Borough Council of
King's Lynn &
West Norfolk

CABINET

Agenda

MONDAY, 16 SEPTEMBER 2013
at 5.30pm

in the

Committee Suite
King's Court
Chapel Street
King's Lynn
PE30 1EX

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Borough Council of
King's Lynn &
West Norfolk

King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX
Telephone: 01553 616200
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CABINET AGENDA

DATE: CABINET – MONDAY, 16 SEPTEMBER 2013

VENUE: COMMITTEE SUITE, KING'S COURT, CHAPEL STREET, KING'S LYNN

TIME: <u>5.30 pm</u>

1. **<u>MINUTES</u>**

To approve the Minutes of the Meeting held on 30 July 2013.

2. **<u>APOLOGIES</u>**

To receive apologies for absence.

3. **<u>URGENT BUSINESS</u>**

To consider any business, which by reason of special circumstances, the Chairman proposes to accept, under Section 100(b)(4)(b) of the Local Government Act 1972.

4. **<u>DECLARATION OF INTEREST</u>**

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local

Member on an item or simply observing the meeting from the public seating area.

5. **CHAIRMAN'S CORRESPONDENCE**

To receive any Chairman's correspondence.

6. **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

To note the names of any Councillors who wish to address the meeting under Standing Order 34.

7. **CALLED IN MATTERS**

To report on any Cabinet decisions called in.

8. **FORWARD DECISIONS LIST**

A copy of the Forward Decisions List is attached (Page 4)

9. **MATTERS REFERRED TO CABINET FROM OTHER COUNCIL BODIES**

To receive any comments and recommendations from other Council bodies some of which meet after the dispatch of this agenda. Copies of any comments made will be circulated as soon as they are available.

Resources and Performance Panel Audit Committee – 9 September 2013

10. **REPORTS**

1) Statement of Accounts 2012/13 and report to those charged with Governance (ISA 260) (Page 7)

The report introduces the Statement of Accounts (SOA) 2012/2013 – essentially the Statement is the final accounts set out in a format which includes the Council's balance sheet and associated notes. The report also considers the report from the auditor on the audit for the accounts 2012/2013 – the International Auditing Standard (ISA 260).

2) Annual Governance Statement for the Year 2012/13 (page 151)

The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement. The AGS is a public statement that describes and evaluates the Council's overall governance arrangements during a particular financial year.

This report seeks Cabinet approval of the Council's Annual Governance Statement for 2012/13 – attached as an Appendix to the report.

To: Members of the Cabinet

Councillors N J Daubney (Chairman), A Beales, Lord Howard, A Lawrence, B Long, Mrs E A Nockolds, D Pope and Mrs V Spikings.

Cabinet Scrutiny Committee

For further information, please contact:

Samantha Winter
Democratic Services Manager,
Borough Council of King's Lynn & West Norfolk
King's Court, Chapel Street,
King's Lynn PE30 1EX
Telephone: (01553) 616327 Email: sam.winter@west-norfolk.gov.uk

FORWARD DECISIONS LIST

Date of meeting	Report title	Description of report	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
16 September 2013 (accounts only)	Statement of Accounts		Key	Council	Leader Deputy Chief Executive		Public
	Annual Governance Statement		Non	Council	Leader Exec Director – D Gates		Public

Date of meeting	Report title	Description of report	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
1 October 2013	Council Tax Support Scheme 2014/15	Review of the scheme for 2014/15	Key	Council	Leader Deputy Chief Executive	Previous scheme	Public
	Asset Management: Residential Property Investment Vehicle	Consideration of the use of the Council's assets to invest in residential property.	Key	Council	Resources Deputy Chief Executive		Public

	Business Rates Pooling Arrangement		Key	Council	Leader Chief Executive		Public
	Tender for External Printing Services	Approval of the signing and sealing of the Print Framework Agreement	Key	Cabinet	Leader Deputy Chief Executive		Public
	King's Lynn Area Consultative Committee	Report of the King's Lynn Representational Task Group	Non	Cabinet	Special Projects Chief Executive		Public

Date of meeting	**Report title**	**Description of report**	**Key or Non Key Decision**	**Decision Maker**	**Cabinet Member and Lead Officer**	**List of Background Papers**	**Public or Private Meeting**
5 November 2013	Strategic and Economic Infrastructure Plan		Non	Council	Regeneration & Community Chief Executive		Public
	Award of Cremator Contract	Following procurement exercise, approval of award of new cremator contract	Key	Cabinet	Community Deputy Chief Executive		Public
	Proposed Audit and Fraud Team	Review of the named teams	Key	Council	Leader Deputy Chief Executive		Private - Contains exempt Information under para 1 - information relating to any individual

	Discharge Of Homelessness Duty – Private Rented Sector		Non	Cabinet	Community Chief Executive		Public
	Town Heritage Initiative		Key	Council	Regeneration Chief Executive		Public

Date of meeting	Report title	Description of report	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
3 December 2013							

Date of meeting	Report title	Description of report	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
14 January 2014							

REPORT TO CABINET

<table>
<tr><td colspan="2">Open</td><td colspan="3" rowspan="2">Would any decisions proposed :

(a) Be entirely within Cabinet's powers to decide YES

(b) Need to be recommendations to Council NO

(c) Is it a Key Decision YES</td></tr>
<tr><td>Any especially affected Wards

None</td><td>Mandatory/

Operational</td></tr>
<tr><td colspan="2" rowspan="2">Lead Member: Cllr N Daubney
E-mail:cllr.daubney@west-norfolk.gov.uk</td><td colspan="3">Other Cabinet Members consulted:</td></tr>
<tr><td colspan="3">Other Members consulted:</td></tr>
<tr><td colspan="2">Lead Officer: Toby Cowper
E-mail: toby.cowper@west-norfolk.gov.uk
Direct Dial: 01553 616523</td><td colspan="3">Other Officers consulted: Management Team. Service Managers.</td></tr>
<tr><td>Financial Implications
YES</td><td>Policy/Personnel Implications
NO</td><td>Statutory Implications (incl S.17) YES</td><td>Equal Opportunities Implications
NO</td><td>Risk Management Implications
NO</td></tr>
</table>

Cabinet Date: **16 September 2013**

1 STATEMENT OF ACCOUNTS 2012/2013 AND REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)

Summary

The report introduces the Statement of Accounts (SOA) 2012/2013 – essentially the Statement is the final accounts set out in a format which includes the Council's balance sheet and associated notes. The report also considers the report from the auditor on the audit for the accounts 2012/2013 – the International Auditing Standard (ISA 260).

Recommendation

It is recommended that Cabinet;

1) approve the authority for any changes required to the Statement of Accounts is delegated to the Chief Financial Officer, in consultation with the Leader of the Council, to authorise amendments and if necessary present an updated Statement to Council.
2) notes the comments of the auditor in the ISA260

Reason for Decision

The Council must approve the Statement of Accounts for 2012/2013 before 30 September 2013 and consider the comments from the auditor on the ISA 260.

1 Introduction

1.1 The report introduces the Statement of Accounts for 2012/2013 – a statutory document that must be approved by the Council before 30 September 2013. The Statement has been subject to external audit by Ernst & Young (the Council's new auditors for 2012/2013) during the summer period.

1.2 The Council has already received a report on the outturn of the budget for 2012/2013 in June. This report presents to members the formal set of accounts that are required for audit purposes. The format of the Statement of Accounts is subject to prescription under the International Financial Reporting Standards (IFRS) which is in accordance with the relevant Audit and Account Regulations.

1.3 The report from the auditor on the audit for the accounts 2012/2013 – the International Auditing Standard (ISA 260) – provides members with an overview of the findings of the audit.

2 Statement of Accounts 2012/2013

2.1 The Council must formally approve the SOA for 2012/2013 by 30 September 2013. Ernst & Young, the external auditor has audited the document over the past few months and has indicated that they are likely to express an opinion that the accounts present fairly the position of the Council as at 31 March 2013 and its income and expenditure for the year then ended.

2.2 As the Council's designated S151 Officer, the Chief Financial Officer is responsible for the SOA and certifies her acceptance of the accounts. Associated with the final accounts, the Council is required to sign off an Annual Governance Statement (AGS) which has been signed by the Leader of the Council and the Chief Executive.

2.4 The Balance Sheet is on page 11 of the Statement of Accounts 2012/2013 document. The Balance Sheet is a 'snapshot' of the Council's financial position at the 31 March 2013.

2.5 The figures of interest on the Balance Sheet are: -

- The balance of short term investment has remained relatively stable at £19.9m with an additional £6.0m classified as cash and cash equivalents (2011/2012 £22.6m short term investment and £3.8m cash and cash equivalents). This reflects the continued uncertainty in the money markets and the low interest rates currently available. This is in line with the declared strategy where the Council wished to remain flexible and avoid being locked into long term low rates.

- Short term receivables have increased to £5.4m from £4.8m. This movement is due mainly to the increased level of debt by Government at the year-end on the Housing Benefits grant claim.

- Short term borrowing has remained at roughly the same levels £6.5m in 2012/2013 and £6.2m in 2011/2012. This simply reflects the Council's cash flow position as at 31/3/2013.

- The Pension Liability shown on the balance sheet represents the shortfall on the Council's pension fund as measured at a point in time at the 31 March each year. The accounts show that:

    - During 2012/2013 the net Pension deficit has increased to £45.9m from £37.2m.
    - As at 31 March 2013 the ongoing liabilities to the fund have increased from £121.6m to £140m
    - As at 31 March 2013 the value of the assets of the employer has increased from £84.3m to £94.1.

  However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be dealt with over a period of 30 years by the Council paying increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme Actuary. Further detail is presented in the Pension disclosure notes included in the Statement of Accounts.

- The Useable Reserves have increase by £2m mainly due to the £1.7m increase in Capital Receipts held. This is fully committed to fund the capital programme.

- Unuseable Reserves have decreased from by £12.4m to £93m. This is mainly due to :

    - £8.7m increase in the Pension liability noted above
    - £3.4m decrease in the Capital Adjustment Account arising from changes in asset valuations.

3 The International Auditing Standard (ISA 260).

3.1 At the time of writing this report the auditor is still finalising the audit of the Council's Statement of Accounts for 2012/2013 and will verbally provide an update to the attached ISA 260 report at the Audit and risk committee meeting on the 9 September 2013.

4 Financial Implications

4.1 There are no financial implications that follow the presentation of the Statement of Accounts.

5. **Policy Implications**

5.1 None.

6 **Statutory Considerations**

6.1 The Statement of Accounts must be approved by the Council by 30 September 2013.

7. **Consultations**

Leader of Council

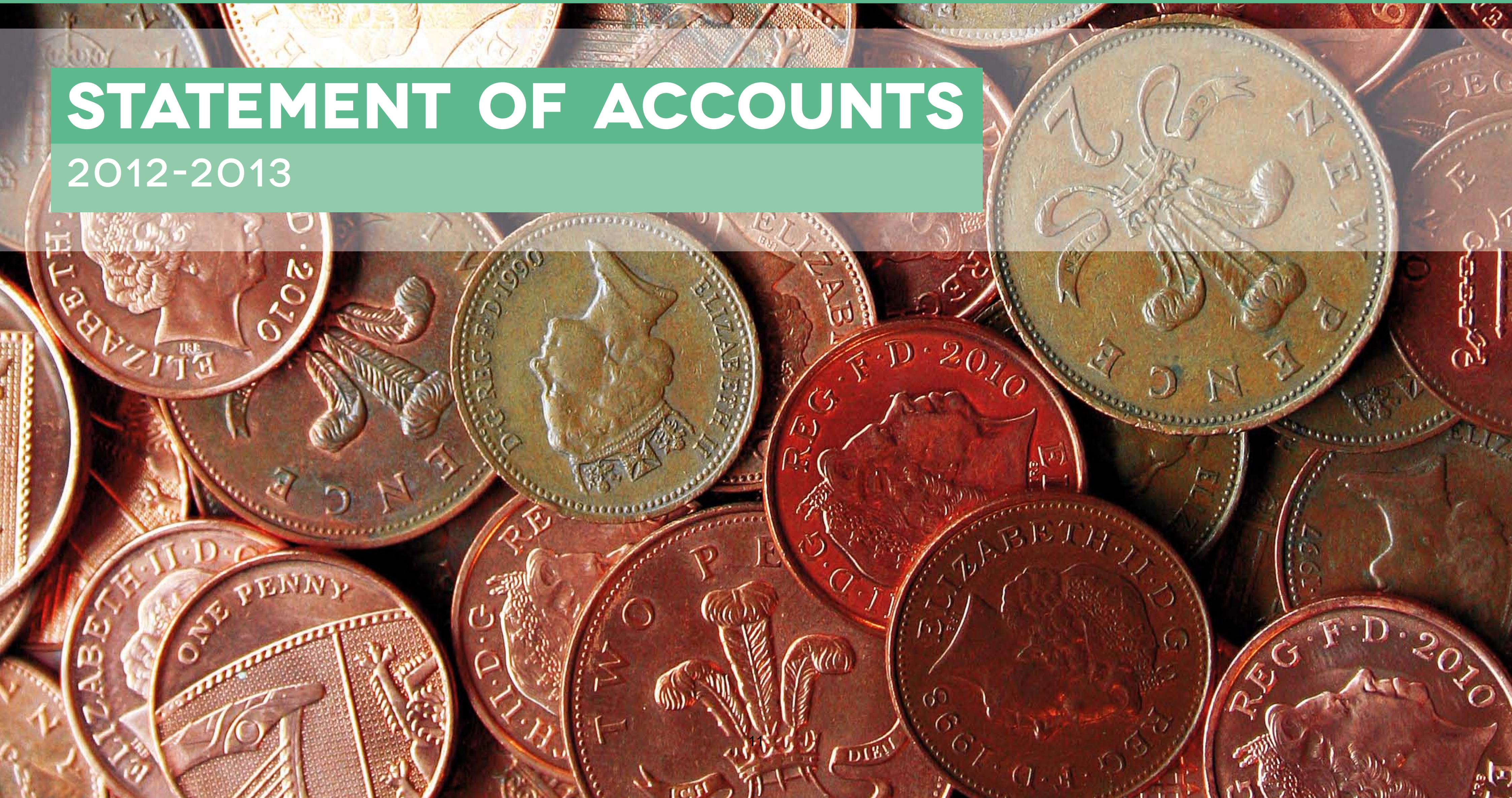
8. **Access to Information**

Council agenda/minutes
Financial Plan 2011 - 2015

Borough Council of
King's Lynn &
West Norfolk

STATEMENT OF ACCOUNTS

2012-2013



Contents

Statement of Responsibilities

The Borough Council's Responsibilities

The Authority is required to:-

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer, Lorraine Gore.
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts.

Certification

I confirm that this Statement of Accounts was approved by Council at the meeting held on 26 September 2013.

Signed on behalf of the Borough Council of King's Lynn and West Norfolk

Elizabeth Watson

Mayor of the Borough Council of King's Lynn and West Norfolk as Chair of the Meeting

26 September 2013

Chief Financial Officer’s Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority’s Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) ‘Code of Practice on Local Authority Accounting in the United Kingdom’ (the Code), is required to present the true and fair financial position of the Authority and its income and expenditure for the year ended 31 March 2013.

In preparing the Statement of Accounts, the Chief Financial Officer has:-

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.

She has also:-

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

In accordance with the Accounts and Audit (England) Regulations 2011, I certify that the Statement of Accounts presents a true and fair view of the financial position of the Borough Council of King’s Lynn and West Norfolk as at 31 March 2013, and its income and expenditure for the year then ended. The notes on pages 13 to 78 form part of the financial statements.

Lorraine Gore
Chief Financial Officer
28 June 2013

Explanatory Foreword

The Statement of Accounts consists of summaries which deal with different aspects of the Authority's activities and a Consolidated Balance Sheet which sets out the financial position of the Authority as at 31 March 2013. Of the summaries some are recognised as Core Financial Statements, detailed below:

- **Movement in Reserves Statement**
- **Comprehensive Income and Expenditure Statement (CIES)**
- **Balance Sheet**
- **Cash Flow Statement**
- **Collection Fund**

All of the above are supported by the Statement of Accounting Policies as set out on pages 79 to 100 and various notes to the accounts.

1. Summary of Accounts 2012/2013

The Council, at its budget meeting of 21 February 2013, set a revised budget of £16,834,170 intending to add £195,000 to its General Fund balance to give a Budget Requirement of £17,029,170.

The outturn position for the year shows expenditure of £16,708,580 and a transfer of £320,590 to the General Fund Balance thereby meeting the Budget Requirement of £17,029,170. The movement of the General Fund balance is detailed below. The outturn position is incorporated within the deficit on provision of services shown on page 10, Comprehensive Income and Expenditure Statement.

	2012/13		**2012/2013**		**2012/2013**	
	Original Budget		**Revised Budget**		**Actual**	
	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward		(3,551)		(3,551)		(3,551)
Expenditure in the year	17,663		16,832		16,707	
Budget Requirement	16,902		17,029		17,029	
(Surplus)/Deficit for year		761		(197)		(322)
Balance carried forward		**(2,790)**		**(3,748)**		**(3,873)**

2. Accounting for Current Economic Conditions

The 2012/2013 financial year has continued to be dominated by the challenging economic conditions in the UK and the global economy. In February 2012 the Council set a Financial Plan for 2011/2015 which included a grant funding reduction of 12% in cash terms over the period and the planned use of the general fund balance. The Council's approach has been to act early in delivering on-going savings through its cost reduction programme. The cost reduction programme which began in 2009 achieved savings of £4.2m in 2012/2013. During year ended 31 March 2013 the Council continued to look for opportunities to produce budget savings and additional savings of £1m have been delivered during the 2012/2013 financial year. Past experience shows that it is important to gain savings as soon as possible and the Council will continue to seek changes and opportunities to reduce costs.

3. Overall Financial Position 2012/2013

Given the previous comment on Accounting for Current Economic Conditions, the Statement of Accounts indicates that the Authority's financial health remains adequate at the end of 2012/2013. The Balance Sheet identifies that the Authority continues to maintain reserves and balances sufficient to meet its future commitment in terms of capital and revenue spending plans.

4. Major Influences on the Council's Accounts during 2012/2013

In 2012/2013 an actuarial loss on the Authority's pensions assets of £8,009,000 has increased the Authority's pensions liabilities to £45,903,000.

5. Capital

During 2012/2013, the Authority spent £5,349,000 on capital projects. Major areas of spending were:

Car Parks – replacement pay and display machines	£160,378
Lynnsport – New fitness suite	£349,418
Private Sector Housing Assistance	£1,007,815
Affordable Housing Schemes	£204,312
ICT Development Programme	£327,364
Contribution to College of West Anglia new Technology Block	£1,395,450
Vehicles and Equipment	£280,573

6. Summary of Capital Expenditure

The Capital Expenditure of the Authority's principal portfolios recorded in the budget reports for the year is as follows:

	2011/2012 Outturn £'000	2012/2013 Outturn £'000
Community and Democracy	1,416	1,199
Environment Improvement and Protection	462	186
Housing	260	304
Performance and Resources	954	631
Regeneration	2,134	2,013
Safer and Healthy Communities	37	28
Sub Total	**5,263**	4,361
Disabled Facility Grants, Housing Grants and Other Grants	1,029	988
Capital Programme Outturn	**6,292**	**5,349**

7. The Euro

The Authority has neither incurred, nor expects to incur, any material expenditure in relation to the direct costs associated with the potential introduction of the Euro in the UK.

8. Accounting Policies

The accounting policies adopted by the Authority comply with recommended practices and are set out on pages 79 to 100.

9. General Fund

The 2012/2013 outturn is within budget and allows the Council to set aside funds for a variety of future demands in addition to carrying forward a General Fund balance that is higher than originally estimated.

The performance of General Fund expenditure against estimates was as follows:

	Revised Estimate	Actual	Difference Revised to Actual
	2012/2013	**2012/2013**	**2012/2013**
Community and Democracy	4,278,120	4,110,892	(167,228)
Environmental Improvements and Protection	5,693,790	6,014,551	320,761
Housing General Fund	1,907,930	1,184,662	(723,268)
Performance and Resources	5,412,200	5,512,145	99,945
Regeneration	835,970	2,238,094	1,402,124
Safer and Healthy Communities	268,340	254,150	(14,190)
Shared Services - Revenues and Benefits	1,047,820	1,072,126	24,306
Portfolio Totals	**19,444,170**	**20,386,620**	**942,450**
Financing Adjustment	(3,272,930)	(4,340,426)	(1,067,496)
Special Expenses	(551,100)	(551,100)	0
Internal Drainage Boards	2,580,490	2,580,490	0
Government Grant Council Tax Freeze	(315,330)	(315,330)	0
New Homes Bonus	(1,052,680)	(1,052,680)	0
Contribution to Balances	196,550	321,596	125,046
Total	**17,029,170**	**17,029,170**	**0**

Service Managers over the year ending 31st March 2013 have continued to look for opportunities to produce budget savings that support the Council's drive for reduction in costs. These savings have been reported as part of the Council's monthly monitoring process. In setting the estimates for 2012/2013, in February 2012, it was anticipated that there would be a need to draw £761,280 from the General Fund balance. Outturn figures show that there will in fact be a contribution of £321,596 to balances which arises from savings in the year of £1 million. A number of the budget savings were 'one-offs' and will not necessarily be repeated in future years. Others were 'early wins' on cost reduction initiatives identified as part of the budget in February 2013 where savings of £466,000 have already been incorporated in the 2012/2016 budget. There are some further savings in the year that will carry forward and reduce budgets set out in the Financial Plan for 2012/2016. These will be reported through the Councils monthly monitoring reports in 2013/2014.

10. Current Borrowing Facilities

In April 2012, the Authority's borrowing limit for 2012/2013 was established at £25m, with the upper limit on fixed interest loans set at £20m and the upper limit on variable rate loans set at £10m

The borrowing requirement for the Authority represents the amount of borrowing the Authority may require as a result of the demands of both the capital programme and movement in reserves and balances.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The deficit on the Provision of Services line shows the true economic cost of providing the Authority'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 for Council Tax setting. The net (increase)/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Note	Page	Movements in Reserves during 2011/2012	General Fund Balance	Earmarked General Fund Reserves	Usable Capital Receipts	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
		Balance at 1 April 2011 Brought Forward	**(3,558)**	**(13,738)**	**(184)**	**(1,321)**	**(18,801)**	**(113,537)**	**(132,338)**
CIES	10	Deficit on Provision of Services	2,321	0	0	0	2,321	0	2,321
CIES	10	Other Comprehensive Expenditure and Income	0	0	0	0	0	6,168	6,168
CIES	10	**Total Comprehensive Expenditure and Income**	**2,321**	**0**	**0**	**0**	**2,321**	**6,168**	**8,489**
5	15-16	Adjustments between Accounting Basis and Funding Basis under Regulations	(2,036)	0	197	0	(1,839)	1,839	0
		Net Decrease before Transfers to Earmarked Reserves	**285**	**0**	**197**	**0**	**482**	**8,007**	**8,489**
6	17-18	Transfer to/from Earmarked Reserves	(278)	1,338	(1,319)	259	0	0	0
		(Increase)/Decrease in Year 2011/2012	**7**	**1,338**	**(1,122)**	**259**	**482**	**8,007**	**8,489**
		Balance at 31 March 2012 Carried Forward	**(3,551)**	**(12,400)**	**(1,306)**	**(1,062)**	**(18,319)**	**(105,530)**	**(123,849)**

Note	Page	Movements in Reserves during 2012/2013	General Fund Balance	Earmarked General Fund Reserves	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
		Balance at 1 April 2012 Brought Forward	**(3,551)**	**(12,400)**	**(1,306)**	**(1,062)**	**(18,319)**	**(105,530)**	**(123,849)**
CIES	10	Deficit on Provision of Services	3,208	0	0	0	3,208	7,253	10,461
CIES	10	Other Comprehensive Expenditure and Income	0	0	0	0	0		0
CIES	10	**Total Comprehensive Expenditure and Income**	**3,208**	**0**	**0**	**0**	**3,208**	**7,253**	**10,461**
5	15-16	Adjustments between Accounting Basis and Funding Basis under Regulations	(3,481)	0	(1,708)	0	(5,189)	5,189	0
		Net (Increase) before Transfers to Earmarked Reserves	**(273)**	**0**	**(1,708)**	**0**	**(1,981)**	**12,442**	**10,461**
6	17-18	Transfer to/from Earmarked Reserves	(49)	(155)	0	204	0	0	0
		(Increase)/Decrease in Year 2012/2013	**(322)**	**(155)**	**(1,708)**	**204**	**(1,981)**	**12,442**	**10,461**
		Balance at 31 March 2013 Carried Forward	**(3,873)**	**(12,555)**	**(3,014)**	**(858)**	**(20,300)**	**(93,088)**	**(113,388)**

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2011/2012						2012/2013		
Gross Expenditure	Gross Income	Net Expenditure	Note	Page		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000				£'000	£'000	£'000
1,712	836	876			Central Service to the Public	1,536	519	1,017
6,917	69	6,848			Corporate and Democratic core	4,165	1,421	2,744
13,049	7,112	5,937			Cultural and Related Services	12,110	6,040	6,070
12,114	6,643	5,471			Environmental Services	11,353	5,073	6,280
5,209	1,501	3,708			Planning and Development Service	6,901	2,592	4,309
52,165	50,975	1,190			Housing General Fund	56,818	54,273	2,545
1,703	3,946	(2,243)			Highways and Transport Services	2,102	4,552	(2,450)
443	0	443			Non-distributed costs	0	0	0
93,312	**71,082**	**22,230**			**Cost of Services**	**94,985**	**74,470**	**20,515**
		2,342	7	19	Other Operating Expenditure			3,372
		(1,229)	8	19	Financing and Investment Income and Expenditure			(121)
		(21,022)	9	20	Taxation and Non-specific Grant Income			(20,558)
		2,321	16	27-31	**(Surplus) or Deficit on Provision of Services**			**3,208**
		(5,810)			Surplus on revaluation of Non-current assets			(756)
		11,978	22	36-43	Actuarial losses on pensions assets/liabilities			8,009
		6,168			**Other Comprehensive Income and Expenditure**			**7,253**
		8,489			**Total Comprehensive Income and Expenditure**			**10,461**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date, of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold: and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2012	Note	Page		31 March 2013
£'000				£'000
103,333	29	55-57	Property, Plant and Equipment	100,566
20,206	28	52-54	Heritage Assets	19,105
27,762	26	50	Investment Property	27,717
493	27	51-52	Intangible Assets	573
44	38	66-68	Long Term Investments	2,051
1,306	33	61	Long Term Receivables	1,033
153,144			**Long Term Assets**	**151,045**
22,585	38	66-68	Short Term Investments	19,993
153			Inventories	114
4,828	32	60	Short Term Receivables	5,363
3,855	15	26	Cash and Cash Equivalents	6,071
2,991	31	60	Assets Held for Sale	4,065
34,412			**Current Assets**	**35,606**
(6,217)	38	66-68	Short Term Borrowing	(6,517)
(7,563)	34	61	Short Term Payables	(6,909)
(13,780)			**Current Liabilities**	**(13,426)**
(1,019)	37	63-65	Unapplied Grants	(2,198)
(11,500)	38	66-68	Long Term Borrowing	(11,300)
(165)			Other Long Term Liabilities	(436)
(37,243)	22	36-43	Pension Liabilities	(45,903)
(49,927)			**Long Term Liabilities**	**(59,837)**
123,849			**Net Assets**	**113,388**
(18,319)	MIR	9	Usable Reserves	(20,300)
(105,530)	11	20-24	Unusable Reserves	(93,088)
(123,849)			**Total Reserves**	**(113,388)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded, by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2011/2012	Note	Page		2012/2013
£'000				£'000
2,321	CIES	10	Deficit on the Provision of Services	3,208
(5,574)			Adjust Net Deficit on the Provision of Services for Non Cash Movements	(4,983)
1,333			Adjust for Items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	4,756
(1,920)	12	25	**Net Cash flows from Operating Activities**	**2,981**
(322)	13	25	Investing Activities	(6,282)
(1,195)	14	26	Financing Activities	1,085
(3,437)			**Net (Increase)/Decrease in Cash and Cash Equivalents**	**(2,216)**
418			Cash and Cash Equivalents at the Beginning of the Reporting Period	3,855
3,855	15	26	**Cash and Cash Equivalents at the End of the Reporting Period**	**6,071**

Notes to Core Financial Statements

1 Restatements

There are no restatements of the 2012/2013 Accounts.

2 Accounting Standards Issued, Not Adopted

The adoption of amendments to the Code of Practice on Local Authority Accounting may require changes to the Council's accounting policies from 1 April 2013, in respect of the following:

IFRS 7 – Financial Instruments: Disclosures. It is unlikely that this standard will have a material effect on the Council's financial statements but will provide users of the accounts with additional information on: the risk and exposure relating to the transfer of financial assets; and the effect of these risks on the Council's financial position.

IAS 1 – Presentation of Financial Statements. This standard revised the presentation of other comprehensive income in the financial statements.

IAS 12 – Income Taxes: Deferred Taxation re Investment Properties. As the Council is not liable to Corporation Tax the standard will not apply to the Council's accounts.

IAS19 – Employee Benefits: This standard refines the existing calculation and disclosure of pension costs within the Council's financial statements. If adopted, this standard may have an impact on the Council's Comprehensive Income and Expenditure Statement. The changes will be implemented in the 2013/14 financial year, so the projected 2013/14 pension expense shown will include this change. This change to IAS19 will be retrospectively applied for the 2012/13 financial year, at the time the 2013/14 accounts are prepared. This is in accordance with IAS 8.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 78 to 98, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Impairment of Non-Current Assets – there is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of changes in levels of service provision.

4 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future, or other major sources that are 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 Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Service reviews have led to a reduction in expenditure; however there has not been a reduction in repair and maintenance of assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. The net book value of the Authority's property, plant and equipment assets is £101m as at 31 March 2013. Of this £50m relates to land which is not subject to depreciation and is considered to have an infinite life. Vehicle, plant and equipment assets account for £4m with asset lives between 5 and 15 years. If the asset lives are reduced by 1 year across vehicle, plant and equipment it is estimated that depreciation would increase by £307,000 and the value of the assets decrease. For buildings the asset life is up to 60 years unless the asset has major components which are depreciated separately. It is estimated that if the asset life for buildings reduced by 1 year, depreciation would increase by £283,000 and the value of the asset decrease.
Heritage Assets	Heritage assets are assets held by the Authority principally for their contribution to knowledge or culture. The Valuation of Heritage assets held by the Authority is undertaken by external specialist valuers with reference to appropriate commercial markets using the most recent and relevant information available. Due to the diverse and unique nature of Heritage assets it is possible that the assumptions on which the valuations are based may change.	If the valuation of the Heritage asset was to change plus or minus 1% this would change the carrying amount of these assets reported in the Balance Sheet as at 31 March 2013 by £191,000
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the real discount rate would increase employer liability by 10% and cost £13,536,000; a one year increase in member life expectancy would increase employer liability by 3% and cost £4,202,000; a 0.5% increase in the salary increase rate would lead to an increase of 3% in employer liability and cost £4,008,000 and a 0.5% increase in the pension increase rate would increase employer liability by 7% and cost £9,336,000. However, the assumptions interact in complex ways. During 2012/2013 the Authority actuaries advised that the net pension liability had increased by £8,660,000 as a result of estimates being adjusted.
Arrears	At 31 March 2013, the Authority had a balance of sundry Receivables of £1,737,000. A review of significant balances suggested that an allowance for doubtful debts of 32% (£557,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If Collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £337,300 to be set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

These notes detail adjustments made to the local CIES recognised by the Authority in the year, in accordance with proper accounting practices. They refer to resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/2012					2012/2013			
	Usable Reserves					Usable Reserves		
General Fund Balance	**Usable Capital Receipts**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**	**2012/2013**	**General Fund Balance**	**Usable Capital Receipts**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
£'000	£'000	£'000	£'000	**Adjustments Involving the Capital Adjustment Account**	£'000	£'000	£'000	£'000
				Reversal of items Debited/(Credited) to the CIES:				
(5,713)			5,713	Charges for Depreciation and Impairment of Non-Current Assets	(4,193)			4,193
(417)			417	Revaluation Losses on Property, Plant and Equipment (Note 11 page 22-CAA)	0			0
368			(368)	Movements in the Market Value of Investment Properties	16			(16)
(1,763)			1,763	Reverse Impairments in year from Revaluation Increase	(564)			564
(79)			79	Amortisation of Intangible Assets	(111)			111
(394)			394	Revenue Expenditure Funded from Capital under Statute	(1,765)			1,765
(303)			303	Amounts of Non-Current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES	(1,639)			1,639
(14)			14	Soft Loans - Adjustments	(167)			167
				Insertion of items not Debited/(Credited) to the CIES				
416			(416)	Statutory Provision for the Financing of Capital Investment	229			(229)
593			(593)	Additional Provision for the Financing of Capital Investment relating to Internal Repayment of Prudential Borrowing	563			(563)
1,901			(1,901)	Capital Expenditure charged against the General Fund	804			(804)
(14)			14	Principal repayment of Finance Leases where the Council is the lessor	(15)			15
0			0	Principal repayment of Finance Leases where the Council is the lessee	116			(116)
				Adjustment involving the Capital Grants Unapplied Account				
623			(623)	Application of Grants to Capital Financing	763			(763)

Cont.

2011/2012 General Fund Balance	2011/2012 Usable Receipts: Usable Capital Receipts	2011/2012 Usable Receipts: Capital Grants Unapplied	2011/2012 Movement in Unusable Reserves	2012/2013	2012/2013 General Fund Balance	2012/2013 Usable Reserves: Usable Capital Receipts	2012/2013 Usable Reserves: Capital Grants Unapplied	2012/2013 Movement in Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Adjustment Primarily Involving the Capital Receipts Reserve				
2,649	(2,649)		0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	2,916	(2,916)		0
0	2,963		(2,963)	Use of Capital Receipts Reserve to Finance New Capital Expenditure	0	1,326		(1,326)
(9)	9		0	Contribution from the Capital Receipts Reserve to Finance the payments to the Government Capital Receipts Pool	(5)	5		0
126	(126)		0	Repayment of Improvement Grant and Release of Covenant	123	(123)		0
				Deferred Capital Receipts				
(12)			12	Mortgage Principal Repaid	(7)			7
				Adjustments Involving the Financial Instruments Adjustment Account:				
48			(48)	Amount by which Finance Costs Charged to the CIES are different from Finance Costs Chargeable in the Year (in accordance with statutory requirements)	154			(154)
				Adjustments Involving the Pensions Reserve:				
(2,854)			2,854	Reversal of items relating to Post Employment Benefits Debited/(Credited) to the (Surplus)/Deficit on the Provision of Services in the CIES (Note 22 page 36)	(3,091)			3,091
2,827			(2,827)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	2,440			(2,440)
				Adjustments Involving the Collection Fund Adjustment Account:				
(61)			61	Amount by which Council Tax Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements)	(58)			58
				Adjustment Involving the Accounting Compensated Absences Adjustment Account:				
46			(46)	Amount by which Officer Remuneration charged to the CIES on an Accruals basis is different from Remuneration Chargeable in the Year (in accordance with statutory requirements)	10			(10)
(2,036)	**197**	**0**	**1,839**	**Total Adjustments**	**(3,481)**	**(1,708)**	**0**	**5,189**

6 Movement in Reserves Statement – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves, to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/2013.

	Balance at 31 March 2011	Reclassification 2011/2012	Transfer Out 2011/2012	Transfer In 2011/2012	Balance as at 31 March 2012	Transfer Out 2012/2013	Transfer In 2012/2013	Balance as at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:								
Amenity Areas Reserve	336	0	(50)	1	287	(86)	22	223
Capital Programme Resources Reserve	5,639	(1,160)	(525)	190	4,144	(611)	724	4,257
West Norfolk Partnership	1,703	0	(600)	553	1,656	(572)	600	1,684
Insurance Reserve	117	0	(10)	17	124	(37)	31	118
Restructuring Reserve	434	0	(420)	812	826	(31)	5	800
Repairs and Renewals Reserve	1,935	(159)	(178)	410	2,008	(352)	653	2,309
Holding Accounts	3,144	(836)	(768)	489	2,029	(170)	306	2,165
Ring Fenced Reserve	353	(34)	(42)	187	464	(393)	148	219
Planning Reserve	0	870	(76)	0	794	(96)	0	698
Other	77	0	(9)	0	68	0	14	82
Total	**13,738**	**(1,319)**	**(2,678)**	**2,659**	**12,400**	**(2,348)**	**2,503**	**12,555**

Movement in Reserves Statement – Purpose of Reserve

Amenity Areas Reserve – used to maintain amenity land on housing and other sites.

Capital Programme Resources Reserve – used to fund the Capital Programme. It has been established by annual contributions from the revenue budget and is a combination of various specific capital reserves. This now includes the Affordable Housing and Shared Services (Revenue) reserves.

West Norfolk Partnership – tackles problems effecting residents of West Norfolk in a joint initiative between public, private and voluntary sector organisations. The reserve also includes the balance on the Safer, Stronger Communities Initiative and the Government funded Community Cohesion.

Insurance Reserve – was established to fund expenditure required as necessary by our Insurance Company and also to meet areas of risk management expenditure.

Restructuring Reserve – meets any future in-year costs arising through service reviews and changes in staffing structure.

Repairs and Renewals Reserve – are maintained for replacing vehicles, personal computers and office equipment, and to help equalise the impact on the revenue accounts of programmed repairs. Annual contributions help to maintain the levels of the funds.

Holding Accounts – are reserves which reflect the over and under recovery of charges for departmental expenses.

Ring Fenced Reserve - can only be used for specific purposes. Included are the Building Control account and Trust Funds that are administered by the Authority on behalf of trustees.

Planning Reserve – used to enable the Council to fulfil its planning role.

Other Earmarked Reserves - reflect primarily suspense accounts of the various feeder systems and the Collection Fund.

7 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2011/2012		2012/2013
£'000		£'000
2,189	Parish Council Precepts	2,205
2,579	Levies	2,580
9	Payments to the Government Housing Capital Receipts Pool	5
(2,435)	Net (Gains) on the Disposal of Non-current Assets	(1,418)
2,342		**3,372**

8 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2011/2012		2012/2013
£'000		£'000
481	Interest Payable and similar charges	472
392	Pensions Interest Cost and Expected Return on Pensions Assets	1,189
(422)	Interest (Receivable) and similar income	(446)
(368)	Net(Gains) and Losses on Fair Value Adjustments on Investment Properties	(16)
(1,312)	Net (Income) from Investment Properties	(1,320)
(1,229)		**(121)**

9 Comprehensive Income and Expenditure Statement – Taxation and Non-Specific Grant Incomes

2011/2012		2012/2013
£'000		£'000
(8,037)	Council Tax (Income)	(8,126)
(9,454)	Non-domestic Rates (Income)	(10,883)
(3,531)	Non-Ring fenced Government Grants (Income)	(1,549)
(21,022)		**(20,558)**

10 Comprehensive Income and Expenditure Statement – Material Item of Income and Expenditure 2012/2013

In 2012/2013 an increase in the Fair Value of Employees Pension assets of (£9,826,000) and an increase in the present value of Funded Liabilities of £18,371 have increased the Authority's Pensions liabilities to £45,903,000.

11 Balance Sheet – Reserves

Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on Page 8-9.

Unusable Reserves

2011/2012		2012/2013
£'000		£'000
(18)	Deferred Capital Receipts	(11)
(46,355)	Revaluation Reserve	(45,789)
(97,282)	Capital Adjustment Account	(93,968)
938	Financial Instruments Adjustment Account	784
37,243	Pensions Reserve	45,903
(278)	Collection Fund Adjustment Account	(220)
222	Accumulating Compensated Absences Adjustment Account	213
(105,530)		**(93,088)**

Deferred Capital Receipts

2011/2012		2012/2013
£'000		£'000
(30)	**Balance Brought Forward**	(18)
12	Principal Repayments due in Year	7
(18)		**(11)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. 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. 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.

2011/2012		2012/2013
£'000		£'000
(40,859)	**Balance at 1 April**	**(46,355)**
(4,047)	Upward Revaluation of Assets	(1,219)
311	Difference between Fair Value Depreciation and Historical Cost Depreciation	309
3	Accumulated Gains on Assets Sold or Scrapped	992
(1,763)	Impairments Written Off to the Capital Adjustment Account	0
0	Impairment Losses	420
0	Reclassification of Assets	14
0	Derecognition of Assets	50
(46,355)	**Balance at 31 March**	**(45,789)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of Non-Current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. 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 5, pages 15-16, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2011/2012		2012/2013
£'000		£'000
(98,801)	**Balance at 1 April**	**(97,282)**
5,713	Charges for Depreciation and Impairment of Non-Current Assets	4,193
417	Revaluation Losses on Property, Plant and Equipment	0
0	Reverse Impairments in year from Revaluation Increase *	564
79	Amortisation of Intangible Assets	111
394	Revenue Expenditure Funded from Capital Under Statute (Net)	1,765
692	Amounts of Non-Current Assets Written Off on Disposal or Sale as part of the (Gain)/Loss on Disposal to the CIES Statement	751
1,452	Adjusting Amounts Written out of the Revaluation Reserve	(323)
(393)	Write out Depreciation on Disposals, Revaluations and Impairment	(104)
(623)	Capital Grants and Contributions Credited to the CIES that have been applied to Capital Financing	(763)
0	Application of grants to Capital Financing from the Capital Grants Unapplied Account	0
(2,963)	Application of Capital Receipts	(1,334)
(1,901)	Capital Expenditure Charged Against the General Fund	(804)
(416)	Statutory Provision for the Financing of Capital Investment charged against the General Fund Balance	(229)
(593)	Additional Provision for the Financing of Capital Investment relating to Internal Repayment of Prudential Borrowing	(563)
(368)	Movements in the Market Value of Investment Properties Debited/(Credited) to the CIES	(16)
1	Principal repayment of loans	0
14	Principal repayment of Finance Leases where the Council is the lessor	15
0	Principal repayment of Finance Leases where the Council is the lessee	(116)
21	Soft Loans - Principal repaid	167
(7)	Soft Loans - Fair value adjustment	0
0	Adjustments on reconciliation of Asset Register	0
0	Asset derecognised	0
(97,282)	**Balance at 31 March**	**(93,968)**

*See Page 21 Revaluation Reserve for details of Impairment Reversals.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account contains the difference between financial instruments measured at fair value and the balances required to comply with statutory requirements. As part of its Private Sector Housing Policy the Authority makes loans to private individuals at nil interest. This means that market rates of interest have not been charged and these loans are classified as soft loans. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Income and Expenditure Account to the net credit required against the General Fund Balance is managed by a transfer to/from the Financial Instruments Adjustment Account in note 5, Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations, on page 15-16.

2011/2012		2012/2013
£'000		£'000
986	**Balance at 1 April**	938
(48)	In Year fair value adjustment of Private Sector Housing Loans	(154)
938	**Balance at 31 March**	**784**

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 Authority 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 Authority makes employer's contributions to pension's funds or eventually pay 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 Authority 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.

2011/2012		2012/2013
£'000		£'000
25,238	**Balance at 1 April**	37,243
11,978	Actuarial (Gains)/Losses on Pensions Assets and Liabilities	8,009
2,854	Reversal of items relating to Retirement Benefits on the Provision of Services in the CIES	3,357
(2,827)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(2,706)
37,243	**Balance at 31 March**	**45,903**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2011/2012		2012/2013
£'000		£'000
(339)	**Balance at 1 April**	**(278)**
61	Amount by which Council Tax Income Credited to the CIES is different from Council Tax Income calculated for the Year in Accordance With Statutory Requirements.	58
(278)	**Balance at 31 March**	**(220)**

Accumulated Compensated Absences Adjustment Account

The Accumulated Compensated Absences Adjustment 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2011/2012		2012/2013
£'000		£'000
268	**Balance at 1 April**	**222**
(268)	Settlement or cancellation of accrual made at the end of the preceding year	(222)
222	Amounts accrued at the end of the current year	213
222	**Balance at 31 March**	**213**

12 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/2012		2012/2013
£'000		£'000
(290)	Interest Received	(294)
483	Interest Paid	470
193	**Total**	**176**

13 Cash Flow Statement – Investing Activities

2011/2012		2012/2013
£'000		£'000
6,048	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	1,131
126,310	Purchase of Short Term and Long Term Investments	142,809
67	Other Payments for Investing Activities	0
(1,976)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,246)
(129,448)	Proceeds from Short Term and Long Term Investments	(143,505)
(1,323)	Other Receipts from Investing Activities	(4,471)
(322)	**Net Cash Flows from Investing Activities**	**(6,282)**

14 Cash Flow Statement – Financing Activities

2011/2012		2012/2013
£'000		£'000
(35,150)	Cash Receipts of Short and Long Term Borrowing	(24,430)
1	Cash Payments for the reduction of the outstanding liabilities relating to Finance Leases	116
32,950	Repayments of Short and Long Term Borrowing	24,330
1,004	Other Payments for Financing Activities	1,069
(1,195)	**Net Cash flows from Financing Activities**	**1,085**

15 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

2011/2012		2012/2013
£'000		£'000
13	Cash held by Officers	13
542	Bank Current Accounts	588
3,300	Short Term Deposits	5,470
3,855	**Total Cash and Cash Equivalents**	**6,071**

16 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the SeRCOP. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Authority's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure 2012/2013	Community and Democracy	Environmental Improvement and Protection	Housing GF	Performance and Resources	Regeneration	Safer and Healthy Communities	Shared Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	(12,641)	(4,530)	(1,463)	(12,019)	(3,523)	(1,779)	(941)	(36,896)
Government Grants	(7)	0	(240)	(40)	0	0	(52,886)	(53,173)
Total Income	**(12,648)**	**(4,530)**	**(1,703)**	**(12,059)**	**(3,523)**	**(1,779)**	**(53,827)**	**(90,069)**
Employee Expenses	5,156	1,082	1,404	9,122	282	259	1,528	18,833
Other Service Expenses	10,527	8,337	950	4,885	2,888	824	51,845	80,256
Support Service Recharges	1,076	1,126	534	3,564	2,591	950	1,526	11,367
Total Expenditure	**16,759**	**10,545**	**2,888**	**17,571**	**5,761**	**2,033**	**54,899**	**110,456**
Net Expenditure	**4,111**	**6,015**	**1,185**	**5,512**	**2,238**	**254**	**1,072**	**20,387**

Portfolio Income and Expenditure 2011/2012	Community and Democracy	Environmental Improvement and Protection	Housing GF	Performance and Resources	Regeneration	Safer and Healthy Communities	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	(11,447)	(4,436)	(1,468)	(13,196)	(3,213)	(1,600)	(35,360)
Government Grants	(43)	0	(49,861)	(222)	(84)	0	(50,210)
Total Income	**(11,490)**	**(4,436)**	**(51,329)**	**(13,418)**	**(3,297)**	**(1,600)**	**(85,570)**
Employee Expenses	5,328	1,044	2,287	10,161	364	239	19,423
Other Service Expenses	9,416	7,820	49,677	4,226	1,522	800	73,461
Support Service Recharges	654	954	503	7,128	2,073	828	12,140
Total Expenditure	**15,398**	**9,818**	**52,467**	**21,515**	**3,959**	**1,867**	**105,024**
Net Expenditure	**3,908**	**5,382**	**1,138**	**8,097**	**662**	**267**	**19,454**

Reconciliation of portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/2012	2012/2013
	£'000	£'000
Net Expenditure in the Portfolio Analysis	**19,454**	**20,387**
Net Expenditure of Services and Support Services not included in the Analysis	4,286	126
Amounts in the CIES not reported to Management in the Analysis	147	(32)
Allocation of Recharges	(1,657)	34
Net Cost of Services in CIES	**22,230**	**20,515**

The ‘net expenditure of services and support services not included in the analysis includes items relating to adjustments required to pensions and capital financing. Neither of which, have any net effect on the Council Tax requirement, and as such are not included in normal budgetary reports.

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the (surplus) or deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/2013	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not reported to mgmt.	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and Other Service Income	(36,896)	(4,500)	(551)	0	**(41,947)**	0	**(41,947)**
Interest and Investment Income	0	1,896	0	0	**1,896**	(1,782)	**114**
Income from Council Tax	0	0	0	0	**0**	(8,126)	**(8,126)**
Government Grants and Contributions	(53,173)	0	0	0	**(53,173)**	(12,432)	**(65,605)**
Total Income	**(90,069)**	**(2,604)**	**(551)**	**0**	**(93,224)**	**(22,340)**	**(115,564)**
Employee Expenses	18,833	(520)	0	0	**18,313**	0	**18,313**
Other Service Expenses	80,256	(1,789)	0	0	**78,467**	0	**78,467**
Support Service Recharges	11,367	0	0	34	**11,401**	0	**11,401**
Depreciation, Amortisation and Impairment	0	5,039	519	0	**5,558**	0	**5,558**
Interest Payments	0	0	0	0	**0**	1,661	**1,661**
Precepts and Levies	0	0	0	0	**0**	4,785	**4,785**
Payments to Housing Capital Receipts Pool	0	0	0	0	**0**	5	**5**
Gain on Disposal of Non-Current Assets	0	0	0	0	**0**	(1,418)	**(1,418)**
Total Expenditure	**110,456**	**2,730**	**519**	**34**	**113,739**	**5,033**	**118,772**
(Surplus)/Deficit on the Provision of Services	**20,387**	**126**	**(32)**	**34**	**20,515**	**(17,307)**	**3,208**

2011/2012 Comparative	**Portfolio Analysis**	**Services and Support Services not in Analysis**	**Amounts not reported to mgmt.**	**Allocation of Recharges**	**Net Cost of Services**	**Corporate Amounts**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	(35,360)	1,868	(555)	0	**(34,047)**	0	**(34,047)**
Interest and Investment Income	0	1,674	0	0	**1,674**	(2,102)	**(428)**
Income from Council Tax	0	0	0	0	**0**	(8,037)	**(8,037)**
Government Grants and Contributions	(50,210)	0	0	0	**(50,210)**	(12,985)	**(63,195)**
Total Income	**(85,570)**	**3,542**	**(555)**	**0**	**(82,583)**	**(23,124)**	**(105,707)**
Employee Expenses	19,423	(805)	0	0	**18,618**	0	**18,618**
Other Service Expenses	73,461	261	89	0	**73,811**	0	**73,811**
Support Service Recharges	12,140	0	0	(1,657)	**10,483**	0	**10,483**
Depreciation, Amortisation and Impairment	0	1,288	613	0	**1,901**	0	**1,901**
Interest Payments	0	0	0	0	**0**	873	**873**
Precepts and Levies	0	0	0	0	**0**	4,768	**4,768**
Payments to Housing Capital Receipts Pool	0	0	0	0	**0**	9	**9**
Gain on Disposal of Non-Current Assets	0	0	0	0	**0**	(2,435)	**(2,435)**
Total Expenditure	**105,024**	**744**	**702**	**(1,657)**	**104,813**	**3,215**	**108,028**
(Surplus)/Deficit on the Provision of Services	**19,454**	**4,286**	**147**	**(1,657)**	**22,230**	**(19,909)**	**2,321**

17 Agency Services

The Authority provides a grass cutting service on behalf of Norfolk County Council and the Commonwealth Graves Commission, a Care and Repair Agency on behalf of Fenland and Breckland Councils and Car Parking services on behalf of North Norfolk District Council and Norfolk County Council. The Authority has also provided a CCTV Service on behalf of Breckland District Council from 2012/2013. The Services are provided at cost.

	2011/2012	2012/2013
	£'000	£'000
Expenditure incurred in providing:		
Grass Cutting Service	45	46
Care and Repair Service	228	231
Car Park Management Services	420	433
CCTV services	0	12
	693	722

18 Joint Committees

The Council is a member of four Joint Committees – CNC, NORA Housing, Kings Lynn Housing Development Partnership and Revenues and Benefits Partnership. The Council accounts include all of the Council's revenue transactions, assets and liabilities relating to these Committees.

C.N.C. Joint Committee

From 1 September 2010, the Authority joined Central Norfolk Councils (C.N.C) Joint Committee. Existing members were Norwich City, Broadland and South Norfolk. The structure of the Company is that of an associate in accordance with the powers provided by the Local Government Act 2003. The financial statements for the year ending 31 March 2013 have not been audited. The draft results show a loss on the past year of (£73,803) for King's Lynn and West Norfolk's share of the Joint Committee. King's Lynn and West Norfolk's share of the Joint Committee reserves as at 31/03/2013 were nil. Based on materiality, no group accounts have been prepared. Draft accounts may be obtained from C.N.C. Joint Committee, Thorpe Lodge, 1 Yarmouth Road, Norwich, Norfolk NR7 0DU.

Nora Housing

The King's Lynn Development Partnership was formed in the financial year with Norfolk County Council. The objective of this partnership is to enable and risk-manage a financially viable housing development on the NORA site.

King's Lynn and West Norfolk Council have contributed land valued at £1 million. Norfolk County Council shall pay £1 million in instalments to satisfy the initial cash flow requirements. The Contract for the design and build of the housing units on the site had been awarded as at 31 March 2013 and building is anticipated to commence on site during August/September 2013. This Council will be the Accountable body.

King's Lynn Housing Development Partnership

The proposal is to develop 500 to700 housing units over a four year period on Council land. The arrangements would see the Council retaining an equity investment in the development rather than simply disposing of the assets. The main aim is to ensure that these units are built over a four year period, to meet the housing needs of the resident population, to produce a capital receipt and help stimulate the local economy and jobs market, including the creation of apprenticeships in West Norfolk. The major housing project will involve separate developer and investment phases. The procurement of the development phase of the project is planned to take place during 2013/2014.

Revenues and Benefits Partnership

A Joint Committee has been established with North Norfolk District Council for joint and equal delivery of a Revenue and Benefits Service. During 2012/2013, a revenues and benefits system has been jointly procured and implemented. The technical issues involved during implementation, has meant that the joint delivery of the service has not been undertaken during 2012/2013.

19 Members' Allowances

The Authority paid the following amounts to members of the Authority during the year.

	2011/2012	**2012/2013**
	£'000	£'000
Members Allowance	**434**	**441**

20 Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

	Chief Executive	Deputy Chief Executive/Executive Director Finance and Resources	Executive Director Leisure and Public space	Executive Director Development Services	Executive Director Central Services	Executive Director Environmental Health and Housing
2012/2013						
Salary, Fees and Allowance	117,698	71,283	76,339	74,093	67,405	65,182
Taxable Expenses	0	0	0	0	0	0
Non Cash Emolument	3,728	6,266	4,417	4,834	5,374	3,817
Termination Benefits	0	0	0	0	0	93,560
Sub Total	**121,426**	**77,549**	**80,756**	**78,927**	**72,779**	**162,559**
Pension Contribution *	15,611	9,980	10,665	10,373	9,578	9,125
Total	**137,037**	**87,529**	**91,421**	**89,300**	**82,357**	**171,684**
2011/2012						
Salary, Fees and Allowance	127,568	70,149	74,930	72,818	64,754	64,023
Taxable Expenses	0	0	0	0	0	0
Non Cash Emolument	3,283	6,313	4,696	4,582	5,096	4,439
Termination Benefits	0		0	0	0	0
Sub Total	**130,851**	**76,462**	**79,626**	**77,400**	**69,850**	**68,462**
Pension Contribution	17,837	9,821	10,467	10,194	9,206	8,963
Total	**148,688**	**86,283**	**90,093**	**87,594**	**79,056**	**77,425**

There were no bonus payments to report.

*Includes remuneration from Election Duties

The Authority's other employees (excluding the senior employees shown above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2011/2012 Number of Employees	2012/2013 Number of Employees
£50,000-£54,999	11*	12
£55,000-£59,999	8*	7
£60,000-£64,999	5*	3
£65,000-£69,999	1	3
£70,000-£74,999	0	0
£75,000-£79,999	0	1*
£80,000-£84,999	0	0
£85,000-£89,999	0	0
£90,000-£94,999	0	0
£95,000-£99,999	0	0
£100,000-£104,999	0	0
£105,000-£109,999	2*	0
£110,000-£114,999	0	0
£115,000-£119,999	0	0

*In these pay bands, compensation for loss of office is included.

21 Termination Benefits

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013
							£'000	£'000
Up to £20,000	3	0	4	2	7	2	61	21
£20,001-£40,000	0	0	2	0	2	0	54	0
£40,001-£60,000	2	0	4	1	6	1	278	49
£60,001-£80,000	1	0	1	1	2	1	132	78
£8,001-£100,000	0	0	2	0	2	0	195	0
£100,001-£150,000	0	0	0	0	0	0	0	0
Total	**6**	**0**	**13**	**4**	**19**	**4**	**720**	**148**

22 Defined Benefit Pension Schemes

Participation in Pensions Schemes

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

The Authority participates in the Local Government Pension Scheme, administered locally by Norfolk County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Transactions relating to post-employment benefits

We recognise 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 we are 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 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	
	2011/2012	**2012/2013**
Comprehensive Income and Expenditure Statement	£'000	£'000
Cost of Services:		
Current Service Cost	2,019	2,168
Losses on Curtailments	443	0
Financing and Investment Income and Expenditure:		
Interest Cost	6,032	5,791
Expected Return on Scheme Assets	(5,640)	(4,602)
Total Post- Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services	**2,854**	**3,357**
Other Post-Employment Benefit Charged to the CIES:		
Actuarial (Gains) and Losses	11,978	8,009
Total Post-Employment Benefit Charged/(Credited) to the CIES	**14,832**	**11,366**
Movement in Reserves Statement		
Reversal of Net Charges made to the Surplus/Deficit for the Provision of Services for Post-Employment Benefits in accordance with the Code.	(2,854)	(3,357)
Actual amount charged against the General Fund for Pensions in the year		
Employer's Contribution	2,561	2,440
Discretionary Benefits	266	266
Total amount charged against the General Fund for Pensions in the year	**2,827**	**2,706**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £43,069,000.

Assets and Liabilities in Relation to Post-Employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme	
	2011/2012	**2012/2013**
	£'000	£'000
Opening Balance as at 1 April	109,413	121,577
Current Service	2,019	2,168
Interest Cost	6,032	5,791
Contributions by Members	755	743
Losses on Curtailments	443	0
Actuarial (Gains)/Losses	7,820	14,573
Benefits Paid	(4,639)	(4,523)
Unfunded Benefits Paid	(266)	(266)
Past Service Gains	0	0
Closing Balance as at 31 March	**121,577**	**140,063**

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

	Assets: Local Government Pension Scheme	
	2011/2012	**2012/2013**
	£'000	£'000
Opening Balance as at 1 April	84,175	84,334
Expected Rate of Return	5,640	4,602
Actuarial Losses	(4,158)	6,564
Employer Contributions	2,561	2,440
Contributions by Members	755	743
Benefits Paid	(4,639)	(4,523)
Unfunded Benefits Paid	(266)	(266)
Contribution in respect of Unfunded Benefits	266	266
Closing Balance as at 31 March	**84,334**	**94,160**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect Long Term real rates of return experienced in the respective markets.

Scheme History

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
	£'000	£'000	£'000	£'000	£'000
Obligations:					
Present value of Defined Benefit	(87,660)	(139,329)	(109,413)	(121,577)	(140,063)
Fair Value of Assets in the Local Government Pensions Scheme	64,062	82,829	84,175	84,334	94,160
Deficit in the Scheme	**(23,598)**	**(56,500)**	**(25,238)**	**(37,243)**	**(45,903)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £140,063,000 has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, which after abatement for the fair value of assets of £94,160,000, resulting in a negative overall balance of £45,903,000. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by the Council paying increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total employer's contribution expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2014 is £2,698,000:

	£'000	%Pay
Projected current service cost	2,698	24.2%
Interest on obligation	6,272	56.2%
Expected Return on Plan Assets	(4,207)	-37.7%
Total to be paid to Scheme 31 March 2014	**4,763**	**42.7%**

Defined Benefit Obligations

	31 March 2012	31 March 2013
	£'000	£'000
Fair Value of Employer Assets	84,334	94,160
Present value of Funded Obligations	(118,114)	(136,485)
Net Overfunding in Funded Plan	**(33,780)**	**(42,325)**
Present value of Unfunded Obligations	(3,463)	(3,578)
(Deficit)	**(37,243)**	**(45,903)**

Funding obligations cover employee members, deferred pensions and pensioners. For unfunded liabilities, it is assumed that all unfunded pensions are payable for the remainder of the member's life.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected until credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2011/2012	**2012/2013**
Long Term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	6.2%	4.5%
Bonds	4.2%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
Men	21.2yrs	21.2yrs
Women	23.4yrs	23.4yrs
Longevity at 65 for Future Pensioners:		
Men	23.6yrs	23.6yrs
Women	25.8yrs	25.8yrs
Rate of Inflation	2.5%	2.8%
Rate of increase in Salaries	4.8%	5.1%
Rate of increase in Pensions	2.5%	2.8%
Rate for discounting Scheme liabilities	4.8%	4.5%

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to Her Majesty's Revenue and Customs (HMRC) limits for pre-April 2008 service and 75% of the maximum post-April 2008 service.

The Local Government Pensions Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2012	31 March 2013
	%	%
Equity Investments	66	68
Bonds	19	19
Property	12	11
Cash	3	2
	100	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/2013 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
	%	%	%	%	%
Difference between the expected and actual return on assets	(35.7)	19.00	(4.0)	(4.9)	6.9
Experience gains and losses on liabilities	(0.1)	0.10	(13.6)	2.30	0.05

23 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

	2011/2012	2012/2013
	£'000	£'000
Fees payable with regard to External Audit Services carried out by the appointed auditor for the year.	152	90
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	43	45
Total	195	135

Fees payable with regard to external audit services carried out by the appointed auditor for the year is net of a refund of £6,000 (£8,998 in 2011/2012) from the Audit Commission in respect of scale fees and IFRS. The reduction in external audit's fees between 2011/2012 and 2012/2013 is due to a commercial tender run by the Audit Commission for the external audit of Local Government .

24 Related Parties

The Authority is required to disclose material transactions with related parties. Related parties being bodies or individuals that have the potential to control or influence the Authority, or, to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

Members/Head of Service

Members of the Authority have direct control over the Council's financial and operating policies. The total of Members' allowance paid in 2012/2013 is shown in note 19, page 33. During 2012/2013, works and services to the value of £2,966.70 (£116,734 in 2011/2012) were commissioned from companies in which 3 Members and 1 Head of Service (3 Members in 2011/2012) had an interest. Contracts were entered into in full compliance with the Authority's standing orders. In addition grants totalling £13,333 (£22,902 in 2011/2012) were made to organisations in which 1 Head of Service had an interest (1 Member in 2011/2012). In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members interests, which are published on the Authority's website.

Central Government

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in the note 37, page 63-65, on amounts reported to decision makers.

25 Leases

Authority as Lessee

Finance Leases

The Authority has acquired a number of buildings under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012	31 March 2013
	£'000	£'000
Other Land and Buildings	**(4,936)**	**(4,752)**

The Authority is committed to making minimum payments under these leases comprising settlement of the Long Term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2012	31 March 2013
	£'000	£'000
Finance Lease Liabilities (Net present value of minimum lease payments):		
Non- Current	165	164
Finance Costs payable in future years	284	277
Minimum Lease payments	**449**	**441**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£'000	£'000	£'000	£'000
Not later than one year	1	1	7	7
Later than one year and not later than five years	5	5	29	29
Later than five years	159	158	248	241
	165	**164**	**284**	**277**

The Authority has sub-let some of the accommodation held under these finance leases. At 31 March 2013 the minimum payments expected to be received under non-cancellable sub-leases was £319,013 (£364,518 at 31 March 2012).

The Authority has acquired equipment under finance leases.

	31 March 2012	31 March 2013
	£'000	£'000
Equipment	**0**	**(386)**

	31 March 2012	31 March 2013
	£'000	£'000
Finance Lease Liabilities (Net present value of minimum lease payments):	0	271
Finance Costs payable in future years	0	8
	0	**279**

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£'000	£'000	£'000	£'000
Not later than one year	0	122	0	3
Later than one year and not later than five years	0	149	0	5
Later than five years	0	0	0	0
	0	**271**	**0**	**8**

The note includes finance lease liabilities in respect of the new lease agreement for the provision of photocopier equipment, effective from February 2013 and printer equipment effective from November 2011. The previous agreement for photocopier equipment terminated on 6 February 2013 and was not shown in the Council's accounts as a finance lease. The annual rental payments for the photocopier equipment (£26,487 in 2011/2012) and printer equipment (£109,745 in 2011/2012) were included in the CIES within cost of services.

Operating Leases

The Authority has operating lease agreements for the provision of land and buildings. The future minimum lease payments due under non-cancellable leases in future years are shown below:

	Operating Lease Payments	
	31 March 2012	**31 March 2013**
	£'000	£'000
Not later than one year	60	57
Later than one year and not later than five years	194	176
Later than five years	4,250	4,265
	4,504	**4,498**

The expenditure charged to the Corporate and Democratic Core, Cultural and Related Services, Highways and Transport Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	Contingent Rents	
	31 March 2012	**31 March 2013**
	£'000	£'000
Corporate and Democratic Core	0	1
Cultural and Related Services	15	17
Highways and Transport services	45	39
	60	**57**

Authority as Lessor

Finance Leases

The Authority leases out vehicles and equipment under a finance lease for car parking operations.

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

	31 March 2012	31 March 2013
	£'000	£'000
Not later than one year	15	15
Later than one year and not later than five years	45	30
	60	**45**

Operating Leases

The Authority leases out property and equipment under leases for the following purposes:

- For economic development purposes to provide suitable affordable accommodation for local businesses including shops, industrial units, kiosks, caravan parks and offices;
- Beach huts for private use; and
- Buildings used as Community facilities and used by voluntary groups including community centres, museums and storage space.

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

	31 March 2012	31 March 2013
	£'000	£'000
Not later than one year	1,585	1,917
Later than one year and not later than five years	4,432	5,669
Later than five years	36,929	44,234
	42,946	**51,820**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/2013 £2,020,488 contingent rents were received by the Authority (2011/2012 £1,821,508).

26 Investment Properties

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement:

	2011/2012	2012/2013
	£'000	£'000
Rental Income from Investment Property	(1,744)	(1,784)
Direct Operating Expenses Arising from Investment Property	268	314
Direct cost of Investment Properties	(1,476)	(1,470)
Other Net Operating Costs	164	150
Net (Gain)	**(1,312)**	**(1,320)**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds on disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2011/2012	2012/2013
	£'000	£'000
Balance at Start of the Year	**27,393**	**27,762**
Additions	55	208
Impairment	(54)	(122)
Net Gains / (Losses) from Fair Value Adjustments	368	16
Disposals	0	(120)
Reclassifications	0	(27)
Balance at Year End	**27,762**	**27,717**

27 Intangible Assets

The Authority accounts for its purchased licences software as intangible assets, to the extent that the software is not an integral part of a particular Information Communications and Technology (ICT) system and accounted for as part of the hardware item or Property, Plant and Equipment. The Authority also includes housing nomination rights, which has been assigned following capital investment in a number of affordable housing projects.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites and housing nomination rights used by the Authority are:

Up to	**Other Assets**
7 years	Software Licences
40 years	Housing Nomination Rights

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £104,190 charged to revenue in 2012/2013 for software was charged to ICT Administration and then absorbed as an overhead across the entire service heading in Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The amortisation of £6,387 charged to revenue for 2012/2013 for Housing Nomination Rights was charged to the Housing General fund in Net Cost of Services. The Authority holds intangible assets at historical costs. The movement on Intangible asset balances during the year is as follows:

	2011/2012			2012/2013		
	Software Licences	**Housing Nomination Rights**	**Total**	**Software Licenses**	**Housing Nomination Rights**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Balances at start of the year						
Gross Carrying Amount	405	303	708	668	303	971
Accumulated Impairment	0	0	0	(26)	0	(26)
Accumulated Amortisation	(223)	(150)	(373)	(296)	(156)	(452)
Net Carrying Amount at Start of Year	**182**	**153**	**335**	346	147	493
Additions:						
Purchases	250	0	250	191	0	191
Prior Period Additions	4	0	4	0	0	0
De-recognition	(2)	0	(2)	0	0	0
Impairment Losses Recognised in the Surplus on the Provision of Services	(15)	0	(15)	0	0	0
Amortisation for the Period	(73)	(6)	(79)	(104)	(7)	(111)
Net Carrying Amount at End of Year	**346**	**147**	**493**	**433**	**140**	**573**
Comprising:						
Gross Carrying Amounts	668	303	971	859	303	1,162
Accumulated Impairment	(26)	0	(26)	(26)	0	(26)
Accumulated Amortisation	(296)	(156)	(452)	(400)	(163)	(563)
	346	**147**	**493**	**433**	**140**	**573**

28 Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Authority:

Net Book Value	Public Art Collections	Civic Regalia	Museum Collections	Historic Buildings	Archives	Total
At 31 March 2013	237	6,580	6,292	1,151	4,845	**19,105**
At 31 March 2012	237	6,580	6,292	1,151	5,946	**20,206**
At 31 March 2011	236	6,724	6,292	1,177	5,689	**20,118**
At 31 March 2010	236	6,868	6,292	1,203	5,432	**20,031**

Further information on heritage assets can be found in the accounting policies on page 88.

	2012/2013					
	Public Art Collections	**Civic Regalia**	**Museum Collections**	**Historic Buildings**	**Archives**	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation						
Balance at start of year	237	6,580	6,292	1,297	5,946	**20,352**
Additions	0	0	0	0	0	**0**
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	0	0	0	0	(1,101)	**(1,101)**
Balance at end of year	**237**	**6,580**	**6,292**	**1,297**	**4,845**	**19,251**
Accumulated Depreciation and Impairment						
Balance at start of year	0	0	0	(146)	0	**(146)**
Depreciation	0	0	0	0	0	**0**
Balance at end of year	**0**	**0**	**0**	**(146)**	**0**	**(146)**

	2011/2012					
	Public Art Collections	**Civic Regalia**	**Museum Collections**	**Historic Buildings**	**Archives**	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation						
Balance at start of year	236	6,724	6,292	1,297	5,689	**20,238**
Additions	1	0	0	0	0	**1**
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	0	(144)	0	0	257	**113**
Balance at end of year	**237**	**6,580**	**6,292**	**1,297**	**5,946**	**20,352**
Accumulated Depreciation and Impairment						
Balance at start of year	0	0	0	(120)	0	**(120)**
Depreciation	0	0	0	(26)	0	**(26)**
Balance at end of year	**0**	**0**	**0**	**(146)**	**0**	**(146)**

	2010/2011					
	Public Art Collections	**Civic Regalia**	**Museum Collections**	**Historic Buildings**	**Archives**	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation						
Balance at start of year	236	6,868	6,292	1,297	5,432	**20,125**
Additions	0	0	0	0	0	**0**
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	0	(144)	0	0	257	**113**
Balance at end of year	**236**	**6,724**	**6,292**	**1,297**	**5,689**	**20,238**
Accumulated Depreciation and Impairment						
Balance at start of year	0	0	0	(94)	0	**(94)**
Depreciation	0	0	0	(26)	0	**(26)**
Balance at end of year	**0**	**0**	**0**	**(120)**	**0**	**(120)**

29 Property, Plant and Equipment

Movements on Balances

Movements in 2012/2013	Other Land and Buildings	Land Awaiting Development	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:						
At 1 April 2012	79,066	34,214	13,563	1,352	5,355	133,550
Adjustments to Gross Book Value (see note)	(460)	12	22	0	0	(426)
Additions	812	414	945	24	2	2,197
Additions Finance Lease	0	0	386	0	0	386
Revaluation increases recognised in the Revaluation Reserve	456	1,503	0	0	79	2,038
Revaluation increases/(decreases) recognised in the surplus on the Provision of Services	(591)	0	0	0	0	(591)
Revaluation reversal of prior year loss	0	0	0	0	0	0
Derecognition - disposals	0	0	(101)	0	0	(101)
Derecognition - other	0	(64)	0	0	0	(64)
Assets reclassified to "held for sale"	(20)	(2,450)	0	0	(129)	(2,599)
Assets reclassified	(262)	0	292	0	0	30
At 31 March 2013	**79,001**	**33,629**	**15,107**	**1,376**	**5,307**	**134,420**
Accumulated Depreciation and Impairment:						
At 1 April 2012	8,348	11,432	9,683	358	396	30,217
Adjustments to accumulated impairments	(460)	12	19	0	0	(429)
Depreciation charge	1,845	0	1,262	35	95	3,237
Depreciation written out to Revaluation Reserve	(101)	0	0	0	0	(101)
Impairment losses recognised in the Revaluation Reserve	265	23	0	0	(50)	238
Impairment losses recognised in the deficit on the Provision of Services	324	383	96	0	2	805
Derecognition - disposals	0	0	(101)	0	0	(101)
Derecognition - other	0	0	0	0	0	0
Eliminated on reclassification to Assets "held for sale"	(12)	0	0	0	0	(12)
Other Movements in Depreciation and Impairment	(87)	0	87	0	0	0
At 31 March 2013	**10,122**	**11,850**	**11,046**	**393**	**443**	**33,854**
Net Book Value:						
At 31 March 2013	**68,879**	**21,779**	**4,061**	**983**	**4,864**	**100,566**
At 31 March 2012	**70,718**	**22,782**	**3,880**	**994**	**4,959**	**103,333**

Note: Property, Plant and Equipment additions relating to prior years were previously included within the cost of assets net of impairments. However, impairments should be included within accumulated depreciation and impairments. Therefore, an adjustment has been made to ensure the correct presentation, decreasing cost and accumulated impairments.

Movements in 2011/2012	Other Land and Buildings	Land Awaiting Development	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:						
At 1 April 2011	**82,238**	**36,947**	**12,503**	**1,575**	**5,469**	**138,732**
Adjustments to Gross Book Value	(5,223)	(4,291)	103	(362)	(84)	(9,857)
Additions	1,544	1,364	1,589	95	14	4,606
Revaluation Increases Recognised in the Revaluation Reserve	1,778	675	0	32	122	2,607
Revaluation Increases / (Decreases) Recognised in the Surplus on the Provision of Services	(359)		0	0	(60)	(419)
Revaluation Reversal of Prior Year Loss	0	50	0	0	0	50
Derecognition - Disposals	0	(4)	(433)	0	0	(437)
Derecognition - Other	0	0	(199)	0	0	(199)
Assets Reclassified to Held for Sale	(896)	(527)	0	0	(110)	(1,533)
Assets Reclassified	(16)	0	0	12	4	0
At 31 March 2012	**79,066**	**34,214**	**13,563**	**1,352**	**5,355**	**133,550**
Accumulated Depreciation and Impairment						
At 1 April 2011	**11,889**	**14,359**	**7,867**	**674**	**378**	**35,167**
Adjustments to Accumulated Impairments	(5,223)	(4,291)	103	(362)	(84)	(9,857)
Depreciation Charge	1,851	0	881	27	95	2,854
Impairment Losses Recognised in the Revaluation Reserve	0	33	0	0	0	33
Impairment Losses Recognised in the Deficit on the Provision of Services	(99)	1,331	1,255	19	10	2,516
Derecognition - Disposals	(152)	0	(396)	0	0	(548)
Derecognition - Other	0	0	(9)	0	0	(9)
Eliminated on reclassification to Assets Held for Sale	(5)	0	0	0	0	(5)
Other Movements in Depreciation and Impairment	87	0	(18)	0	(4)	65
At 31 March 2012	**8,348**	**11,432**	**9,683**	**358**	**396**	**30,217**
Net Book Value:						
At 31 March 2012	**70,718**	**22,782**	**3,880**	**994**	**4,959**	**103,333**
At 31 March 2011	**70,349**	**22,588**	**4,636**	**901**	**5,091**	**103,565**

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment, including ICT equipment, are based on historic cost. Greater detail regarding dates and valuations is provided in the Statement of Accounting Policies on page 95.

For valuation purposes, property assets fall into one of the following groups:

- Property, plant and equipment which includes infrastructure, community assets and assets under construction;
- Lease and lease type arrangements;
- Investment Property – property that is used solely to earn rentals, or for capital appreciation, or both; and
- Assets held for sale.

	Other land and buildings	Land awaiting development	Vehicle, plant & equipment	Infrastructure assets	Community assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	0	15,032	0	0	15,032
Valued at fair value as at:						
31 March 2013	1,385	729	0	24	44	2,182
31 March 2012	7,856	914	0	120	116	9,006
31 March 2011	49,657	23,887	0	1,232	4,919	79,695
31 March 2010	4,343	5,568	0	0	57	9,968
31 March 2009	15,760	2,531	0	0	171	18,462
Net Book Value	**79,001**	**33,629**	**15,032**	**1,376**	**5,307**	**134,345**

30 Capital: Expenditure, Financing and Commitments

Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2011/2012	2012/2013
	£'000	£'000
Opening Capital Financing Requirement	**14,679**	**14,039**
Adjustment to opening balance for prior year revenue contributions for prudential borrowing schemes		(2,307)
Capital Investment:		
Property, plant and equipment	4,541	2,197
Investment Properties	56	208
Intangible assets	250	191
Heritage assets	1	0
Assets held for sale	21	0
Revenue expenditure funded from Capital under Statute	394	1,765
Sources of Finance:		
Capital Receipts	(2,963)	(1,334)
Government grants and other contributions	(623)	(763)
Sums set aside from revenue:		
- Direct revenue contributions	(1,901)	(804)
Revenue contributions for prudential borrowing schemes	0	(563)
- MRP	(416)	(229)
Closing Capital Financing Requirement	**14,039**	**12,400**
Explanation of movements in year:		
Increase in underlying need to borrowing (unsupported by Government Financial Assistance)	(640)	(1,639)
Decrease in Capital Financing Requirement	**(640)**	**(1,639)**

Capital Commitments

The Authority has an approved Capital Programme for the period 2013-2016 of £27,971,290. At the 31 March 2013 the Authority has entered into a number of contracts and the major commitments are:

	Contractually Committed 31 March 2013	Commitment Non-Contractual 31 March 2013
	£'000	£'000
Car parks	90	386
Civic Buildings	0	510
Community Centres	0	0
Community Grants	0	220
Conservation	0	190
Crematoriums and cemeteries	0	2,400
Disability Discrimination Act	0	0
Environmental monitoring	0	43
Industrial estates refurbishment	0	190
Leisure and arts	60	3,378
ICT Equipment	150	614
Offices and depots	0	368
Infrastructure	6	112
Parks and open spaces	0	457
Private sector housing/Energy efficiency	1,034	3,641
Public conveniences	0	28
Refuse and recycling	0	1,000
Regeneration schemes	103	11,816
Resort services	0	46
Sewage treatment works	174	250
Staff	0	0
Street lighting	0	10
Vehicles and equipment	0	696
Total	**1,617**	**26,355**

31 Assets Held for Sale

	2011/2012	2012/2013
	£'000	£'000
Balance at Start of the Year	**598**	**2,991**
Assets newly classified as Held for Sale		
- Property, plant and equipment	1,526	2,599
Additions	21	0
Impairments	(21)	0
Revaluation gains	929	0
Assets sold	(62)	(1,523)
Reclassification	0	(2)
Balance at Year End	**2,991**	**4,065**

32 Short Term Receivables

	31 March 2012	31 March 2013
	£'000	£'000
Central Government bodies	1,968	2,342
Local Authorities	1,278	1,321
European Funding	0	57
NHS Bodies	63	43
Other entities and individuals	2,175	2,296
Sub Total	**5,484**	**6,059**
Allowance for doubtful debt (other entities and individuals)	(656)	(696)
Total	**4,828**	**5,363**

33 Long Term Receivables

	31 March 2012	31 March 2013
	£'000	£'000
Local Authorities	234	0
Other entities and individuals	1,038	1,014
Finance Lease	60	45
Sub Total	**1,332**	**1,059**
Allowance for doubtful debt (other entities and individuals)	(26)	(26)
Total	**1,306**	**1,033**

34 Short Term Payables

	31 March 2012	31 March 2013
	£'000	£'000
Central Government bodies	(1,231)	(694)
Local Authorities	(2,192)	(1,397)
NHS Bodies	0	(12)
Public Corporations and Trading Funds	(25)	(24)
Other entities and individuals	(4,115)	(4,782)
Total	**(7,563)**	**(6,909)**

35 Contingent Liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed, only by the occurrence of one or more uncertain future events that are not wholly within the Council's control.

Municipal Mutual Insurance (MMI)

MMI is an insurance company established by a group of Local Authorities and incorporated in 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI ceased to write new or to renew general insurance business and a contingent Scheme of Arrangement became effective in 1994.

The Council is a Scheme Creditor under the Scheme. Under the Scheme, MMI will continue to pay agreed claims arising from incidents that occurred prior to September 1992, as long as their funds remain sufficient to meet obligations. Should there be insufficient resources to fulfil the scheme's liabilities in full the Scheme Creditors will be required to honour this liability.

As at 31 March 2013, the estimated possible liability for the Council under the Scheme is £279,287.87 (£279,287.87 as at 31 March 2012). On the 13 May 2013 the Council was notified that the Scheme of Arrangement had been triggered and as a Scheme Creditor the Council would be liable to pay a levy of £34,000. This levy has been recorded within the Councils 2012/2013 Accounts. Since the levy is not a final settlement there is a possibility that further levies may be made against the Council.

Details of the Scheme are viewable on the MMI website: www.mminsurance.co.uk.

36 Contingent Assets

A Contingent Asset is a possible event that may arise as a consequence of a past event but where the existence of the asset (to the Council) will only be confirmed by the occurrence of future events that are not wholly within the Council's control.

In the Financial year 2012/13 the Council had no Contingent Assets at the balance sheet date.

37 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/2013:

	2011/2012	2012/2013
	£'000	£'000
Credited to taxation and non-specific Grant income:		
Rate support grant	2,922	211
Area based grant	0	238
Council Tax freeze grant	157	972
New homes bonus	452	127
Sub Total	**3,531**	**1,548**
Credited to Services (Revenue):		
Active Norfolk	13	3
Business Rates cost of collection	217	216
Dept. Works and Pensions - Housing Benefit Unit	48,248	51,495
DEFRA	0	1
Disabled Facilities	670	754
Food Standards Agency	3	0
Great Yarmouth Borough Council	12	29
Improvement East	25	14
Local Housing Allowance	32	20
Local Public Service Agreement	30	31
Maison de la Culture D'Amiens	0	32
NHS Norfolk	50	0
Norfolk County Council	649	699
Sound Connect	0	0
Sports Council / Sport England	12	1
Supporting People	518	393
West Norfolk Insulation Scheme	25	0
Other	7	7
Total Credited to Services (Revenue)	**54,042**	**55,243**

Grant Income Table continued (Capital):

	2011/2012	2012/2013
	£'000	£'000
Credited to Services (Capital):		
Grants:		
Department for Community and Local Government	109	0
Department for Environment Food and Rural Affairs	7	0
Improvement East	85	0
Norfolk County Council	275	436
Contributions:		
Ashfield Solutions	47	0
Freebridge Community Housing	1	5
Groundwork UK	52	0
Morston Assets Limited	0	272
Other Contributions	2	1
Veolia	0	5
Wren	45	44
Total Credited to Services (Capital)	**623**	**763**

The Authority 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 until those conditions will be met. The balances at the year end are as follows:

	31 March 2012	31 March 2013
	£'000	£'000
Grant Unapplied:		
Amenity Areas	67	67
Capital Grants Receipts in Advance:		
Depot - Fencing	5	0
Hunstanton Regeneration Scheme	0	10
Warmer West Norfolk	0	186
Short Term Payables	**72**	**263**
Housing Grants Unapplied:		
Care and Repair, Breckland	3	0
Care and Repair, Decluttering	11	2
Care and Repair, Fenland	75	69
Care and Repair, LIST	119	119
Care and Repair, Reserve	45	45
Care and Repair, WN Insulation	22	22
Handyperson, Breckland	2	0
NORA, Hardings Pits	15	10
Section 106 Agreements	727	1,931
Unapplied Grants	**1,019**	**2,198**
Total	**1,091**	**2,461**

38 Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

	Long Term			Short Term		
	31 March 2011	31 March 2012	31 March 2013	31 March 2011	31 March 2012	31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Investments						
Loans and receivables	14	44	2,051	25,659	22,585	19,993
Cash and Cash Equivalents						
Loans and receivables	0	0	0	418	3,855	6,071
Receivables						
Loans and receivables	1,259	1,306	1,033	2,018	2,292	2,593
Total Assets	**1,273**	**1,350**	**3,084**	**28,095**	**28,732**	**28,657**
Borrowings						
Financial Liabilities at Amortised cost	11,700	11,500	11,300	3,817	6,217	6,517
Payables						
Financial Liabilities at Amortised cost	1,051	1,019	2,198	4,596	4,017	4,845
Total Liabilities	**12,751**	**12,519**	**13,498**	**8,413**	**10,234**	**11,362**

Total 'Receivables' and 'Payables' included within the Financial Instruments note is different to the figure shown in the balance sheet as, under the Code, amounts relating to such things as statutory debts and deferred or advanced income are outside the scope of the accounting provisions. These figures also exclude financial lease (long term) liabilities as these figures are included within the notes relating to leases.

Income, Expense, Gains and Losses

	2011/2012			2012/2013		
	Financial Liabilities	**Financial Assets**		**Financial Liabilities**	**Financial Assets**	
	Liabilities Measured at Amortised Cost	**Loans and Receivables**	**Total**	**Liabilities Measured at Amortised Cost**	**Loans and Receivables**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	481	0	**481**	472	0	**472**
Fee Expense	0	0	**0**	10	0	**10**
Total Expense in (surplus)/deficit on the provision of services	**481**	**0**	**481**	**482**	**0**	**482**
Interest Income	0	(422)	**(422)**	0	(446)	**(446)**
Total Income in (surplus)/deficit on the provision of services	**0**	**(422)**	**(422)**	**0**	**(446)**	**(446)**
Net/(Gain)/Loss for the year	**481**	**(422)**	**59**	**482**	**(446)**	**36**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets (represented by loans and receivables) and long term Receivables and Payables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2013 of 2.92% for loans from the PWLB and 0% to 3.81% for other loans receivable and payable based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoices or billed amount.

The fair values calculated are as follows:

	31-Mar-12		31-Mar-13	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost - current	10,234	10,234	11,362	11,362
Long Term Borrowing	11,500	10,265	11,300	10,377
Unapplied grants	1,019	1,019	2,198	2,198
Total	**22,753**	**21,518**	**24,860**	**23,937**

	31-Mar-12		31-Mar-13	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	£'000	£'000	£'000
Loans and Receivables - current	28,732	28,732	28,657	28,657
Long Term investments	44	44	2,051	2,049
Long Term receivables	1,306	1,306	1,033	1,033
Total	**30,082**	**30,082**	**31,741**	**31,739**

- Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term Receivables and Payables are carried at cost as this is a fair approximation of their value.

39 Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Authority in the Annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Deposits are not made with banks and financial institutions, other than building societies and local government institutions, unless they are rated independently with the following ratings. The Authority has a policy of not lending more than £5m of its surplus balances to one institution at any one time.

The Authority's minimum ratings for banks are:

	Short Term Rating		Viability Rating		Support Rating		Long Term Rating
	F1		**BB+**		**3**		**A**

F1 = Highest credit quality. Indicates, the strongest capacity for timely payment of financial commitments. Have an added "+" to denote any exceptionally strong credit feature.

B = A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects.

C = An adequate bank which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment and prospects.

3 = A bank, for which support from a state or from an institutional owner is likely but not certain.

A = A low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. There may be some vulnerability to changes in circumstances or in economic conditions than is the case for higher ratings.

In addition to the above the following institutions are also allowed:

Top UK Building Societies, whose assets exceed £2,000,000,000

Government departments

Non-privatised National Industries

Counter parties are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority and shown above.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £5,000,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non -recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2013, that this was likely to crystallise.

Other Financial Instruments

Trade Receivables
Customers are assessed, taking into account their financial position, past experience and other factors, with credit limits being set in accordance with internal ratings within parameters set by the Council.

Tenants
The Authority has a policy in place to try and reduce credit risk on tenants. This involves obtaining a bank reference and two trade references for new leases, in addition to accounts and credit checks. If the Authority is aware of a new tenant leasing other commercial property, a reference is also obtained from their landlord. In some circumstances a surety may also be request. In all cases a three month deposit is required.

Income Recovery
To reduce credit risk, there is a policy in place to ensure timely collection of outstanding amounts.

Payment terms are set up on accounts when they are opened. Computer generated reminders are issued a week after the term expires and a second reminder is sent after a further 14 days. Following on from this if the debt remains unpaid it is passed for further recovery action.

The following table analyses overdue Receivables excluding (both short and long term) and shows what allowance, if any, has been made for theses debts as laid out within the Accounting policies, shown later in this booklet.

	2011/2012			**2012/2013**		
	Debt Outstanding	**Allowance in Accounts***	**Net Liability**	**Debt Outstanding**	**Allowance in Accounts***	**Net Liability**
	£'000	£'000	£'000	£'000	£'000	£'000
0 to 3 months	891	16	875	1,061	34	1,027
4 to 6 months	150	22	128	45	7	38
7 to 12 months	259	52	207	62	12	50
Over one year	475	238	237	569	285	284
Total	**1,775**	**328**	**1,447**	**1,737**	**338**	**1,399**

* The ‘Allowance in Accounts’ column excludes the allowance for Council Tax and NNDR.

Treasury Management – Limits

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The Authority does not allow credit for counterparties.

Liquidity Risk

As the Authority has ready access to borrowings from Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than £5m of Long Term loans are due to mature within any financial year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. All loans in the less than one year category relate to short term loans. The table below also includes commitments for unapplied grants.

The maturity analysis of financial liabilities is as follows:

	31 March 2011	**31 March 2012**	**31 March 2013**
	£'000	£'000	£'000
Less than one year	3,865	6,300	6,587
Between one and two years	176	128	141
Between two and five years	153	154	221
More than five years	12,374	12,087	12,096
Total	**16,568**	**18,669**	**19,045**

All current Payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the surplus or deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- Investments at variable rates – the interest income credited to the surplus or deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried out at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other 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 and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher will all other variables held constant, the financial effect would be:

	Estimation of 1% increase in interest rates as at 31 March 2013
	£'000
Increase in interest payable on Variable Rate borrowings	16
Increase in interest receivable on Variable Rate investments	(301)
Impact on surplus on the Provision of Services	**(285)**
Decrease in fair value of Fixed Rate Investment Assets	25
Decrease in fair value of Fixed Rate borrowings liabilities (No impact on the surplus on the Provision of Services or Other Comprehensive Income and Expenditure)	1,713

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

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

Collection Fund

On 1 April 1990 the Borough Council became a charging authority responsible for the operation of a Collection Fund. The account was originally established to deal with community charge collection but since 1 April 1993, with the introduction of Council Tax, it now deals with payments of national non-domestic rates (NNDR) and Council Tax, including parish precepts. The account pays out monies to Norfolk County Council, the Borough Council and Norfolk Police Authority in respect of precepts; It also pays a cost of collection allowance to the Borough Council for the collection of non-domestic rates and refunds of over payments to Council taxpayers and non-domestic ratepayers. Monies due from non-domestic ratepayers are paid into the Fund and then transferred into a National Pool. The Borough Council has the responsibility for balancing the Collection Fund and as the billing Authority is also responsible for collecting all amounts due.

Any surplus or deficit on the Fund relating to the Council Tax is divided between the Borough and County Councils and Norfolk Police Authority in the same proportion as their precepts on the fund.

Below is the Income and Expenditure account for the Collection Fund in 2011/2012 and 2012/2013. Only the amounts collected on behalf of the Borough Council are shown within the Borough Council's accounts.

NOTE		2011/2012		2012/2013	
		£'000	£'000	£'000	£'000
	INCOME				
	Non-domestic ratepayers		37,584		40,100
	Council Tax	66,558		67,695	
	Benefits	11,039	77,597	11,130	78,825
	Total Income		**115,181**		**118,925**
	Expenditure		**37,186**		39,444
	Non-domestic ratepayers pool				
	Precepts and Demands:				
	Norfolk County Council	58,220		58,703	
	Norfolk Police Authority	9,719		10,095	
	Borough Council of King's Lynn & West Norfolk	5,693		5,740	
	Parish/Special Expenses	2,189	**75,821**	2,205	**76,743**
	Transfer surplus to Norfolk Police Authority	266		295	
	Transfer surplus to Norfolk County Council	1,591		1,766	
	Transfer surplus to BCKLWN	216		239	
	Cost of collection allowance	217		216	
	Non-domestic rates write offs and bad debt allowance	182		440	
	Council tax write offs and bad debt allowance	272	2,744	346	**3,302**
	Total Expenditure		**115,751**		**119,489**
	Deficit in year		(570)		(564)
	Surplus brought forward at 1 April		3,251		2,681
	Surplus carried forward at 31 March		**2,681**		**2,117**

General

These accounts represent the transactions of the Collection Fund, which is statutory fund separate from the main accounts of the Authority. The Collection Fund has been prepared on an accruals basis.

Income from Non-domestic Rates

The Authority collects non-domestic rates for its area which are based on local rateable values multiplied by a nationally set rate. The total amount, less certain relief and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. The account records the collection of monies from non-domestic ratepayers and the payment to the NNDR pool but not the income received from the pool, which is paid directly to each Authority's Comprehensive Income and Expenditure Statement.

	2011/2012	**2012/2013**
	£'000	£'000
Gross non-domestic rates payable	46,953	45,993
Less: Allowances and other adjustments	(9,767)	(6,549)
Net Contribution to NNDR pool	**37,186**	**39,444**

The Gross Non-domestic Rateable Value at 31 March 2013 was £104,328,802 (31 March 2012 £104,592,252) with basic NNDR multiplier 2012/2013 45.8p.On the 1 April 2010, a new rating list took effect following the five year business rates revaluations. With the new list came a reduction in the multiplier and a transitional relief scheme which capped increases and decreases for five years.

Irrecoverable Debt

	2011/2012	**2012/2013**
	£'000	£'000
Council Tax	272	346
NNDR	182	440
Total	**454**	**786**

Council Tax

Each Authority calculates the amount of its Authority Tax by dividing its requirements for the year by its tax base.

The tax base is the number of dwellings in the area belonging to each valuation band, modified to take account of the multipliers applying to dwellings in each band and the discounts, reductions and proportion of the Council Tax which the Authority expects to be able to collect.

Valuation Band	Range of values at 1 April 1991	No. of Chargeable Dwellings	Radio to Band D	Band D Equivalent
A*	*	66.5	5/9	37
A*	Up to £40,000	19,178	6/9	12,785
B	£40,001-£52,000	14,650	7/9	11,394
C	£52,001-£68,000	11,581	8/9	10,294
D	£68,001-£88,000	8,029	9/9	8,029
E	£88,001-£120,000	4,047	11/9	4,947
F	£120,001-£160,000	2,078	13/9	3,001
G	£160,001-£320,000	877	15/9	1,462
H	More than £320,000	83	18/9	166
				52,115
Council Tax base at 97.5% collection rate				50,813
Contributions in lieu				453
Total Council Tax base at 97.5% collection rate				51,266

*Entitled to a disabled relief reduction

The Authority set a precept of £5,740,250 representing Band D Council Tax of £111.97 for its services. In addition special expenses under section 34(1) of the Local Government Finance Act 1992, totalling £551,100 and parish precepts totalling £1,653,810 were levied, averaging £43.01 for a Band D property. Norfolk County Council set a precept of £58,703,159 representing a Band D charge of £1,145.07 and Norfolk Police Authority set a precept of £10,095,300 representing a Band D charge of £196.92. Reductions are made, in accordance with Government regulations, for persons on lower incomes (Council Tax Benefit). The reduction is reimbursed by Central Government.

Share of Balance

The balance of the Collection Fund at 31 March 2013 stands at £2,117,454 (2011/2012 £2,681,169). This amount is shared as follows:

	2011/2012	2012/2013
	£'000	£'000
Borough Council	278	220
Norfolk County Council	2,059	1,627
Norfolk Police Authority	344	270
Total	**2,681**	**2,117**

Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/2013 financial year and its position at the year end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts under the Accounts and Audit (England) Regulations 2011, preparing them in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 and the Service Reporting Code of Practice 2012/2013 supported by International Financial Reporting Standards (IFRS). The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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.

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 those rendered by the Authority's offices) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than necessarily the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a Receivable or Payable for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of Receivables is written down and a charge made to the revenue for the income that might not be collected.

Where the Authority is acting as an agent for another party (e.g. in the collection of NNDR and Council Tax), income and expenditure are recognised only to the extent that the commission is receivable by the Authority for the agency services rendered or the Authority incurs expenses directly on its own behalf in rendering the services.

Area Based Grant

The Authority receives an area based grant from the Government. The main elements of the grant include cohesion and climate change activities. The grant is charged to services through the Comprehensive Income and Expenditure statement.

Bad Debt Allowance

General Fund

The following percentages determine the level of Bad Debt Allowance:

	%
Up to 30 days	0
31-60 days	5
61-90 days	10
3-6 months	15
6-12 months	20
In excess of 12 Months	50

The level of allowance specifically for housing benefits bad debts was reviewed in 2010/2011, so that for bad debts in excess of 12 months there is now 100% cover.

Collection Fund

The respective Bad Debt Allowances are determined using the following percentages:

Council Tax

Prior Years	(2008/2009)	100.0%
	(2009/2010)	70.0%
	(2010/2011)	50.0%
	(2011/2012)	10.0%
Previous Year	(2012/2013)	1.5%

Council Tax – Costs Outstanding

Prior Years	(2009/2010)	90.0%
	(2010/2011)	75.0%
	(2011/2012)	50.0%
Previous Year	(2012/2013)	20.0%

NNDR

Prior Years	(2010/2011)	100.0%
	(2011/2012)	50.0%
Previous Year	(2012/2013)	33.0%

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Authority includes deposits with financial institutions classified as call accounts and notice accounts where the notice period is less than 3 months.

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 Authority's cash management.

Changes in Accounting Policies and Estimate and Errors

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 Authority's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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.

Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible Non-current Assets attributable to the service.

The Authority is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The Council's method of calculating Minimum Revenue Provision is included within the Treasury Management Strategy Statement 2012/2013. (The remaining portion of the MRP relates to the more historical debt liability that is charged at the rate of 4 %.) Certain expenditure reflected within the debt liability is charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of the expenditure, using equal annual instalments. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

<u>Benefits Payable During Employment</u>

Short Term employee benefits (those that fall due wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Authority. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority 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 Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements 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, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme which is a funded defined benefits scheme administered by Norfolk County Council. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the pension scheme for employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The pension costs included in the accounts in respect of these schemes have been determined in accordance with relevant Government regulations.

The Authority complies fully with the requirements of ISA 19.

The policy is to recognise the full liability that the Authority has for meeting for the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated.

Charges to service revenue accounts are based on a share of current service cost (the increase in future benefits arising from service earned in the current year) rather than employer's contributions. In addition, the policy for accounting for discretionary benefits awarded on early retirement is by charging (as past service costs) the projected cost of discretionary awards to Non Distributed Costs in the year that the award decision is made.

The change in the net pension liability is analysed into seven components:

- 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 arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed costs.
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected Return on Assets – the annual investment return on the fund assets attributable to the Council, based on the average of the expected long term return – credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- 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 – debited to the Pensions Reserve and recognised as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Contributions paid to the Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

The IAS19 figures are reversed out to the Pensions Reserve in the Movement in Reserves Statement. There are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits made to the surplus/deficit on the provision of services.

Events after the Balance Sheet Date

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 are authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statements of Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period - the Statements of Accounts are 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 Statements of Accounts. There have been no such events prior to the authorisation for issue date.

Financial Instruments

Recognition

Financial instruments are recognised when the Authority becomes a party to the contractual provisions of the instrument. For example, the recognition of a financial asset (e.g. investment) is when the Authority becomes committed to a date to buy or sell the asset. Receivables and payables are recognised once the related goods or services have been delivered or rendered.

In accordance with the Code, some financial instruments are not disclosed within the note to the accounts on financial instruments because they are covered by disclosures made elsewhere within the accounts. These are:

- Rights and obligations under leases;
- Amounts relating to such things as Council Tax, non-domestic rates, general rates, etc. (which are outside the scope of the accounting provisions as they are statutory debts and do not arise from contracts).
- The Council's rights and obligations under pension schemes.

The Authority discloses all financial instruments that are considered material to the Authority's financial position and performance in the year.

De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Authority has transferred substantially all of the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Measurement

Financial Instruments are initially measured at fair value less the transaction costs that are directly attributed to the acquisition or issue of the financial asset or financial liability. Subsequent measurement depends on the classification of the instrument as detailed by IAS 39 and the Code.

Classification	Description	Measurement Base
Financial Assets		
Held to Maturity Investments	Non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity, that do not meet the definition of loans and receivables are not designated on initial recognition as assets at fair value through profit and loss or as available for sale.	Amortised Cost
Loans and Receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than for trading or designated on initial recognition as assets at fair value through profit and loss or as available for sale.	Amortised Cost
Financial Liabilities		
Commitment to Provide Soft Loans	A Commitment to provide a loan at a below market interest rate	Fair Value
Financial Liabilities	All liabilities not held for trading or are derivatives, e.g. operational Payables and borrowings	Amortised Cost

Basis for Charging Revenue

The impact on the income and expenditure account depends upon the type of financial instruments:

Classification	Measurement	Impact on Income and Expenditure
Financial Assets		
Held to Maturity Investments	Amortised Cost	The interest receivable using the effective interest rate is charged
Loans and Receivables	Amortised Cost	The interest receivable using the effective interest rate is charged
Gilts and Certificates of Deposit	Fair Value	Gains and Losses on the fair value of the liability are charged as they arise.
Financial Liabilities		
Commitment to Provide Soft Loans	Fair Value	Gains and Losses on the fair value of the liability are charged as they arise
Financial Liabilities	Amortised Cost	The interest payable using the effective interest rate is charged.

Soft Loans

As part of its Private Sector Housing Policy the Authority makes loans to private individuals at nil interest. These loans are secured by a charge on the individual's property. This means that market rates of interest have not been charged and these loans are classified as soft loans. When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. The Authority calculates the loss based on the interest rate charged for borrowing with the Public Works Loan Board as at 1 April of the financial year for a new loan up to 20 years, with a 1% risk premium to cover the possible credit risk arising from non-repayment. Interest is credited at the real effective rate of interest with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net credit required against the General Fund Balance is managed by a transfer to/from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Payables. 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 (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 account. Where it has been applied, it is posted to the Capital Adjustment account. Amounts in the Capital Grants Unapplied account are transferred to the Capital Adjustment account once they have been applied.

Intangible Assets

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority'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 Authority can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life (of up to 40 years) 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.

Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. The Council's heritage assets include historical buildings, civic regalia, museum collections, works of art and the Borough archives.

- Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The Council's collections of heritage assets are accounted for as follows:

Civic Regalia and Art Collection

- The Council's Regalia and Art Collection is reported on the Balance Sheet at market value. The revaluation of these assets is undertaken every 10 years and the latest detailed valuation was carried out during 2011/2012. The valuation is undertaken by an external valuer. The valuers opinion is sought on an annual basis, as to whether it is considered that there has been any material change in the value of these assets.
- Acquisitions are made by purchase or donation. Purchases are initially recognised at cost and donation are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets using the most relevant and recent information from sales at auctions.

- The Civic Regalia are on display in the Regalia Rooms at the Tales of the Old Gaol House, which is open to the public on specific days during the year. Full details of opening times are available on the Council website. The Art Collection is housed within King's Lynn Town Hall. There is not open public access to the Town Hall although conducted tours can be arranged for groups on request and the Town Hall is open during the annual National Heritage Day in September.

- The valuation of the Council's Heritage Civic Regalia and Art Collection assets was undertaken by Bonhams 1793 Limited.

Historical Buildings

- Historic buildings owned by the Council include Greyfriars Tower, Red Mount Chapel and Southgates. These assets were previously held in the Balance Sheet as Community Assets.
-
- Red Mount Chapel and Southgates are open to the public on specific days between April and September and during the annual National Heritage Day in September. Full details of opening times are available on the Council Website.

Museum Collections

- The museums are run by the Norfolk Museums and Archaeology Service "NMAS" which is regarded as one of the leaders in the museum sector. Through a Joint Committee established under delegated powers by the County and District Councils In Norfolk, the Service runs museums throughout the County to preserve and interpret material evidence of the past with the aim of "bringing history to life".

- The Norfolk County Council provides the secretary and treasurer to the joint committee, employs it's staff, and owns a number of properties used by NMAS. However, the majority of collections and related buildings are owned by the relevant District Councils.

- The museum collections are reported in the Balance Sheet on the basis of in-house valuations by the curators and have been undertaken for curatorial and insurance valuation purposes. The museum collection comprises over 43,000 individual items and the vast majority of these items are of relatively low value. Museums with large collections generally cannot afford to buy valuations from auction houses so valuations are made by curators using current information from auction sale catalogues, internet sites, etc. The valuation of the Council's museum collections included in the

- Balance Sheet largely dates back to 1996 or acquisition cost. It is not considered practicable to obtain a more recent valuation as the cost is not considered to be commensurate with the benefits to users of the financial statements.

- Material items within the collections are stored in secure and controlled conditions and are therefore deemed to have indeterminate lives and a high residual value and the Authority does not consider it appropriate to charge depreciation.

- The Lynn Museum is open to the public on specific days during the year.

<u>Borough Archive</u>

- The Borough Archive includes documents, plans, books, maps and manuscripts and is reported on the Balance Sheet at market value.
- The revaluation of these assets is undertaken every 10 years. The latest valuation of the following items was carried out during 2011/2012. The valuation was undertaken by Bonhams 1793 Limited.
- The most significant items held in this category are:

Charter granted by King Canute	The Red Register
Charter granted by King Hardecnut	William Asshebourne's book
Royal Charter and Letters Patent	Tolbooth Court orders

- In addition to the items listed above the Borough Archive contains some 1,250 boxes of diverse archive materials. The latest valuation was carried out during 2012/2013 by Bonhams 1793 Ltd.
- The Borough Archive is located at King's Lynn Town Hall and is open for public access on Fridays throughout the year.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets, the proceeds of such items are accounted for in accordance with the Council general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Inventories

Inventory is stated at the lower of cost, which is either computed on the basis of selling price less the appropriate trading margin (i.e. nursery stock) or as average unit cost, and net realisable value.

Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the 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.

Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers, rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Leases

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

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

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

The Authority as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the lease 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 Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Authority’s net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset.

At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/2012 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment

Assets that have physical substance 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.

<u>Recognition</u>

All expenditure over £10,000 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 Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

<u>Measurement</u>

Assets are initially measured at cost, comprising:

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

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 Authority. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are the carried in the Balance Sheet using the following measurement bases:

- Infrastructure and community assets – depreciated historical cost
- Heritage Assets – see page 53-54
- All other assets – fair value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued every five years on the basis recommended by CIPFA and in accordance with the Royal Institute of Chartered Surveyor's Standards Valuation Manual (6th Edition), and an interim review is conducted annually, to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service] Non-current assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. During the year assets within the Culture portfolio were revalued.

Portfolio	**Last Dates for next Revaluation**	
Environmental Health and Resources and Performing (part)	31 March	2014
Housing	31 March	2015
Culture (part)	31 March	2016
Resources and Performance (part), Culture (part) and Recreation	31 March	2017
Regeneration (King's Lynn and Other)	31 March	2018

All properties are valued by RICS qualified staff working for the Authority.

Where decreases in value are identified, the revaluation loss is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Compensation

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the asset and whose useful life differs, the components are depreciated separately, unless the componentisation makes no material difference to the overall depreciation charge. The following de-minimus levels have been set for componentisation of an asset (as the values are not considered significant in relation to componentisation):

- Assets with a total cost of £100,000 or less will not be subject to componentisation.
- Any components with a cost of 10% or less of the total cost of an asset will not be componentised separately.

Componentisation is considered for new valuations, enhancement expenditure and acquisition expenditure carried out on or after 1 April 2010.

The Authority recognises the following levels of components:

- Structure
- Roof
- External Works
- Internal Services

Componentisation is not applicable to land as land is non-depreciable and is considered to have an infinite life.

Impairment

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

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service lines(s) in the Comprehensive Income and Expenditure Statement

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

Disposals

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The 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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

Depreciation is calculated on the following bases:

Asset Lives	Buildings	including Structures, Roofing and External works	up to 60 years
		Internal Services	up to 15 years
	Equipment		up to 15 years
	Vehicles		up to 7 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit in the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for Non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Authority –these reserves are explained in the relevant policies.

Revaluation Reserve

This reserve records the gains and losses arising on the revaluation the Authority's Non-current assets from 1 April 2007. Previously, such gains and losses were taken to the Fixed Asset Restatement Account. The balance on the Fixed Asset Restatement Account as at 31 March 2007 was transferred to the Capital Adjustment Account on 1 April 2007.

The reserve records the accumulated gains on the Non-current assets held by the Authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

The reserve is also debited with amounts equal to the depreciation charges on assets that have been incurred only because the asset has been revalued i.e. the difference between depreciation charged and that which would have been charged if the asset was held at historic cost. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the reserve thus represents the amount by which the current value of Non-current assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

Capital Adjustment Account

Established on 1 April 2007, the balance is the amalgamation of the Fixed Asset Restatement Account and the Capital Financing Account as at that date. Consequently, the opening balance consists of:

- The consolidation of gains arising from the revaluation of Non-current assets (as previously taken to the Non-current assets Restatement Account);and
- Revenue funds set aside as a provision to repay external loans and the financing of capital payments from capital receipts and revenue reserves (formerly presented in the Capital Financing Account).

The Account accumulates the write-down of the historical cost of Non-current assets as they are consumed by depreciation and impairments or written off on disposal, and the resources that have been set aside to finance capital expenditure. The balance on the Account thus represents timing differences between the amount of the historical cost of Non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Financial Instruments Adjustment Account

This reserve contains the difference between financial instruments measured at fair value and the balances required to comply with statutory requirements.

Pensions Reserve

Reconciles the payments made for the year to the defined benefits scheme in accordance with the scheme's requirements and the net change in the Authority's recognised liability under IAS 19 – Retirement Benefits, for the same period.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Accumulated Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenues and Customs. VAT receivable is excluded from Income.

Auditor's Report

Independent auditor's report to the Members of the Borough Council of King's Lynn and West Norfolk

Conclusion on the Borough Council of King's Lynn and West Norfolk's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Glossary

Balances	Working balances are needed to finance expenditure in advance of income from precepts and grant. Any excess may be applied, at the discretion of the Authority, to reduce the Council Tax precept or to meet unexpected costs during the year. Balances on holding accounts and funds are available to meet expenditure in future years without having an adverse effect on revenue expenditure.
Budget	A statement of the income and expenditure plan of the Authority over a specified period. The most common is the annual Revenue budget expressed in financial terms which can include other information, e.g. number of staff.
Capital Adjustment Account	Introduced in the 2007 Statement of Recommended Practice, and reflecting the difference between the cost of Non-current assets consumed and the capital financing set aside to pay for them.
Capital Expenditure	Payments made for the acquisition or provision of assets of Long Term value to the Authority e.g. land, buildings and equipment.
Capital Financing	The raising and application of money to pay for capital expenditure. Usually the cost of capital assets is met by borrowing but capital expenditure may also be financed by other means such as leasing or contributions from the revenue accounts, the proceeds of the sale of capital assets, capital grants, and other contributions.
Capital Grants	Grants from the Government or other bodies toward capital expenditure on a specific service or project.
Capital Receipts	Receipts from the sale of Non-current assets. These may be used to finance capital expenditure.
Capital Reserves	An internal account used as an alternative to external borrowing to finance capital expenditure.
Carrying Amount	The value included in the Balance Sheet for Non-current assets is the carrying amount. This is the original cost of the Non-current asset less any depreciation, amortisation or impairment costs and increases/decreases in value or revaluation.

Counterparty	A party to a contract.
Current Assets	Assets whose value tends to vary on a day to day basis. It is reasonable to expect that assets under this heading in a balance sheet would be consumed or realised during the next accounting period, e.g. stocks, cash, bank balances and receivables.
Current Expenditure	Expenditure on the day-to-day running of services.
Current Liabilities	Those amounts which will become payable or could be called upon within the next accounting period., e.g. Payables, cash overdrawn
Fair Value	An estimate of the market value of an asset or liability for which a market price cannot be determined.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Instruments Adjustment Account	Contains the difference between financial instruments measured at fair value and the balances required to comply with equipment
Non-Current Assets	These are assets that are likely to be in use by the Authority for more than one year, such as land and buildings and plant and equipment.
General Fund	The main revenue fund of an Authority into which is paid the precept and Government grants and from which is met the cost of providing services.
Government Grants	Payments by Central Government towards local Authority expenditure. They may be specific e.g. Housing Benefits or general e.g. Revenue Support Grant.
Heritage Asset	Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.
Housing Advances	Loans previously given by an Authority to individuals towards the cost of acquiring or improving their homes.

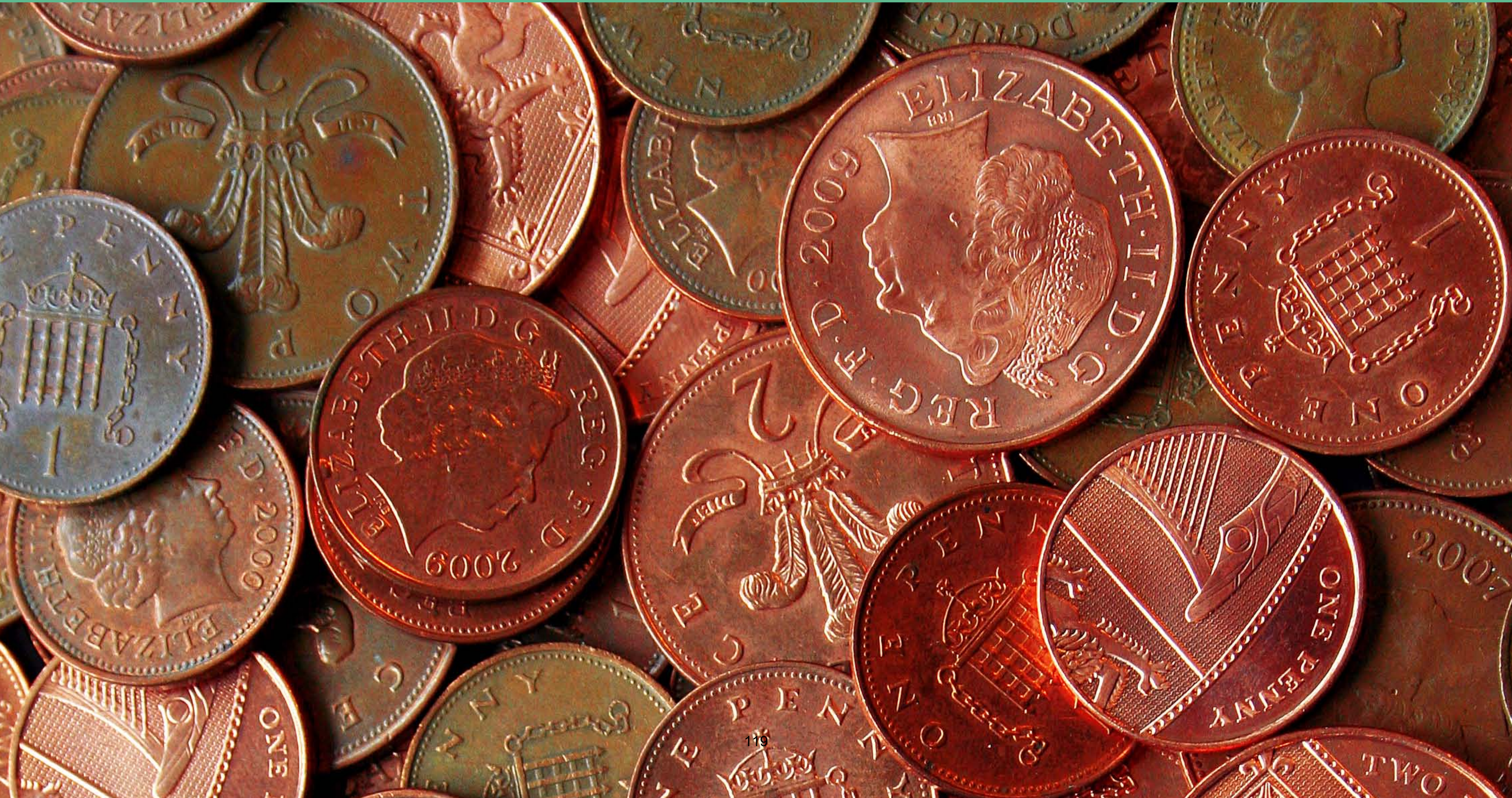
Housing Benefit	Subsidy payments from the Government to persons on low income to reduce rent and / or Council Tax payments due to the Authority or private landlords.
Impairment	A downward revaluation of Non-current assets to ensure the carrying value is equal to the recoverable amount.
Intangible Assets	Intangible items may meet the definition of an asset when access to the future economic benefits is controlled by the Authority, either through custody or legal protection. Intangible items include software licences and housing nomination rights.
Irrecoverables	Amounts due from Receivables finally deemed lost to an Authority and written out of the accounts.
Local Area Agreement	A partnership with other public bodies which uses Government grants to finance work towards jointly agreed objectives for local public services.
Outturn	The actual level of expenditure and income in a particular year.
Precepts	The charge made by County, Police, Borough and Parishes on the Collection Fund to meet their net expenditure.
Rateable Value	The notional annual rental value of a premise to which the rate poundage is applied to determine the rates payable.
Rate Levy	The number of pence in the pound which is applied to the rateable value to determine the rates.
Renewals Reserve	An account an Authority can establish to meet the cost of replacing and renewing its vehicles, plant and equipment.
Revaluation Reserve	Introduced in the 2007 Statement of Recommended Practice, for recording the net gain (if any) from revaluations, depreciation and impairment made after the 1 April 2007.
Revenue Contributions to Capital	The use of revenue monies to finance capital expenditure instead of financing the expenditure from loan, capital receipts, lease or unsupported borrowing.
Revenue Expenditure Funded from Capital under Statute	Capital expenditure that does not result in a new or enhanced asset in the Authority's accounts. An example is improvement grants made to individuals. These are charged to the Income and Expenditure Account.
Revenue Expenditure	Expenditure on day-today expenses – principally employees, running expenses of buildings and equipment and capital financing charges.
Revenue Support Grant	A grant paid by Central Government to aid Local Authority expenditure generally.
Soft Loans	Loans made at less than market value rates are classified as soft loans.
Trading Operations	Services which are operated partly or wholly on commercial lines, e.g. markets.

Transferred Debt	The amounts in the Authority's Balance Sheet which are still owed to or by other bodies to repay the debt outstanding on assets transferred to or from those authorities. (See Transferred Services).
Transferred Services	Those services which were once administered by one Authority but which, for a variety of reasons, have been transferred into the control of another Authority. It is sometimes necessary for the original Authority to continue to repay loans and this expenditure, together with associated costs is then recovered from the Authority to which the services have been transferred. (See Transferred Debt).
Unsupported Borrowing	A form of capital finance funded by revenue either by increased income or a reduction in costs. There is not Government grant to support this form of funding.

Borough Council of
King's Lynn &
West Norfolk

Resources

Borough Council of King's Lynn & West Norfolk
King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX
Tel:(01553) 616200 Fax: (01553) 691663 or 767332 DX57825 King's Lynn, Email: west-norfolk@west-norfolk.gov.uk



Borough Council of King's Lynn and West Norfolk

Audit results report for the year ended 31 March 2013

20 August 2013 - Draft

Building a better working world

Building a better
working world

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INVESTOR IN PEOPLE

Private and confidential
Audit and Risk Committee
Borough Council of King's Lynn & West Norfolk
King's Court
Chapel Street
King's Lynn
PE36 1EX

20 August 2013

Dear Sirs,

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the Authority's financial position and results of operations for 2012/13. At the time of writing we are finalising our audit procedures and a number of aspects of our review remain in progress. This report therefore represents the latest position at 20 August 2013. The key outstanding matters are detailed within this report. We will verbally update the Audit and Risk Committee on 9 September on progress, and issue a revised report shortly in advance of the 16 September Cabinet meeting. This will reflect the results of the outstanding work.

We intend to issue our final conclusion after the September Audit and Risk Committee and in advance of the statutory 30 September deadline.

The audit is designed to express an opinion on the 2012/13 financial statements, reach a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Authority's accounting policies and judgments and material internal control findings.

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the Authority's financial statements and an unqualified value for money conclusion. However, until we have completed our outstanding procedures, it is possible that further matters may arise.

This report is intended solely for the information and use of the Audit and Risk Committee and the Authority. It is not intended to be and should not be used by anyone other than these specified parties.

A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Risk Committee meeting scheduled on 9 September 2013.
Yours faithfully
For and on behalf of Ernst & Young LLP

Rob Murray
Ernst & Young LLP
United Kingdom
Enc.

Contents

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission's website.

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview of the financial statement audit

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- Forming an opinion on the financial statements;
- Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- Undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Financial statements

Following the performance of the procedures outlined in our Audit Plan, we currently anticipate issuing an unqualified opinion on the Authority's financial statements. However, a number of aspects of our work remain in progress at 20 August 2013. This includes elements of our work connected with the housing and council tax benefit, National Non-domestic rates (NNDR) and council tax systems which underwent a mid-year system change, and are higher risk. Officers are working with us to resolve our queries. Our main findings in relation to the areas of risk included in our Audit Plan are set out below.

Significant risks:

Revenues and benefits mid-year system change: Audit findings and conclusions

At 20 August 2013 our work is well progressed, but certain aspects of our planned audit work remain in progress. Findings and comments to date are:

- Work on understanding the Council's risk assessment process and understanding the old and new systems is complete. There are no matters arising from this that we wish to raise with you.
- Work on considering the data conversion processes is essentially complete. Although the process has not been straightforward for the Council, our review has not detected a risk of material misstatement for the financial statements.
- We have considered the methodology used to produce the housing benefits claim based on output from both systems. As part of this the

Council assessed the impact of not applying system upgrades to the old Northgate system. We do not consider that the overall methodology poses a risk of material misstatement to the financial statements. We have also applied predictive and other analytical procedures to expenditure on housing benefits. At 20 August certain elements of this work are still in progress.

- Elements of our substantive testing remains in progress at 20 August as these systems have a wide ranging impact in the financial statements, including the Council's Collection Fund. Key points for the Committee to note are set out later in this report.

Other financial statement risks:

Joint arrangements: Audit findings and conclusions

At 20 August we are awaiting the Council's assessment of the NORA joint arrangement and associated financial transactions with Norfolk County Council (the King's Lynn Development Partnership) under accounting standards. We will provide a verbal update to the 9 September Audit and Risk Committee and issue a revised report shortly in advance of the 16 September Cabinet meeting. This will reflect the results of the outstanding work.

Risk of misstatement due to fraud or error: Audit findings and conclusions

We assessed the risk of fraud as part of our planning processes. There are no matters that we wish to raise with you.

Our substantive audit testing to date has not detected any incidences of fraud. Whilst our procedures have identified some errors (see section 8 of this report]), these do not appear to be as a result of management bias. We have applied professional scepticism when carrying out our work, including the consideration of management estimation techniques and their selection of accounting policies.

Economy, efficiency and effectiveness

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified value for money conclusion. Elements of this work remain in progress at 20 August and we will provide an update at the 9 September Audit and Risk Committee meeting.

Whole of Government accounts

We have not yet completed the work required to issue our report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts. The Council submitted its consolidation pack on 15 August 2013, a day after the timetable set by DCLG. We plan to complete our work to meet the 4 October deadline.

Control themes and observations

There are no controls observations that we wish to bring to your attention at 20 August 2013.

Summary of audit differences

Our audit work to date has identified a number of misstatements in the financial statements presented for audit, as summarised below. As our work is still being progressed in a number of areas we will provide a verbal update to the 9 September Audit and Risk Committee meeting.

- Uncorrected misstatements increase useable reserves by £473k of which £338k relates to current-year differences. The uncorrected current year misstatement relates to a projected rather than an actual error.
- Management have agreed to correct a number of misstatements. These adjustments are summarised at section 8 of this report but some are still being finalised at 20 August. Some of the identified adjustments will result in a change in useable reserves. We will provide an updated position to the 9 September Audit and Risk Committee meeting.

2. Scope update

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan that we issued on 20 March 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Our work comprises a number of elements. In our Audit Plan, we provided you with an overview of our audit scope and approach for the audit of the financial statements, our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and the work that we are required to perform in respect of the Whole of Government Accounts return.

We carried out our work in accordance with our Audit Plan, with the following exceptions:

Our Audit Plan indicated that we would consider relying on controls over the procure to pay, accounts receivable and cash processing systems where it was efficient and appropriate to do so. We subsequently decided to adopt a fully substantive approach to our audit following detailed planning considerations. This approach provides a good level of information on the Council's financial transactions on which to base our subsequent audits.

3. Significant findings from the financial statements audit

In this section of our report, we outlined the main findings from our audit of your financial statements, including our conclusions in relation to the areas of risk outlined in our Audit Plan.

Significant risk: Revenues and benefits mid-year system change

Description:

The Council changed its systems for processing housing and council tax benefits, National Non-Domestic rates (NNDR) and Council Tax in July 2012.

The financial statements are therefore based on information from the old (Northgate) system and the new (Civica OPENrevenues) systems.

This presents a risk over the completeness and accuracy of data transfer, and the resultant figures included in the 2012/13 financial statements.

Our approach has focussed on

- ► understanding the process the Council has undertaken to identify risks connected with the systems transition, including the role of Internal Audit.
- ► understanding the system and controls in both the old and new systems and walking these through. This is necessary as data generated in both the old and new systems impacts on the financial statements.
- ► specifically considering the data conversion process and how the Council has reconciled the old and new systems.
- ► considering the risks associated with the production of the housing benefits claim, which drives the income recognised in the financial statements.
- ► substantively testing the financial statements entries. Given the inherent risks of the systems transition, and the lack of controls testing by Internal Audit on which we might normally place reliance, we consider that this approach is more effective. This will include the use of predictive analytical techniques in addition to tests of details.

Audit findings and conclusions:

At 20 August 2013 certain aspects of our planned audit work remain in progress. Findings and comments to date are:

- ► Work on understanding the Council's risk assessment process and understanding the old and new systems is complete. There are no matters arising from this that we wish to raise with you.
- ► Work on considering the data conversion processes is essentially complete. Although the process has not been straightforward for the Council, our review has not detected a risk of material misstatement. The

Council has had to be pragmatic in dealing with conversion issues in some instances, and this may lead to reporting issues when we audit the Council's housing benefits and NNDR grant returns. Findings from this work will be reported to the Audit & Risk Committee by early 2014.

- We have considered the methodology used to produce the housing benefits claim based on output from both systems. As part of this the Council assessed the impact of not applying system upgrades to the old Northgate system. We do not consider that the overall methodology poses a risk of material misstatement to the financial statements, although, as noted above, there may be reporting issues when we audit the Council's housing benefits grant claim. At 20 August certain elements of this work are still in progress.
- Elements of our substantive testing remains in progress at 20 August as these systems have a wide ranging impact in the financial statements, including the Council's Collection Fund. Key points for the Committee to note at this stage are:
  - We have applied predictive analytical techniques to the income from NNDR, but we currently have an unresolved material variance. We are continuing to work on this, but may need to carry out additional transactional testing.
  - We are currently unable to agree the Council's balance sheet entries for council tax and NNDR where the Council effectively acts as a collecting agent. Officers provided a response to our queries on 20 August which we have yet to assess.
  - The financial statements presented for audit were based on a draft version of the NNDR grant claim. Officers are currently revising the financial statements to reflect the final unaudited claim, with the amount paid to the NNDR pool decreasing by £759k. This is included as an agreed adjustment in Section 8.

Other financial statement risk: Joint arrangements

Description:

The Council has entered into a number of joint arrangements including the Nar Ouse Regeneration Agreement (NORA) with Norfolk County Council, and the North & West Norfolk Revenues and Benefits Joint Committee with North Norfolk District Council.

Such arrangements can be complex and need to be appropriately assessed under accounting standards, Interests in Joint Ventures to ensure that the Council's own financial statements are appropriately prepared, and that there is no requirement for consolidated financial statements to be prepared.

Audit findings and conclusions:

The North & West Norfolk Revenues and Benefits Joint Committee have experienced a number of operational difficulties in terms of merging the two councils' data. At the July 2013 meeting of the joint committee it was agreed to further postpone the operation of a joint budget during 2013/14. The Council has not yet formally assessed the arrangement under accounting standards, but given that it is not yet operating as the intended joint committee this does not impact the financial statements.

At 20 August we are awaiting the Council's assessment of the NORA joint arrangement and associated financial transactions with Norfolk County Council (the King's Lynn Development Partnership) under accounting standards. We will provide an update to the 9 September Audit & Risk Committee meeting.

Other financial statement risk: Risk of misstatement due to fraud and error

Description:

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Auditing Standards specifically require us to consider the risk from management override and revenue recognition.

Audit findings and conclusions:

We assessed the risk of fraud as part of our planning processes. This included:

- Inquiry of management and the Internal Audit Manager about risks of fraud and the controls put in place to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.;
- Specifically considering the risk of fraud in various categories of income and expenditure.

There are no matters that we wish to raise with you.

Our substantive audit testing to date has not detected any incidences of fraud. Whilst our procedures have identified some errors (see section 8 of this report), we have concluded that these are not as a result of management bias. We have applied professional scepticism when carrying out our work, including the consideration of management estimation techniques and their selection of accounting policies.

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements we have set out comments in the table below about:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.
- Significant difficulties encountered during the audit.
- Significant matters, if any, arising from the audit that were discussed with management.
- Other matters if any, significant to the oversight of the financial reporting process.
- Findings and issues regarding the opening balance on initial audits.

Policy/practice/finding:

Financial statement disclosures:

As this was the first year of our appointment we carried out a detailed review of the Council's financial statements, including the Explanatory Foreword and the Council's Annual Governance Statement. We provided officers with a number of comments and suggestions which they are continuing to work through at 20 August 2013. Officers have committed to making a number of changes in a subsequent version of the financial statements. We will need to check these to a fully updated version of the financial statements in due course.

EY comments:

We have not sought to refer to these any further in this report but key changes agreed include:

- Additional disclosures and some corrections to the information in the Explanatory Foreword;
- Additional disclosures in the Annual Governance Statement regarding a limited assurance Internal Audit report containing high risk recommendations that are not yet sufficiently progressed
- Presentation of the Cash Flow Statement and related notes including the comparatives
- Correction of the officers' remuneration note
- Correction of the termination benefits note
- Revisions to the joint arrangements note
- A number of corrections to the grant income disclosure note including a £1.0 million change to the amount disclosed from the DWP Housing Benefit Unit
- £1.2 million correction to the Capital Financing Requirement note
- £2.7 million correction to the finance leases note where owned property built on leased land was included as an asset held under a finance lease
- Changes to the Movement in Reserves Statement (MiRS) and the supporting notes

Grants – receipts in advance:

The Council's financial statements include long term creditors of £2,198k relating to grants received in advance.

The Code of Practice requires that grants are recognised in the CIES when received unless there are conditions attached that give the grantor a right of return if the conditions are not met. In such cases, where the expenditure has not yet been made, then the Council should include an earmarked reserve for the expenditure yet to be incurred.

EY comments:

Our sample testing detected:

- An error of £119k in a Care and Repair contract amount that should not have been included as there are no conditions attached.
- Errors in certain s106 agreements tested, where the amounts relate to maintenance and there is no indication of the contracts including a condition to repay.

At 20 August officers are working with us to consider whether our initial conclusions mean we will need to extend our sample testing in this area.

We understand that officers intend to amend for any errors that are found as they examine the remaining population. This issue is therefore included as an agreed amendment in Section 8 of this report.

Recharges and Corporate & Demographic Core charges:

Our initial analytical review procedures detected some material variances between 2012/13 and 2011/12 under the various service lines in terms of both income and expenditure.

EY comments:

Recharges:

Discussions with officers indicated that they had revised the accounting for recharges in 2012/13. From these discussions it was apparent that the 2011/12 consolidated income and expenditure account (CIES) included 'grossing up' errors. These errors occur when a cost centre recharges expenditure to another cost centre, but instead of accounting for the recharge as a reduction in expenditure, it accounts for the recharge as income. This is not true third party income and should not have been recognised as such in the financial statements.

The Council has subsequently carried out additional work to calculate the impact this had on the 2011/12 comparatives in the CIES. The impact is material overall and, whilst we are still concluding our review of their revised workings, we have agreed that this error requires a prior period adjustment (PPA) under International Accounting Standard 8 (IAS 8) 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Whilst, at 20 August we are continuing to check the proposed correction, we have included this as an agreed amendment in Section 8 of this report. The correction impacts a number of the service lines for income and expenditure.

The net impact is that both reported income and reported expenditure for cost of services will reduce by £882k. However, at an individual service line the changes are larger with, for example, Cultural services and Environmental Services reported income and expenditure changing by over £1 million. There is, however, no impact on the overall net cost of services for each line as a result of this error.

Corporate and democratic core charges:

It was also apparent that the Council had not classified all expenditure accurately in 2011/12. This issue relates to expenditure accounted for relatively late in the financial statements close down process such as capital impairment costs. Officers have revisited this as part of the overall PPA calculations and determined that £1,290k of Corporate and Democratic Core costs should have been included in other service lines. At 20 August we are continuing to check the proposed correction, but we have included this as an agreed amendment in Section 8 of this report.

There is no overall impact as a result of both these errors on the Council's reported surplus or deficit on the provision of services, or on reported reserves.

The Council will need to draft an amended Note 1 to reflect the prior period adjustment. We await this revised note at 20 August 2013.

Parish Special Expenses:

The Council has charged £558k of parish special expenses to the Corporate & Democratic Core in 2012/13.

EY comments:

As part of the consideration of the 2011/12 PPA referred to above we considered the treatment of parish special expenses and certain support service costs in the 2012/13 CIES. Parish special expenses have been included in corporate and democratic core costs rather than being allocated to the appropriate functions. Additionally certain other support service costs have not been appropriately allocated to the services they support.The Council has prepared a proposed revision to the 2012/13 CIES. Although the movements on total gross income and gross expenditure are trivial, the income relating to Corporate and Democratic Core has changed by a significant amount (£553k). Our work on this is currently being concluded at 20 August 2013, but we have included this as an agreed amendment in Section 8 of this report.

Assets held for Sale:

The Council classifies £4,065k of assets as 'Assets held for Sale'(AhfS). Under the Code assets can only be classified as 'Assets held for Sale' if they meet strict criteria under the Code:

- available for immediate sale in current condition
- sale highly probable, with an active programme to locate a buyer which must have been initiated
- asset must be being actively marketed at a reasonable price
- expected to complete within a year

We tested three significant assets classified as held for sale (one of which was a sale split between two purchasers. Although this work is still being concluded, we detected an 88% error rate as:

- two of the assets (land at Rollesby Road £320k and land at Alexandra Road £2,050k) were not available for immediate sale in their current condition as they were dependant on planning permission being awarded.
- one of the assets (land at Speedway £600k) was classified as an AhfS as a result of a speculative enquiry which has subsequently fallen through.

EY comments:

Officers have agreed to amend for the errors in the classification, and this is included as an agreed amendment at Section 8 of this report.

Given the errors detected in our sample we are performing additional work to satisfy ourselves that the remaining £695k does not contain significant errors, We will provide an update to the 9 September Audit Committee meeting.

Officers are already considering how they will improve the assessment methodology for AhfS for 2013/14.

Related parties:

At 20 August we await responses to a final query regarding the completeness of the related party disclosures.

EY comments:

We will provide an update to the Audit & Risk Committee on 9 September.

Audit difficulties:

The audit has been more protracted than we had envisaged. Key causes include:

- The mid-year benefits and revenues changes which have caused significant additional audit work.
- More time taken than envisaged to complete our overall client understanding and familiarisation, including understanding working papers. There are some instances where working papers could be adapted or improved to better meet our requirements. This is not unusual in the first year of an audit engagement, where officers and auditors need to understand each other’s expectations. Officers have already indicated that they are keen to work with us to improve working papers for the 2013/14 audit.

EY comments:

Once the audit draws near to its conclusion, we will assess the fee impact of the audit difficulties experienced. We will discuss this with officers before raising our request for a formal fee variation with the Audit Commission. We will report the outcomes to the Audit and risk Committee in due course.

Despite the difficulties we have found Council officers to be proactive and responsive, and look forward to our continued working relationship.

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- Arrangements for securing financial resilience – whether the council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We did not identify any significant risks relevant to our conclusion on the Council's arrangements as part of our audit planning. We continued to monitor the Council's arrangements throughout our audit, including achievement of the 2012/13 budget, financial planning for 2013/14 and 2014/15, and progress on a number of key developments the Council is undertaking, including those connected with the changes to Local Council Tax Support and business rates from April 2013. We have no matters we wish to raise with you at 20 August.

5. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal of internal control we are required to communicate to you significant deficiencies in internal control.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

There are no controls observations that we wish to bring to your attention at 20 August 2013. The committee should be aware that we decided to adopt a fully substantive approach to our audit following detailed planning considerations. This approach addresses the significant risk referred to earlier in this report and also provides a good level of information on which to base our subsequent audits.

We will work with officers, including internal Audit, to consider where placing controls reliance may become increasingly effective for future audits.

6. Status of work

Financial statement audit

Our audit work in respect of our opinion on the Authority's financial statements is substantially complete, although a number of areas are still being progressed or resolved at 20 August. Given this, we have not sought to list all outstanding areas of work at the date of this report here but have highlighted the main areas for your attention.

Item: Financial statements

- Incorporation of EY review comments on disclosure notes (partially complete at 20 August 2013 based on officer comments)
- Incorporation of the prior period adjustment, including the new note and the revisions to the comparatives in the 'Amounts Reported for Resource Allocation Decisions' note
- Incorporation of all other agreed audit amendments
- Incorporation of any additional changes arising as audit work is completed
- Agreement of the revised disclosures with EY

Actions to resolve:

- Officers are to prepare an updated version of the financial statements to be issued to the Cabinet meeting on 16 September. If further changes are likely then approval will be sought for delegated authority to approve the financial statements to meet the 30 September deadline.
- EY will review the 'final draft' version in advance of the financial statements being approved.

Responsibility:
Management and EY

Item: Audit testing

Work on the following areas has not yet commenced:

- Cash Flow statement and associated notes
- Agreement of investments to supporting confirmations
- Agreement of the Amounts Reported for Resource Allocation Decisions' note
- Agreement of financial instrument disclosures

A number of other audit areas are substantially complete at 20 August, but have certain elements outstanding which we continue to progress. Key matters for the Audit & Risk Committee to be aware of are:

- Leases – our initial work detected an error in the leases note. In some instances we are still awaiting the Council's assessment of the lease under accounting standards to review.

- Our agreement of pension fund entries is not yet complete

Actions to resolve:

EY to progress residual areas of testing as a matter of priority. We will provide a verbal update at the 9 September Audit and Risk Committee meeting.

Responsibility:

EY and management (in terms of responding to queries)

Item: Letter of representation

Actions to resolve:

Draft to be tabled at Audit and Risk Committee on 9 September 2013.

Arrangements to be put in place for agreement with the Leader in advance of the financial statements being signed for the 30 September deadline.

Responsibility:

Management, Audit Committee and Leader

Item: Finalisation of the financial statements to meet the 30 September statutory deadline

Actions to resolve:

- Reliant on completion of areas noted above
- Approval of financial statements by Cabinet, or appropriate delegation to the Leader
- Financial statements re-certified by RFO

Responsibility:

Management, Audit Committee, Cabinet, Leader and EY

Item: Whole of Government Accounts

Actions to resolve:

- EY to audit the WGA consolidation pack to meet 4 October 2013 deadline

Responsibility:

EY and management (in terms of responding to queries)

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the Authority's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is substantially complete.

On the basis of our work performed to date, we expect to present an unqualified value for money conclusion in regard to the Authority's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

Objections

We have not received any formal objections to the 2012/13 financial statements from members of the public.

We have dealt with two members of the public on sundry enquiries. This is outside the scope of our audit fee.

7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £	Planned fee 2012/13 £	Scale fee 2012/13 £	Explanation of variance	Actual Fee 2011/12 £'000
Total Audit Fee – Code work	**TBC – see note 1**	67,488	67,488	**TBC – see note 1**	126,352
Certification of claims and returns	**TBC – see note 2**	30,100	30,100	**TBC – see note 2**	52,940

Note 1: audit fees

Our Audit Plan already identified some areas which represent a change in audit scope to the risks and assumptions made by the Audit Commission in setting the 2012/13 audit scale fee. These include the change in revenues and benefits systems during the year and the absence of Internal Audit controls testing of those systems during 2012/13 and the increased number of developments the Council has entered into.

At 20 August we are still completing additional audit procedures to ensure the financial statements are free from material error and misstatement, and to comply with our duties as the Council's external auditor. As this work is still being completed we have yet to fully assess the impact of this for our audit fee. We will discuss and agree a variation to our audit fee with Council's management before seeking to agree a formal scale fee variation with the Audit Commission. We will also need to consider the impact of other difficulties encountered during the audit as set out in section 3 of this report.

As we informed you in our Audit Plan, fees for the auditor's consideration of correspondence from the public and formal objections are charged in addition to the scale fee. We have dealt with correspondence from two members of the public as referred to earlier in this report, and this will be included in the revised proposed fee.

We will update the Audit and Risk Committee at a later date. Final fees will be summarised in our 2012/13 Annual Audit Letter.

Note 2: certification of claims and returns

Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance in January 2014 within the Audit Certification Report for 2012/13. The Audit Commission's Programme of Fees and Work Programme 2012/13 states that the indicative (scale) grant fee is based on the latest actual certification fees for 2010/11. We consider that the change in revenues and benefits systems part way through 2012/13 will impact our fee for the certification of the housing benefits claim and the National Non-Domestic Rates Claim, and that this will lead to a variation from the indicative scale fee. Our final fees for the certification work will be reported to you via our 2012/13 Annual Certification of Claims and Returns Report in early 2014.

8. Summary of audit differences

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

We have included all amounts greater than £500,000 relating to the Council in our summary of misstatements below.

We highlight in particular the following misstatements identified during the course of our audit to date, although elements of our work are ongoing at 20 August. We are awaiting a fully revised set of financial statements to check that expected agreed amendments have been corrected by management. We will provide a verbal update to the 9 September Audit and Risk Committee.

- Presentational classification error within the service headings of the Consolidated Income and Expenditure Statement (CIES) - £[awaiting information from officers at 20 August].

- Inclusion of NNDR balances to agree to the final unaudited pool payment of £38,685k. Officers prepare the financial statements based on an initial draft of the NNDR3 return in order to meet the 30 June deadline for publishing the unaudited financial statements. The revision reflects changes made to the initial version of the NNDR3 return as part of finalising the return.

- Inclusion of £2,970k as 'Assets held for Sale' when they failed to meet the criteria under the Code of Practice. At 20 August we are extending our testing of Assets held for Sale because of the errors detected. We will verbally update the 9 September Audit and Risk Committee meeting.

- Parish special expenses and certain support service costs have been included in corporate and democratic core costs rather than being allocated to the appropriate functions or services they support. Although the movements on total gross income and gross expenditure are trivial, the income relating to Corporate and Democratic Core has changed by a significant amount (£553k). Our work on this is currently being concluded at 20 August 2013.

- Prior period 'grossing up' errors relating to recharges. A t 20 August we are continuing to check the proposed correction, which impacts a number of the service lines for income and expenditure. The net impact is that both reported income and reported expenditure for cost of services will reduce by £882k. However, at an individual service line the changes are bigger, with Cultural services and Environmental Services reported income and expenditure changing by over £1 million. There is no overall impact on the Council's reported net cost of services for 2011/12 as a result of this error.

- Prior period 'Corporate & Democratic Core classification corrections of £1,290k. A t 20 August we are continuing to check the proposed correction, which impacts a number of the service lines for expenditure, but has no overall impact on the Council's total reported gross expenditure for cost of services in 2011/12.

Officers have also agreed in principle to correct a number of errors that are individually not material.

In addition to the matters noted above which impact the primary financial statements we have agreed a number of disclosure changes with officers to ensure that the financial statements comply with the Code and are materially accurate. Key changes are set out in section 3 of this report.

In addition we highlight the following misstatements which are not corrected by management:

Uncorrected misstatements	Assets current Debit/ (Credit) £'000	Assets non-current Debit/ (Credit) £'000	Liabilities current Debit/ (Credit) £'000	Liabilities non-current Debit/ (Credit) £'000	Income Debit/ (Credit) Current period £'000	Expenses Debit/ (Credit) Current period £'000
Known differences:						
► At 20 August there are no differences that officers have not agreed to correct, other than trivial errors						
Judgemental differences:						
► Projected error relating to an error identified in expenditure cut off testing (actual error was trivial at £1,125, but formed part of our sample). Projecting an error is in accordance with EY methodology.			338			(338)
Balance sheet totals	338	-	-	-		
Income effect of uncorrected misstatements					-	(338)
Cumulative effect of uncorrected misstatements before turnaround effect	338	-	-	-	-	(338)
Turnaround effect See note 1 below				135		(135)
Cumulative effect of	338		-	135	-	(473)

uncorrected misstatements, after turnaround effect	

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2013.

- Note 1: turnaround effect is the impact of uncorrected misstatements identified in the prior period, on results of the current period. These were uncorrected errors identified by the predecessor auditors. We have exercised our professional judgement in determining that three errors should be included here:A £199k overstatement of a 2011/12 VAT debtor identified by the predecessor auditors.

- A £200k understatement of 2011/12 creditors identified during audit testing by the predecessor auditors.

- Offset by a £268k 2011/12 creditor that the predecessor auditors considered was not payable.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 20 March 201. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 9 September 2013.

Appendix A Required communications with the Audit Committee

There are certain communications that we must provide to the audit committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits	Audit results report
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	Audit results report
Fraud ► Enquiries of the audit committee to determine	Audit results report

Required communication	Reference
whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	Audit results report
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit results report – no matters to report

Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan and update in section 9 of this report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	Audit results report – no matters to report
Significant deficiencies in internal controls identified during the audit	Audit results report
Opening Balances ► Findings and issues regarding the opening balance of initial audits	Audit results report
Fee reporting ► Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body)	Audit Plan and Audit results report; to be updated in subsequent reports (Annual Audit Letter and Annual Certification of Claims and returns Report)
Summary of certification work undertaken ► Annual report to those charged with governance summarising the certification work undertaken	Annual Certification Report – to be issued January 2014

Appendix B Letter of representation

[To be prepared on the Council's letterhead]

[Date]

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

This representation letter is provided in connection with your audit of the financial statements of the Borough Council of King's Lynn & West Norfolk ("the Council") for the year ended 31 March 2013. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as of 31 March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United

Kingdom 2012/13 and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because.

   [specify reasons for not correcting misstatements]

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.

   - Additional information that you have requested from us for the purpose of the audit and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council, and committees (Cabinet, Audit and Risk Committee and Performance and Resources Committee) held through the year to the most recent meeting on the following date: *[list date – prior to signing the letter of representation].*

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note35 to the financial statements all guarantees that we

have given to third parties.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

2. Accounting estimates recognised or disclosed in the financial statements:

   - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.

   - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

   - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

   - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Comparative information – corresponding financial information

[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned – to be agreed with EY in advance of the letter being finalised.]

The comparative amounts have been correctly restated to reflect the above matters and appropriate note disclosure of these restatements have also been included in the current year's financial statements.

Yours Faithfully,

____

Chief Financial Officer

I confirm that this letter has been discussed and agreed at the Cabinet on 16 September 2013

____

Leader

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

REPORT TO CABINET

<table>
<tr><td colspan="2">Open</td><td colspan="3" rowspan="2">Would any decisions proposed :

Be entirely within Cabinet's powers to decide NO

Need to be recommendations to Council YES

Is it a Key Decision NO</td></tr>
<tr><td>Any especially affected Wards</td><td>Mandatory</td></tr>
<tr><td colspan="2" rowspan="2">Lead Member: Cllr Nick Daubney
E-mail: cllr.nick.daubney@west-norfolk.gov.uk</td><td colspan="3">Other Cabinet Members consulted:</td></tr>
<tr><td colspan="3">Other Members consulted:</td></tr>
<tr><td colspan="2">Lead Officer: Ray Harding
E-mail: ray.harding@west-norfolk.gov.uk
Direct Dial: 01553 616245</td><td colspan="3">Other Officers consulted: Management Team, Monitoring Officer, Audit Manager, S151 Officer, Democratic Services Manager, ICT Manager, Extended Management Team</td></tr>
<tr><td>Financial Implications
NO</td><td>Policy/Personnel Implications
NO</td><td>Statutory Implications
YES</td><td>Equalities Impact Assessment
NO</td><td>Risk Management Implications
YES</td></tr>
</table>

Date of meeting: 16 September 2013

2 Annual Governance Statement for the Year 2012/13

Summary
The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement. The AGS is a public statement that describes and evaluates the Council's overall governance arrangements during a particular financial year.

This report seeks Cabinet approval of the Council's Annual Governance Statement for 2012/13 – attached as an Appendix to the report.

Recommendation
It is recommended that the Annual Governance Statement for 2012/13 as attached to the report be approved for adoption and that the Leader of the Council and the Chief Executive sign accordingly.

Reason for Decision
To comply with the statutory requirements in the Accounts and Audit Regulations (England) Regulations 2011.

1.0 Background

1.1 The Council's Local Code of Corporate Governance sets out six core principles of good governance that focus on the systems and processes for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. These core principles include:

- Focusing on the purpose of the Council
- Roles and responsibilities of members and officers
- Standards of conduct and behaviour

- Decision making, scrutiny and risk management
- Developing capacity and capability of members and officers
- Engaging with local people and stakeholders

1.2 The extent to which the Council adheres to these principles is described in the Annual Governance Statement.

1.3 The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement. The AGS is a public statement that describes and evaluates the Council's overall governance arrangements during a particular financial year. It includes a self-assessment of the effectiveness of the governance arrangements, across all areas of activity, together with a statement of the actions being taken or required to address any areas of concern.

1.4 The Statement is signed by the Leader and Chief Executive of the Council and published alongside the Statement of Accounts.

2.0 Proposed Annual Governance Statement

2.1 The Statement has been produced in accordance with relevant professional guidance and good practice – the Chartered Institute of Public Finance and Accountancy (CIPFA) have recently published an addendum to their "Delivering Good Governance in Local Government: Framework" which has now been given "proper practices" status by the Department for Communities and Local Government. The addendum sets out the key areas which should be reflected in the Annual Governance Statement and a comprehensive review has taken place to ensure that these areas are all included in the Council's AGS for 2012/13.

2.2 The production of the statement, and the consultation process, has involved input from Management Team, the Audit Manager, the S151 Officer, the Democratic Services Manager, the ICT Manager and the remainder of Extended Management Team, as well as external audit.

2.3 The Statement is required to include notification of any significant internal control issues identified and include an action plan to address them. Significant governance issues are covered in section 6 in the Statement, the Action Plan is on the final page.

2.4 One noteworthy issue has been identified through the preparation of the Statement; this was an Internal Audit report in respect of Environmental Information Regulations which was graded as 'Limited Assurance' with three 'High' priority recommendations. This point, along with a number of other actions has been added to an Action Plan shown on the last page of the AGS which is being worked on during the current 2013/14 year.

2.5 The Statement also comments on actions progressed from the previous year (2011/12).

3.0 Policy Implications

None

4.0 Financial Implications

None

5.0 Personnel Implications

None

6.0 Statutory Considerations

6.1 The adoption of the Annual Governance Statement is required to comply with the Accounts and Audit Regulations.

7.0 Equality Impact Assessment (EIA)

None

8.0 Risk Management Implications

8.1 The Annual Governance Statement forms part of the Council's risk management process and provides reasonable assurance (as defined in section 7 of the AGS itself) that the Council is complying with the adopted Code of Corporate Governance.

8.2 Failure to maintain an effective approach to producing the AGS may lead to the Council being

- unable to meet its statutory duty
- unable to demonstrate it has effective corporate governance arrangements in place
- open to criticism from External Audit.

9.0 Recommendations

9.1 From the review undertaken, the assessment and ongoing monitoring work completed and supported by the verification work undertaken by internal audit, we have reached the opinion that key systems are operating soundly and that there are no fundamental weaknesses.

9.2 It is recommended that the Annual Governance Statement for 2012/13 as attached be approved for adoption and that the Leader of the Council and the Chief Executive sign accordingly.

9.0 Declarations of Interest / Dispensations Granted

None

Background Papers

CIPFA/SOLACE Framework including Guidance Notes and Addendum
Annual Governance Statement 2011/12

Borough Council of
King's Lynn &
West Norfolk

Annual Governance Statement

2013

Covers the 2012/13 year

1. Scope of responsibility

The Borough Council of King's Lynn and West Norfolk is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of the above.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is on our website at www.west-norfolk.gov.uk. This Annual Governance Statement explains how this Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3) which requires all relevant bodies to prepare an annual governance statement in relation to the effectiveness of the system of internal control.

2. The purpose of the governance framework

The governance framework comprises the systems, policies, procedures and operations by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and outcomes and to consider whether those objectives have led to delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to

- identify and prioritise the principle risks to the achievement of the Council's policies, agreed outcomes and objectives
- evaluate the likelihood and potential impact of those risks being realised
- manage them efficiently, effectively and economically.

The governance framework has been in place at the Borough Council of King's Lynn and West Norfolk for the year ended 31 March 2013 and remains in place to date.

3. The governance framework

The Council's governance framework is made up of the many systems, policies, procedures and operations we have in place to do the following:

3.1 Publish our aims for local people and others who use our services

The Council shares a common ambition with its partners to improve the quality of life in West Norfolk. Broad aims – or outcomes – to work towards for the borough are set out in the West Norfolk Strategy:

- people benefit from a growing economy
- people live in a quality environment
- people maximise their potential
- people lead safe and healthy lives
- people live in thriving communities

These aims are shared with our key partners, many of whom form the West Norfolk Partnership, which brings together the public and voluntary sector leaders in West Norfolk. The same five outcomes – plus one which looks at how the Council wants to use it's resources – have been used as the framework for the Council's Corporate Business Plan 2011/12 – 2014/15, which is the overarching strategy for the Council. By using the same outcomes as the West Norfolk Strategy, the Council can clearly show how it contributes and how its vision is aligned with our partner organisations.

The Corporate Business Plan is aligned with the Council's Financial Plan and is available on the Council's website.

3.2 Review our aims and the implications on our governance arrangements

During the 2012/13 year we have worked hard to achieve the aims set out in the Corporate Business Plan. Progress has been reviewed through our Corporate Business Plan Monitoring report, which is considered every six months by the Resources and Performance Panel. The Council's senior management team are instrumental in the achievement of our aims and through the regular meetings they hold, they ensure that our governance arrangements are consistent with, and support us in this.

3.3 Measure the quality of our services and make sure we provide them in line with our aims and that they provide value for money

The Council has a Performance Management Framework which is, in effect, a summary of the key internal processes and components through which the Council sets, delivers, monitors and reports on its priorities and services. As such the Performance Management Framework encompasses elements of strategy, finance, performance, people and risk management, and reporting and accountability. The Framework describes how the Council measures and monitors the performance of our services and is available on the Council's website.

3.4 Define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions

The Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. This defines, amongst other things, the roles of the Cabinet, how the scrutiny and overview function operates within the Council, the Scheme of Delegation, and the roles and responsibilities of officers and members. The Constitution is subject to periodic change either through national legislation or local decision and is reviewed and amended accordingly.

The Council facilitates policy and decision making through the Cabinet. Meetings are open to the public except where exempt or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority. In line with changes to legislation in 2012 relating to access to information and executive decisions, the Council publishes a Forward Decision List which contains details of key decisions to be made by the Council, its committees and Chief Officers under their delegated powers.

3.5 Develop, communicate and embed codes of conduct which define the standards of behaviour for members and staff

The Council has in place key documents which communicate the standards of behaviour required of members and all Council staff (officers). These include the

- Members Code of Conduct
- Register of Disclosable Pecuniary Interests
- Protocol for Member/Officer Relations
- Employee Handbook
- Anti-Fraud and Anti-Corruption Strategy

- Whistleblowing Policy
- Fraud Response Plan
- Disciplinary / Grievance Procedures

The Standards Committee trains and advises Members on the Members Code of Conduct.

The Performance Management Framework describes how staff performance, including conduct, is managed. The Council also has a Harassment Procedure in place, which demonstrates the belief that all employees have a right to be treated with dignity and respect, and that the Council will take steps to ensure this right is protected. All policies are available to all staff and Councillors via the Council's Intranet.

3.6 Review the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

Effective management is based on a framework of regular management information, financial regulations, standing orders and a structure of varying levels of responsibility. The Council has all this in place and we regularly review them to ensure they remain 'fit for purpose'. As an example, the Council's Contract Standing Orders were reviewed and updated by Council in November 2012; the Scheme of Delegation was updated and agreed in March 2013.

The West Norfolk Partnership, the Council's main partnership, which consists of key local bodies, reviewed and updated its operating protocols in March 2013.

The Council reviewed and updated its Data Quality Policy and Strategy in April 2012. The document shows that the Council understands the importance of data quality and is committed to being consistent in its management of data quality within the organisation and in partnership with others, ensuring that the data produced adheres to the 7 principles of data quality. The document is available on the Council's website.

3.7 Ensure the framework for identifying and managing risks, and for developing counter-fraud and anti-corruption arrangements are effective and well-maintained

The Council recognises it has a responsibility to manage both internal and external risks as a key component of good corporate governance and is committed to making sure that risk identification and management is embedded into the daily operations of the Council. Full details are contained within the Risk Management Strategy. The Corporate Risk Register is reviewed regularly by the Council's Executive Directors and the Audit and Risk Committee receive reports on a half-yearly basis on the position of the register.

The Council has in place an Anti-Fraud and Anti-Corruption Strategy, which details the approach to its arrangements. The Strategy covers the roles of elected Members, employees and Managers, Internal and External Audit and the Benefit Enquiry Unit. During the 2013/14 year, as reported to the Audit and Risk Committee on 25 June 2013, a comprehensive review will be undertaken of the Council's fraud prevention and detection processes.

Additionally, the Council is actively involved in national anti-fraud initiatives, including the Housing Benefit Matching Service with the Department for Work and Pensions, the National Anti-Fraud Network and the National Fraud Initiative.

3.8 Ensure effective management of change and transformation

The Council has a good history of dealing with change and transformation. Recent years have necessitated considerable changes to take place in order to accommodate reductions in government grants and council tax freezes. This work has continued throughout 2012-13 with Members being actively involved in identifying and approving areas where change and transformation can take place to ensure the required savings are achieved whilst protecting front line services.

Senior officers are trained in effective project management techniques to deliver the required change and the Council's Performance Management Framework shows how the corporate aims translate into targets for staff.

3.9 Ensure the authority's financial management and governance arrangements conform to the governance requirements of the latest CIPFA statements on the 'Role of the Chief Financial Officer in Local Government' and the 'Role of the Head of Internal Audit'. Where they do not, explain why and how they deliver the same impact

The two CIPFA statements mentioned above are helpful tools to allow the Council's arrangements to be benchmarked against a clearly defined framework. Arrangements in place conform to the requirements outlined in the CIPFA 'Role of the Head of Internal Audit'.

In respect of the CIPFA statement on the 'Role of the Chief Financial Officer in Local Government', the Council's arrangements largely comply. The area where current arrangements do not comply are in the reporting line of this post. A decision was taken in December 2012 to alter the Scheme of Delegation and move the responsibility to act as the Council's Chief Financial Officer from the Deputy Chief Executive to the Chief Accountant. This post was re-designated as Chief Financial Officer.

This arrangement does not conform to the requirement for the post to report directly to the Chief Executive and be a member of the Leadership Team. Under the new arrangements, which came into force on 1 April 2013, the post reports directly to the Deputy Chief Executive, previously the Chief Financial Officer. The decision was taken as part of the Council's longer term succession planning. The newly appointed Chief Financial Officer does however attend the Leadership Team meetings when a report contains financial or other relevant information. The Chief Financial Officer does have direct access to the Chief Executive, other Leadership Team members, the Audit and Risk Committee and external audit as required, and the Council is satisfied that these arrangements deliver the same impact.

3.10 Ensure effective arrangements are in place for the discharge of the Monitoring Officer and Head of Paid Service functions

The Council has appointed the Legal Services Manager as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service, the Monitoring Officer will report to full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration.

The Chief Executive is the Council's Head of Paid Service and has overall responsibility for the management and co-ordination of the employees appointed by the Council. He is required to report to the Council as appropriate with regard to the way in which the different functions of the Council are co-ordinated, the number and grades of staff required for the discharge of these functions, the way in which these people are organised and managed and the way in which they are appointed.

These statutory roles have detailed job descriptions and person specifications in place and take full part in the Council's Performance Management arrangements.

3.11 Carry out the main functions of an Audit Committee, as identified in CIPFA's 'Audit Committees: Practical Guidance for Local Authorities'

Good corporate governance requires independent, effective assurance about the adequacy of financial and operational management and reporting, and this assurance is best provided by a committee that is independent from the executive and scrutiny functions, in this Council, the Audit and Risk Committee.

The Audit and Risk Committee was set up in 2006 with Terms of Reference drawn up in line with guidance from CIPFA. The Terms of Reference are reviewed every 3 years to ensure they remain relevant and effective. The next review will take place in 2013/14.

A review is undertaken each year of the effectiveness of the Audit and Risk Committee. For the year covered by this statement, the review was presented to the Audit and Risk Committee on 23 July 2013. The review concluded that the Committee is continuing to perform effectively and that the Council is meeting its requirements under the Accounts and Audit Regulations 2011.

3.12 Ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is legal

The Council's Constitution provides a comprehensive framework for the management of the authority's business and ensures compliance with relevant laws, regulations, internal policies and procedures. Policy Review and Development Panels assist Cabinet and Council to ensure that compliance is considered where appropriate and report templates for those panels and for Cabinet ensure all elements are considered at the time the report is presented. Statutory Officers – Head of Paid Service, Monitoring Officer and Chief Financial Officer – are in post to monitor and ensure adherence. All initiatives undertaken, including those with financial elements, are either progressed due to being a statutory requirement or because it will contribute to a key aim of the Council. All initiatives are reviewed by regular meetings of the Management Team and senior managers in order to ensure compliance and that spend is legal. Additionally, the Chief Executive and Deputy Chief Executive meet weekly with the Leader and Deputy Leader to ensure the senior members are aware of any matters that are relevant.

3.13 Ensure arrangements are in place for whistleblowing and receiving and investigating complaints from the public

The Council has a Whistleblowing Policy in place, produced in accordance with the provisions of the Public Interest Disclosure Act 1998.

The Council has a Corporate Complaints procedure, available on the Council website or on paper on request. The procedures were reviewed in early 2012 and new procedures came into effect on 1 April 2012. The Council also deals with any incidents of racial complaints in a similar but separate process. The complaints received are analysed and results presented to the Resources and Performance Panel on an annual basis.

3.14 Identify development needs of members and senior officers in relation to their strategic roles, supported by effective training

The Council provides a complete programme of learning and development to officers and members, demonstrated by the Workforce Learning and Development plan 2012-15. Learning and development needs for staff are identified through the performance management process, these needs are translated into a training plan. The Council has a commitment to Management Training and during the early part of 2013 workshops were held with Service Managers to identify more strategic level needs. Member's development needs are identified through use of a questionnaire following their election, and are also identified during the year as matters arise at meetings and questions of training needs arise.

3.15 Establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council welcomes views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes. Examples of these are: the consultation undertaken whilst drawing up the new localised Council Tax Support Scheme; residents' attendance at local meetings – for example, Safer Neighbourhood Action Panels or the Town Centre Business Partnership; Council members attending Town or Parish Council meetings; or individual contact with a local ward Councillor.

The Council undertakes customer satisfaction surveys for customers who visit the Council Offices or contact us via the telephone. The Council's website has 'Govmetric' on its pages, a method through which customers can tell us how they rate the information or service. The Council is also increasingly using social media to communicate and engage. Social media guidelines will be rolled out to staff during 2013/14 to ensure this is used effectively and responsibly. Results of all methods of communication are fed back into service delivery, ensuring accountability. The Council also monitors feedback from residents and service users through compliments and complaints received.

3.16 Incorporate good governance arrangements in respect of partnerships and other joint working and reflect these in the authority's overall governance arrangements

The Council participates in a range of joint working arrangements with other bodies, some of which are more significant than others, in terms of the potential for a detrimental impact on the Council should the partnership fail. Formal, service delivery partnerships such as CNC Building Control, the joint committee with North Norfolk District Council, the joint venture agreement for housing on the NORA site and civil parking enforcement arrangements with Norfolk County Council, are subject to formal governance arrangements and include processes for reviewing the delivery of benefits and arrangements for termination should the arrangement not be serving the purpose for which it was created.

The Council also operates informal, collaborative partnerships, such as the West Norfolk Partnership and the Youth Advisory Board. Although the West Norfolk Partnership, for example, is now an informal arrangement, regular reports are presented to the Resources & Performance Panel, to ensure that members are kept informed of initiatives and progress. The Council is particularly mindful of the financial and reputational risks that can arise through entering into joint working and collaborative arrangements. It therefore actively supports open and transparent arrangements in all its partnership working.

Appendix A

The table at Appendix A demonstrates how the core and supporting principles of corporate governance, as detailed in the Council's adopted Code of Corporate Governance have been upheld during the year 2012-2013.

4. Review of effectiveness

The Council has a responsibility to review the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Internal Audit and the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates, where undertaken.

The process of maintaining and reviewing the effectiveness of the system of internal control includes the following measures and actions:

- There is a well-established Overview and Scrutiny function; Scrutiny Panels review the work of the Council throughout the year and report annually to Council
- The Standards Committee is responsible for standards and probity, and receives reports from the Monitoring Officer. Changes required to the standards regime at the Council as a result of the Localism Act 2011 and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 have been introduced during 2012/13
- The Audit and Risk Committee carries out an overview of the activities of the Council's internal and external audit functions. Members of the Audit & Risk Committee are provided with copies of all reports produced by Internal Audit and the external auditors, and also receive regular reports on matters relating to finance, fraud and risk management. The Committee approves the annual plans for each, and receives regular progress reports throughout the year. The Audit Manager submits to the Panel an annual report and opinion, and the external auditors submit an Annual Audit letter. The Audit Manager has included an audit opinion on the adequacy and effectiveness of the council's systems of internal control in the Annual Report on work completed during 2012/13 which

went before the Audit and Risk Committee on 25 June 2013. The audit opinion was that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy.

- The Internal Audit service is a directly employed in-house service, providing a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2011. It operates under the CIPFA Code of Practice for Internal Audit in Local Government, as endorsed by the Audit and Risk Committee. The Audit Manager has completed a review of the effectiveness of the Internal Audit Service during the 2012/13 year, the result of the review was reported to the Audit & Risk Committee on 25 June 2013 and concluded that the Internal Audit team continues to comply with the Code and provides an effective assurance service, as well as adding value to the Council's services.
- The Audit Manager has also completed a review of the effectiveness of the Audit & Risk Committee itself. The result was reported to the Audit and Risk Committee on 23 July 2013 and concluded that the Committee is continuing to perform effectively and the Council is meeting its requirements under the Accounts and Audit Regulations 2011.
- The Council's external auditors review the activities of the Council, approve the annual accounts and certify grant claims (where required). Conclusions and significant issues arising are detailed in various reports from the auditors. Their report 'Statement of Accounts – report to those charged with Governance (ISA 260) went before Cabinet on 18 September 2012; the Annual Audit Letter went before the Audit & Risk Committee on 27 November 2012. These reports from the external auditors all refer to the 2011/12 financial year (the latest available) and raised no concerns of a material nature.
- A Member / Officer protocol is in place and forms part of the Council's constitution.
- Additionally, it is the responsibility of the statutory officers to report to Council on any issues concerning the review of the effectiveness of internal control arrangements. There have been no issues arising during 2012/13 which have required the full Council to exercise its role.

In summary, a review of arrangements for the 2012/13 year has been undertaken; the review has not highlighted any issues as significant weaknesses in governance or internal control during the year. The arrangements outlined above are in place and operating as planned.

5. Changes during 2012/13

- The Council has undergone a change in its external auditors during the year under review. As a result of the decision in 2010 to disband the Audit Commission, a tender exercise took place nationally to outsource the Audit Commission audit work. In March 2012, it was announced that Ernst & Young had won the contract for the Eastern Region. It was agreed that Ernst & Young would commence as the Council's external auditors with effect from 1 September 2012.
- The Council has agreed a change of Chief Financial Officer (aka S151 Officer) during the year under review. See point 3.9 above for further details.

6. Significant governance issues

There were no significant governance issues identified during the year under consideration. However, an Internal Audit report in respect of Environmental Information Regulations was issued during 2012/13 graded as 'Limited Assurance' with three 'High' priority recommendations. The recommendations relate to breaching timescales included in the Environmental Information Regulations; failure to evidence assessment of the public interest test; and inadequate awareness of the differences between these regulations and Freedom of

Information on the part of Members and staff. An action in respect of this issue will be included in the action plan for the coming year.

In the Annual Governance Statement for the 2011/12 year (presented to Cabinet on 18 September 2012) a 13 point Action Plan was set out to deal with governance issues identified during the review last year. Eight points on that Action Plan have been completed satisfactorily. Three points are no longer considered appropriate and two outstanding points not yet completed will be carried forward to this year's Action Plan.

An Action Plan for the 2012/13 year containing new items identified through the review undertaken is attached at Appendix B.

7. Assurance summary

From the review undertaken, the assessment and ongoing monitoring work completed[1] and supported by the verification work undertaken by internal audit, we have reached the opinion that key systems are operating soundly and that there are no fundamental weaknesses.

No system of internal control could provide absolute assurances against material misstatement or loss; this statement is intended to provide reasonable assurance. There is an on-going process for identifying, evaluating and managing key risks. These risks are reflected in the audit plan, the Corporate Risk Register and are the subject of separate reports during the course of the year.

We are satisfied that an on-going process for identifying, evaluating and managing key risks exists. We propose over the coming year to take steps to address matters identified to further enhance our governance arrangements. We are satisfied that the steps outlined at Appendix B will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Signatures to be added when agreed

Cllr Nick Daubney
Leader of the Council
Date to be added

Ray Harding
Chief Executive
Date to be added

[1] By the Audit and Risk Committee and the Standards Committee

APPENDIX A: APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

Principles	Requirements	Evidence
1. Focusing on the purpose of the Council and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area		
1.1 Exercising leadership by clearly communicating the Council's purpose and vision and its intended outcome for citizens and service users	• Develop & promote the authorities' purpose & vision	Corporate Business Plan Community Strategy Website and / or PR activity
	• Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements	Code of Corporate Governance Review of Corporate Business Plan
	• Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	WN Partnership working protocol CNC Building Control Care and Repair Refuse contract Revenues and Benefits Car Park management Civil Parking Enforcement
	• Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	Annual financial statement
1.2 Ensuring that users receive a quality service whether directly, or in partnership or by commissioning	• Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	Corporate Business Plan Annual Directorate Plans Medium term financial strategy
	• Put in place effective arrangements to identify and deal with failure in service delivery	Complaints procedure
1.3 Ensuring that the Council makes best use of resources and that tax payers and service users receive value for money	• Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions. • Explore and rigorously test opportunities for shared services and joint procurement	Performance Reports Benchmarking Environment Monitoring Report Car parking arrangements Joint refuse contract procurement
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles		
2.1 Ensuring effective leadership throughout the Council by being clear about executive and non executive functions and of the roles and responsibilities	• Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach to putting this into practice	Constitution Record of delegated decisions Scheme of Delegation Portfolio Holders areas of responsibility on website
	• Set out a clear statement of the	Constitution

Principles	Requirements	Evidence
of the scrutiny function	respective roles and responsibilities of other authority members, members generally and of senior officers	Member / Officer protocol
2.2 Ensuring that a constructive working relationship exists between elected Members and officers and that the responsibilities of Members and officers are carried out to a high standard	• Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required	Constitution Member / Officer Protocol Standing Orders Financial Regulations
	• Make a chief executive or equivalent responsible and accountable for all aspects of operational management	Conditions of employment Scheme of delegation Statutory provisions Job description / specification Performance management framework
	• Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	Member / officer protocol
	• Make a senior officer (the s151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	Section 151 responsibilities Financial Regulations Statutory provision Statutory reports Budget documentation Job description / specification
	• Make a senior officer (usually the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and regulations complied with	Monitoring Officer provision Statutory provision Job description / specification
2.3 Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other	• Develop protocols to ensure effective communication between members and officers in their respective roles	Member / officer protocol
	• Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)	Pay & conditions Member Allowance Scheme Independent Allowances Panel Published pay and expenses of senior officers Published remuneration and expenses of members
	• Ensure that effective mechanisms exist to monitor service delivery	Performance management framework Performance reporting schedule

Principles	Requirements	Evidence
		Meeting schedule Panel and Cabinet reports
	• Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other stakeholders, and that they are clearly articulated and disseminated	Corporate Business Plan Directorate Plans Performance Management Framework Budgets Budget consultation with business ratepayers
	• When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.	WN Partnership working protocols CNC Partnership Agreement Guidance from insurers when sitting on outside bodies Safer Neighbourhood Action Panels (SNAP) Norfolk Waste Partnership
	• When working in partnership: - Ensure that there is clarity about the legal status of the partnership - Ensure that representatives of organisations both understand and make clear to all other partnerships the extent of their authority to bind their organisations to partnership decisions	WN Partnership working protocols Revenues and Benefits shared services Care & Repair Car Park management Civil Parking Enforcement
3. Promoting the values of the Council and demonstrating the values of good governance through behaviour		
3.1 Ensuring Council Members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance	• Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	Members Code of Conduct Corporate Business Plan Code of Corporate Governance Extended Management Team meetings Staff Briefing sessions Management Team updates
	• Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	Members / officers' code of conduct & protocols Performance appraisal system Induction process Complaints procedures Anti-fraud & anti-corruption policy Whistle Blowing Policy Data Protection Act 1998 staff guidance Equality Policy Computer Usage Policy

Principles	Requirements	Evidence
		Travelling Abroad with Council Devices Policy Equality Monitoring
	• Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	Standing orders Codes of conduct Financial regulations Register of Interests Employee Handbook Harassment Procedure
3.2 Ensuring that organisational values are put into practice and are effective	• Develop and maintain shared values including the leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners	Codes of conduct Corporate Business Plan feeding down to PRP targets Internal Affairs Members Bulletin Whistleblowing Policy Website/Intranet
	• Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Codes of conduct Internal Audit Strategic Plan Constitution Audit & Risk Committee Equalities Impact Assessment process Equality Policy Officer membership of professional bodies
	• Develop and maintain an effective standards committee	Terms of reference Reports to Council
	• Use the organisation's shared values to act as a guide for decision-making and as a basis for developing positive and trusting relationships within the authority	Decision-making practices Directorate Plans Financial Regulations Contract Standing Orders Weekly meetings of Management Team and CEO / Deputy CEO and Leader / Deputy Leader Portfolio Holder meetings with senior management
	• In pursuing partnership working, agree a set of values against which decision-making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	Partnership working protocols CNC Partnership Agreement Civil parking enforcement arrangements
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
4.1 Exercising leadership by being rigorous and	• Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances	Cabinet Scrutiny Committee Audit & Risk Committee

Principles	Requirements	Evidence
transparent about how decisions are taken and listening to and acting upon the outcome of constructive scrutiny	the authority's performance overall and that of any organisation for which it is responsible	Policy Development & Review Panels Scrutiny and Overview Liaison Committee Agendas and minutes of meetings Internal Audit provision
	• Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	Record of decisions and supporting materials Agendas and minutes of meetings
	• Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	Members' code of conduct Register of Interests Employee handbook Declaration of Interests – standing item on meeting agendas
	• Develop and maintain an effective audit committee which is independent of the executive and scrutiny functions	Audit and Risk Committee - Terms of reference and associated annual review Membership Member training programme
	• Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	Complaints procedure
4.2 Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	• Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications	Members induction scheme Training for committee chairs and panel members Cabinet / Portfolio report templates Standard timetable for production and circulation of agendas Clear scheme of delegation Data Quality Strategy Data Analyst post Data observatories Biennial Quality of Life survey
	• Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision-making and used appropriately	Record of decisions and supporting materials Reports available prior to meetings Section 151 Officer, Monitoring Officer and professional Officers available for queries
4.3 Making sure that an effective risk management	• Ensure that risk management is embedded into the culture of the authority, with members and	Corporate Risk Register Risk Management Strategy Financial Regulations

Principles	Requirements	Evidence
system is in place	managers at all levels recognising that risk management is part of their jobs	Directorate Plans Equality Impact Assessments Risk section in cabinet reports Anti-Fraud and Anti-Corruption Policy
	• Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access	Whistle-blowing policy on Intranet and Website
4.4 Recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area	• Actively recognise the limits of lawful activity placed upon them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities	Constitution Monitoring Officer provisions Statutory provisions
	• Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law	Monitoring Officer provisions Professional standards for Officers
	• Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes	Monitoring Officer provisions Job description / specification Member / Officer protocols Statutory provisions
5. Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively		
5.1 Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	• Provide induction programmes tailored to individual needs and opportunities for members and officers to upgrade their knowledge on a regular basis	Training and development plan – Members and Officers Induction programme – Members and Officers Ad hoc courses and seminars (CPD)
	• Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	Job description / person specifications Membership of senior management Workforce Learning and Development plan
5.2 Developing the capability of people with governance	• Assess the skills required by members and officers and make a commitment to develop those skills to	Training & development programmes – Members and Officers

Principles	Requirements	Evidence
responsibilities and evaluating their performance, as individuals and as a group	enable roles to be carried out effectively	Performance Management process
	• Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	Members training programme Continuing Professional Development (CPD)
	• Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs	Cabinet Scrutiny Committee Monitoring of members' attendance at Panels Member's training needs questionnaire
5.3 Encouraging new talent for membership of the Council so that best use can be made of resources in balancing continuity and renewal	• Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	Information on website
	• Ensure that career structures are in place for members and officers to encourage participation and development	Succession planning Member training Workforce Learning and Development plan
6. Engaging with local people and other stakeholders to ensure robust local public accountability		
6.1 Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships	• Make clear to themselves, all staff and the community to whom they are accountable and for what	Code of Corporate Governance Corporate Business Plan Scrutiny Panels Media releases
	• Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	WN Partnership provides mechanism for strengthening links with other key stakeholders
	• Produce an annual report on the activity of the scrutiny function	Annual Reports of the Chairs of the Panels
6.2 Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery	• Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure they operate effectively	Website Customer Information Centre Community Information Points Press releases Communications Guide Social Media
	• Hold meetings in public unless there are good reasons for confidentiality	Constitution Agendas and minutes
	• Ensure that arrangements are in place to enable the authority to	Equalities Policy Customer surveys by CIC

Principles	Requirements	Evidence
	engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	Customer comment form Safer Neighbourhood Action Panels (SNAP) Biennial Quality of Life survey
	• Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanisms for those consultees to demonstrate what has changed as a result	Equality Impact Assessments Local Development Framework – Statement of Community Involvement
	• On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial settlements as well as information about its outcomes, achievements and the satisfaction of services users in the previous period	Annual financial statements Corporate Business Plan Corporate Monitoring Report Media releases
	• Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	Constitution Corporate Business Plan Minutes of meetings FOI Publication Scheme Website – transparency pages Media releases
6.3 Making best use of resources by taking an active and planned approach to meet responsibility to staff.	• Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	Internal consultation and engagement Internal communications channels Senior MT/Union meetings

APPENDIX B: ACTION PLAN FOR THE 2013/14 YEAR

	Issue	Action	Responsible Officer	Target Date
1	PC replacement programme (Carried forward from 2012/13)	Complete roll out of new desk-top pc's including a new standard desktop which will only allow authorised software to be run – will bring further enhancements to security arrangements	Deputy Chief Executive	March 2014
2	Increase level of Payment Card Industry Standard compliance (Carried forward from 2012/13)	Ensure the Council's level of compliance is compatible with that required to process payments on behalf of other organisations.	Deputy Chief Executive	March 2014
3	Ensuring key areas are not missed when new initiatives are first considered	Introduce and embed a checklist which the officer presenting an initiative to Management Team must work through. Will ensure key considerations are not missed.	Deputy Chief Executive	March 2014
4	Review the Council's fraud prevention and detection processes	Review the scope and activities of the Council's Internal Audit / Benefit Enquiry Unit teams to make appropriate changes in line with the changing environment	Deputy Chief Executive	March 2014
5	Alternative model for delivery of leisure services – governance structure	Ensure robust governance arrangements are given due consideration within the project	Executive Director, Commercial Services	March 2014
6	Code of Corporate Governance	Review and refresh the Code of Corporate Governance in line with revised guidance issued from CIPFA in Dec 2012	Executive Director, Central Services	March 2014
7	Review and refresh the Council's Corporate Business Plan (Relevant to governance as this is the main document that outlines what the Council is working towards. As outlined in revised CIPFA guidance)	The Corporate Business Plan adopted in November 2011 states that 'a mid-term review in 2013 will be undertaken to ensure the work programme still reflects what is important and relevant locally'	Executive Director, Central Services	Autumn 2013
8	Environmental Information Regulations	Ensure the recommendations arising from the Internal Audit report dated March 2013 are implemented satisfactorily.	Deputy Chief Executive	End August 2013