2.1.1 PYA1 – Accumulated Depreciation

Since depreciation accounting was introduced into local authority accounts in 1994/95, the Council has always shown the gross cost or valuation in its accounts along with the accumulated depreciation. The change that EY propose was not picked up by the Council’s previous auditors and it is noted that this will not change the net book value of the Council’s PPE assets as the change will reduce the gross cost/valuation and depreciation each by the same amount (in Note D1). We also note that the net book value shown in the Council’s balance sheet has been correct throughout the period 1994/5 to present.

2.1.2 PYA2 – Assets Held for Sale

When this was introduced into local authority accounts in 2010/11 the Council sought specific advice from CIPFA and subsequently has always accounted for in year disposals as Assets Held for Sale rather than just those assets deemed as Held for Sale as at 31 March. The effect on the Balance Sheet for the period ending 31 March 2016 is moving £200k from Assets Held for Sale to Investment Properties and has no impact on the Council’s budgets. This treatment was not questioned by the Council’s previous auditors.

2.1.3 PYA3 – Impairment Loss

The Council has to value Council Dwellings at Existing Use Value – Social Housing which represents 39% of the true value. The Council has for a number of years classified these as revaluation losses rather than impairment losses. This treatment was not questioned by the Council’s previous auditors. There is no impact on the Council’s budgets.

2.1.4 PYA4 – Enhancement on HRA

The Council has approximately 8,000 Council Dwellings and incurs annual expenditure on them of between £8m - £10m per year. Every year on 31 March the Council revalues its Council Dwellings and shows the revalued amount in its balance sheet.

When the Revaluation Reserve and Capital Adjustment Account, both Unusable reserves, were introduced in 2007/08 we agreed with our previous auditors that we would show the expenditure as a single line in our asset register rather than allocate it to all 8,000 properties. By not allocating it to individual properties we were potentially inflating the value of the Revaluation Reserve and deflating the value of the Capital Adjustment Account – a technical accounting treatment.

The effect on the Balance Sheet for the period ending 31 March 2016 is moving approx. £46m from the Revaluation Reserve and Capital Adjustment Account.
The Impairment Reserve in RAM is a memorandum account that stores past impairments and revaluations, so we can account for any future movements. This is not something that we have to report in our accounts.

2.1.5 PYA5 – Group Accounts opening balance

We agree that this has been misstated in our Group Accounts. The effect on the Balance Sheet for the period ending 31 March 2016 is moving £3.536m from useable to unusable reserves in the Group Balance Sheet. This issue was not raised by our previous auditors, but is a technical accounting treatment that does not impact on the Council’s budgets.

2.1.6 PYA6 – Heritage Assets

When Heritage Assets were first introduced in local authority accounts in 2011/12 we agreed with our previous auditor that we would show in our accounts the value of the most significant heritage assets we own as to value the whole of our heritage assets (i.e. the whole of the museum collection), would be a long and expensive process. Since 2011/12 whenever any of the significant heritage assets have been revalued we have increased the value in our balance sheet.

We did consider the use of the insurance valuation, but it is a broad assessment and we did not consider it appropriate for accounting purposes and this is stated in our Heritage Assets note in the accounts. It was also agreed with our previous auditors that we would put a note in our accounts to that effect. We understand that whilst the Code allows the option to use an insurance valuation, this is not obligatory.

We believe that what we show in our Balance Sheet is an accurate reflection of the significant Heritage Assets the Council owns.

2.1.7 PYA7 – IAS19 split between General Fund and HRA

IAS19 relates to movements in the pension fund that do not impact on Council Tax or Council House Rents, but have to be shown in Income and Expenditure statement as income or expenditure, and then are “reversed out” under accounting regulations. I.e. there is no net effect. Certain items are specific and have to be charged to the General Fund or HRA and this has always been done. The non-specific items have always gone through the GF.

This issue was not raised by our previous auditors.

The HRA backfunding element has been picked up as part of the ZBB process and this will be reviewed on a yearly basis.

2.2.1 Capital Grant Unapplied Account
The accounting treatment for this was agreed following advice from CIPFA and discussions with our previous auditor when IFRS was introduced in 2010/11. Following discussions with Ernst & Young we have looked into the way this is reported and have introduced changes to where the money is allocated in our balance sheet.

The effect on the Balance Sheet for the period ending 31 March 2016 is moving £708k from Capital Receipts in Advance to Long Term Payables, which are both under Long Term Liabilities, and £907k from Capital Grants unapplied to Earmarked General Fund Reserves, which are both under Useable Reserves.

There are movements in the Comprehensive Income and Expenditure Statement, but these net off to zero and have no impact.

2.2.2 Pension arrangement with Ipswich Buses Ltd

Ipswich Buses have had discussions with their auditors KPMG about whether it is a Defined Benefit Scheme or a Defined Contribution Scheme and they concluded that due to the fact that Ipswich Buses are liable for their element of the deficit it is a Defined Benefit Scheme. We await further advice from EY.