream introduced in April 2016 following changes to planning legislation. Provides a charging schedule that maximises the funding for infrastructure within the District but does not prevent or stall development.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Assets

Assets where the value may change because the volume held can vary through day to day activity, e.g. cash, debtors and stock.

Current Liabilities

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

Current Service Costs (Pensions)

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailment (Pensions)

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

Debtors

Sums of money due to the Council, that have not been received at the balance sheet date.

Defined Benefit Scheme (Pensions)

A scheme to provide retirement benefits, the value of which are independent of the contributions payable, and that are not directly related to the underlying investments.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

De Minimis

A threshold which anything falling below is too small to be of concern

Direct Revenue Financing

A charge to the revenue account to finance capital expenditure.

Discretionary Benefits (Pensions)

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

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future

expenditure.

Expected Rate of Return on Pension Assets

For a funded, defined benefit scheme, the average rate of return, net of any charges, expected to be earned on assets held by the scheme over the remaining life of the related obligation to pay future retirement benefits.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value

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

Finance Lease

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another, for example, a market loan. The term "financial Instrument" covers both financial assets and financial liabilities and includes the most straightforward of financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives and embedded derivatives.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

Government Grants

Payments by Central Government towards Council spending. They may be specific to a particular service e.g. Housing Benefits Grant; or general (see Revenue Support Grant).

Group Accounts

Report the full extent of the assets, liabilities, income and expenditure of the Council and the companies which the Council either control or significantly influence. The Council has consolidated the interests which are financially material to the Council, to provide a full picture of the Council's arrangements for good governance.

Heritage Assets

Assets preserved in trust for future generations because of their cultural, environmental or historical associations.

Housing Revenue Account (HRA)

The statutory account which sets out the revenue expenditure and income arising from providing, maintaining and managing of Council dwellings. These costs are financed by tenants' rents. Other services are charged to the General Fund.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet as a result of the consumption of economic benefits (such as physical damage due to fire or flood) or the fall in the price of a specific asset. A general reduction in asset values is accounted for as impairment through valuation loss.

Income

Amounts that the Council receives, or expects to receive, from any source. Income includes fees, charges, sales and grants that are specific and special. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether they have been received in that period.

Infrastructure Assets

Fixed assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples are highways and footpaths.

Interest Cost (Pensions)

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

International Financial Reporting Standards (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Investments (Pensions)

The Council's share of pension scheme assets associated with its liability to pay future retirement benefits.

Long Term Debtors

Amounts due to the Council more than one year after the Balance Sheet date

Lender Option Borrower Option (LOBO)

This is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Market Value

This is generally applied to the valuation of non-current assets. It is the value that could be achieved if the

asset was offered for sale with no restrictions that could affect its value

Material/Materiality

Materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.

Minimum Revenue Provision (MRP)

The minimum amount the Council is required by statute to set aside on an annual basis for the repayment of debt.

Ministry for Housing, Communities and Local Government (MHCLG)

A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities-

Net Book Value (NBV)

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

New Homes Bonus (NHB)

A grant paid by Central Government to the Council to reflect and incentivize housing growth in the District. It is based on the amount of additional Council Tax revenue raised for new build homes, conversions, and long term empty homes brought back into use.

Non-Domestic Rates (NDR) (also known as Business Rates)

NDR is the levy on non-domestic property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities. The income arising is collected and shared between central government, Suffolk County Council and the District Council on the basis of a predetermined formula.

Non-Current Assets (previously fixed assets)

Intangible and tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Past Service Cost (Pensions)

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

Post Balance Sheet Events

Events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts are authorised for issue by the Chief Financial Officer.

Precept

The amount levied by various authorities that is collected by the Council on their behalf. Suffolk County Council, the Suffolk Police and Crime Commissioner and various Local Councils within the District are precepting authorities and the District Council is the billing authority.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

Reserves

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure.

Retirement Benefits (Pensions)

All forms of consideration given by an employer in exchange for services rendered by staff that are payable after completion of the engagement.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES. For the Council, the most significant type of REFCUS is the payment of home improvement grants to private householders.

Revenue Expenditure

The day-to-day spending and income of the Council on such items as staff, goods, services and equipment.

Scheme Liabilities (Pensions)

The liabilities to pay future retirement benefits, measured using the projected unit method, of a defined benefit scheme for outgoings falling due after the valuation date.

Section 31 (S31) Grant

Grants paid to the Council by Central Government for small business rate relief and new discretionary rate reliefs.

Settlement (Pensions)

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation.

Treasury Management Strategy (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.