

Borough Council of  
**King's Lynn &  
West Norfolk**



# **RESOURCES AND PERFORMANCE – SPECIAL AUDIT AND RISK COMMITTEE**

**Tuesday 11 September 2012  
Following the Special Resources and Performance  
Panel Meeting starting at 6.00pm**

Committee Suite  
King's Court  
Chapel Street  
King's Lynn  
Norfolk  
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  
Fax: 01553 691663

3 September 2012

Dear Member

**Special Resources and Performance – Audit and Risk Committee**

You are invited to attend a special meeting of the above-mentioned Committee which will be held on **Tuesday 11 September 2012, following the Special Resources and Performance Panel Meeting**, in the **Committee Suite, King's Court, Chapel Street, King's Lynn**, to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Apologies for absence**

To receive any apologies for absence.

**2. Declarations of Interest**

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.

**3. Urgent Business Under Standing Order 7**

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

**4. Chairman's Correspondence (If any)**

**5. Cabinet's Forward Decision List for 18 September 2012**

**(i) Statement of Accounts 2011/2012 Report to those charged with Governance (ISA (UK&I) 260) (pages 1- 122)**

The Committee is invited to consider the Statement of Accounts 2011/2012 Report to those charged with Governance (ISA (UK&I) 260) submitted and presented by the Council's External Auditors and to make any appropriate recommendations to Cabinet.

**(ii) Annual Governance Statement 2011/2012 (pages 123-141)**

The Committee is invited to consider the Annual Governance Statement for 2011/12.

**6. Date of Next Meeting**

To note that the next ordinary meeting of the Resources and Performance - Audit and Risk Committee, will be held on **Tuesday 25 September 2012.**

**To: Panel Members –** Councillors P Beal (Chairman), C Manning (Vice-Chairman), J Collop, Mrs S Collop, C J Crofts, M Hopkins, H Humphrey, M Langwade, J Loveless, A Morrison, D Tyler, A White, Mrs M Wilkinson, T de Winton and A Wright

**Portfolio Holder:**

Councillor N J Daubney, Leader and Portfolio Holder for Resources

**Chief Executive**

**Deputy Chief Executive and Executive Director, Finance and Resources**

**Executive Director, Revenues and Customer Services**

**All other Executive Directors**

**Audit Manager**

**Press**

**By Invitation:** External Auditor – Agenda Item 5

**Officers:** The following Officers have been invited to attend in respect of the Agenda item listed below:

Agenda Item 5 - Dave Thomason, Deputy Chief Executive, Executive Director,  
Finance and Resources  
Lorraine Gore, Chief Accountant  
Toby Cowper, Principal Accountant

## REPORT TO CABINET

<b>Open</b>		Would any decisions proposed :		
<b>Any especially affected Wards</b>	Mandatory/	(a) Be entirely within Cabinet's powers to decide	YES	
	Operational	(b) Need to be recommendations to Council	NO	
	<b>None</b>	(c) Be partly for recommendations to Council and partly within Cabinet's powers –	NO	
Lead Member: Cllr N Daubney E-mail:		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Toby Cowper E-mail: <a href="mailto:toby.cowper@west-norfolk.gov.uk">toby.cowper@west-norfolk.gov.uk</a> Direct Dial: 01553 616523		Other Officers consulted: Management Team. Service Managers.		
Financial Implications YES	Policy/Personnel Implications NO	Statutory Implications (incl S.17) YES	Equal Opportunities Implications NO	Risk Management Implications NO
If not for publication, the paragraph(s) of Schedule 12A of the 1972 Local Government Act considered to justify that is (are) paragraph(s)				

**Cabinet Date: 18 September 2012**

### STATEMENT OF ACCOUNTS 2011/2012 AND REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)

#### **Summary**

The report introduces the Statement of Accounts (SOA) 2011/2012 – 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 2011/2012 – the International Auditing Standard (ISA 260).

#### **Recommendation**

It is recommended that Council approves the Statement of Accounts for 2011/2012 and notes the comments of the auditor in the ISA260.

#### **Reason for Decision**

The Council must approve the Statement of Accounts for 2010/2011 before 30 September 2011 and consider the comments from the auditor on the ISA 260.

## **1 Introduction**

- 1.1 The report introduces the Statement of Accounts for 2011/2012 – a statutory document that must be approved by the Council before 30 September 2012. The Statement has been subject to external audit by PricewaterhouseCoopers during the summer period.
- 1.2 The Council has already received a report on the outturn of the budget for 2011/2012 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 2011/2012 – the International Auditing Standard (ISA 260) – provides members with an overview of the findings of the audit.

## **2 Statement of Accounts 2011/2012**

- 2.1 The Council must formally approve the SOA for 2011/2012 by 30 September 2012. PricewaterhouseCoopers, 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 2012 and its income and expenditure for the year then ended.
- 2.2 As the Council's designated S151 Officer, the Deputy Chief Executive is responsible for the SOA and certifies his 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 2011/2012 document. The Balance Sheet is a 'snapshot' of the Council's financial position at the 31 March 2012.
- 2.5 The figures of interest on the Balance Sheet are: -
  - The new 'Heritage Asset' category that was added to the Balance Sheet due to the adoption of Financial Reporting Standard 30 (FRS30) into the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting. 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, civic regalia, museum collections, archives of borough records and works of art. The total value of heritage assets as recoded on the Balance Sheet as at 31 March 2012 was £19.9m (£19.2m as at 31 March 2011)

- The balance of short term investment has remained relatively high at £22.5m with an additional £3.8m classified as 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 debtors have increased to £4.8m from £3.6m. This movement is due mainly to the reduced level of debt by Government at the year end on grant claims.
- Short term borrowing has increased from £3.8m to £6.2m. This simply reflects the Council's cash flow position at the date of the year end.
- 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. During 2011/2012 the net Pension defect has increased to £37.2m from £25.2m. The accounts show that as at 31 March 2012 the ongoing liabilities to the fund have increased from £106m to £118m whilst the value of the assets of the employer has remained the static at £84m. 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 decreased by £0.5m due to a reduction in amounts held for earmarked reserves £0.2m and unapplied capital grants £0.3m. Unuseable Reserves have decreased from £112.6m to £105.2m. This is simply a book entry that offsets many of the other changes such as the asset revaluations and pension fund changes.

### **3 The International Auditing Standard (ISA 260).**

- 3.1 At the time of writing this report the auditor is finalising their audit procedures and the auditor has identified four matters they consider significant which are under discussion as detailed in the attached ISA 260 report (paragraph 5 page 5).
- 3.2 The valuation issue in respect of heritage assets (Borough Archive) is still ongoing (paragraphs 19 to 27 pages 10 and 11 of the attached ISA 260 report refer) and there is a risk that these valuations could delay accounts finalisation or result in audit qualification. Officers have been in discussion with Sotheby's in London to obtain valuation assurance to meet the auditor requirements. We have now received confirmation that they will complete the valuation work by 14 September 2012. It is anticipated therefore that an unqualified audit opinion can be issued within the statutory deadline.



3.3 The difficulties experienced during the preparation of the 2010/2011 accounts on first year adoption of International Financial Reporting Standards (IFRS), as highlighted last year by the auditor, have not been repeated in 2011/2012. IFRS procedures have now been embedded, with improved working papers and consequently a smoother and shorter audit process. The first year adoption of FRS 30 in respect of Heritage Assets has been proactively approached and the outstanding valuation issue is frustrating, but one which we are actively trying to resolve.

3.4 The ISA 260 report (page 18) also notes two misstatements that are not considered to be material in terms of the values in the accounts and if corrected at this stage would create changes to many other elements of the accounts.

#### **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 2012.

#### **7 Consultations**

Leader of Council

#### **8 Access to Information**

Council agenda/minutes  
Council budget books

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*Government and Public Sector*

***Borough Council of  
King's Lynn & West  
Norfolk***

22 August 2012

Report to those charged with  
governance (ISA 260 (UK&I)) -  
DRAFT

2011/12 Audit



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Members of the Audit and Risk Committee  
Borough Council of King's Lynn & West Norfolk  
Kings Court  
Chapel Street  
King's Lynn  
Norfolk  
PE30 1EX

22 August 2012

Dear Members of the Audit and Risk Committee

We enclose our draft report in respect of our audit of the Borough Council of Kings Lynn & West Norfolk (“the Council”) for the year ended 31 March 2012, the primary purpose of which is to communicate the significant findings arising from our audit.

The scope and proposed focus of our audit work was summarised in our audit plan, which was presented to the Audit and Risk Committee in February 2012. We have subsequently reviewed our audit plan and concluded that our original risk assessment remains appropriate. The procedures we have performed in response to our assessment of significant audit risks are detailed in Section ‘Audit Approach’ on page 6 of this report.

At the time of writing, in line with our planned timetable with the Council, we are finalising our audit procedures. This draft report therefore represents the latest position as at 22 August, to inform the Council of our current status and the issues under discussion. The key outstanding matters, where our work has commenced but is not yet finalised are detailed within paragraph 14 of the report. We will issue a revised report, with changes to this report highlighted, to Members prior to the Audit and Risk Committee meeting on 11 September 2012 to reflect the results of this outstanding work.

We look forward to discussing our report with you on 11 September 2012. Attending the meeting from PwC will be Clive Everest and Alison Ridley.

Yours faithfully

PricewaterhouseCoopers LLP

cc. Members of the Audit & Risk Committee

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### ***Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies***

*In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.*

# Executive summary

## The purpose of this report

- Under the Auditing Practices Board's International Auditing Standard (UK and Ireland) 260 (ISA (UK&I) 260) - "Communication of audit matters with those charged with governance" we are required to report to those charged with governance on the significant findings from our audit before giving our audit opinion on the accounts of the Borough Council of King's Lynn & West Norfolk ('the Council'). As agreed with you, we consider that "those charged with governance", at the Authority, are the Audit and Risk Committee.
- This letter contains the significant matters we wish to report to you arising from all aspects of our audit programme of work in accordance with ISA (UK&I) 260.
- Our audit work during the year was performed in accordance with the plan that was presented to you on 28 February 2012. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. We issue a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.
- We have set out below what we consider to be the most significant matters that we have discussed with you in the course of our work.

## Significant matters

- We have set out below what we consider to be the most significant matters that we have discussed with management during the course of our work and which are included within this report:

Matter	Report Paragraphs
Heritage Assets	19 to 28
Valuation of Property, Plant and Equipment	39 to 42
The valuation of assets and liabilities in relation to the Local Government Pension Scheme	43 to 46
Bad debt provisions	47 to 49

- We will discuss the matters contained within this letter with the Audit and Risk Committee on 11 September 2012. We will issue a revised report, with changes to this draft report highlighted, to Members prior to the Audit and Risk Committee meeting on 11 September 2012 to reflect the results of currently outstanding work. As at 22 August 2012, we would draw your attention particularly to the issues related to heritage asset valuations. Work is ongoing on this area by the Council, but we note that, at this point, there is a risk that these valuations could either delay accounts finalisation or result in audit qualification.
- Please note that the final, revised report will be sent to the Audit Commission in accordance with the requirements of their standing guidance.
- We would also like to take this opportunity to express our thanks for the co-operation and assistance we have received from the management and staff of the Council throughout our work.

# Audit approach

9. Through our discussions with officers, review of key Council documents, consideration of ISA (UK&I) requirements and reflections on the 2010/11 audit, we identified the significant risks facing the Council which impact on our audit.
10. Our audit scope and approach was set out in our 2011/12 Audit Plan. We have set out below the key audit risks identified within the Audit Plan together with our comments on the results of the work performed.

Identified audit risks from the Audit Plan	Outcome of audit work
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## Significant risks

### Fraud and Management Override of Controls

ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.

We are in the process of undertaking unpredictable testing on journals, in line with requirements in the Auditing Standards. To date, no exceptions have been identified from this work.

Our work on management estimates (as summarised in paragraphs 38 - o) has not identified any material misstatements to bring to your attention which indicate any inappropriate management bias. We comment elsewhere in this report however on the key judgments made by management in the areas of heritage assets, pension assets and liabilities, property valuations and bad debt provisioning.

We considered the business rationale underlying significant transactions and identified no matters to report to you.

We considered with due professional scepticism any changes made to accounting policies or estimation bases, and whether any unusual transactions had occurred and been accounted for correctly. Again, there are no matters of concern to report to you

Our unpredictable procedures included extended testing for liabilities not recorded within the accounts.

All unadjusted misstatements identified as a result of our work are listed in Appendix 1.

### Recognition of Income and Expenditure

Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition.

We extend this presumption to the recognition of expenditure in local government.

We updated our understanding of your systems and controls associated with income and expenditure that has been obtained during previous external audits. This included the validation of controls relating to payroll expenditure, debtors, creditors, housing and council tax benefits and National Non-Domestic Rates.

We also examined the application of the Council's accounting policies and focussed our work on the risk of material misstatement of those components of income and expenditure which involve management estimation. This includes accruals, accrued income and prepayments.

**Identified audit risks from the Audit Plan****Outcome of audit work****Fixed Asset Accounting**

The scale and complexity of the Council's estate presents a number of accounting challenges.

In our audit of the 2010/11 financial statements a number of errors were identified including:

- Reconciling the fixed asset register to underlying records and the accounts;
- The accounting treatment of impairments; and
- The valuation bases of Community and Infrastructure assets.

Our work on income and expenditure recognition has not identified any material misstatements or indications of management bias. All unadjusted misstatements are listed in Appendix 1.

We performed substantive tests of detail on the Council's Property, Plant and equipment (its fixed assets) to be satisfied that they were free from material misstatement. This included:

- Reviewing the Council's reconciliation of the fixed asset register to the general ledger and the accounts;
- Reviewing the Council's accounting treatment of impairments; and
- Reviewing the valuation bases of Community and Infrastructure assets.

Some misstatements were identified as a result of this work. All have been adjusted for within the updated accounts. Any material misstatements identified are detailed in the section "*Misstatements and significant audit adjustments*".

**Other Risks, not deemed to be Significant Risks****Valuation and Impairment of the Estate**

Property, plant and equipment (PPE) represents the largest balance in the Council's balance sheet. The Council measures its properties at fair value involving a range of assumptions and the use of internal valuation expertise. ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of expert valuers and processes and assumptions underlying fair value estimates.

Specific areas of risk include:

- The accuracy and completeness of detailed information on assets.
- Whether the Council's assumptions underlying the classification of properties are appropriate.
- Whether properties that are not programmed to be revalued in the year might have undergone material changes in their fair value.
- The valuer's methodology, assumptions and underlying data, and our access to these.

We performed substantive tests of detail on the Council's Property, Plant and equipment (its fixed assets) to be satisfied that they were free from material misstatement in terms of accuracy and completeness. We also considered whether the classification of properties within the accounts were appropriate.

We reviewed the Council's valuer's methodology, assumptions and underlying data in relation to the valuations performed during the year and considered their reasonableness based upon accounting requirements and property trends. We also considered the value of the properties not revalued during the year and used industry indices to aid us in our work in this area.

Our work in reviewing the valuation of property is a matter of significant judgment and, as such, our findings are presented in paragraph 39 to this report for the attention and consideration of the Audit and Risk Committee. Our work on this area is currently still ongoing as at 22 August 2012.

**Heritage Assets**

For the first time in the 2011/12 Statement of Accounts, the Code of Practice on Local Authority

We assessed the approach taken by the Council to identify and value its Heritage Assets in accordance with the Code of Practice. We also reviewed the



**Identified audit risks from the Audit Plan****Outcome of audit work**

Accounting in the United Kingdom requires authorities to present information about the heritage assets that they hold. Where it is practicable to obtain a valuation (at a cost commensurate with the benefits to users of the Statement of Accounts), the Code also now requires material amounts of heritage assets to be carried in the Balance Sheet at that valuation.

disclosures made by the Council in relation to these assets. The Council updated the draft accounts in response to some disclosures that were omitted in the first draft.

We have completed our work on the Council's approach to identify its Heritage Assets, and would commend them on the rigour of this process. There are, however, some significant issues in respect of outstanding valuations for certain heritage assets, which we are working with the Council to attempt to resolve for the 2011/12 accounts.

We comment in detail upon the valuation of these assets in paragraphs 19 to 28.

**Savings Plans**

The Council continues to need to achieve significant savings to meet its medium term financial plan, following a reduction in central government funding.

Our audit work has included:

- Undertaking testing on cut-off procedures and unrecorded liabilities at the year end to ensure all significant transactions are appropriately recognised and recorded within the correct period;
- Reviewing the Council's 2011/12 outturn against budget; and
- Performing a high level review of the Council's financial plan for 2011/15.

We have no matters to report in respect of this area.

***Risk of fraud***

11. We discussed with the Audit and Risk Committee their understanding of the risk of fraud and corruption and any instances thereof when presenting our Audit Plan.
12. In presenting this report to the Audit and Risk Committee we seek Members' confirmation that there have been no changes to their view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation in Appendix 2.

# Significant audit and accounting matters

13. ISA (UK&I) 260 requires us to communicate to you relevant matters relating to the audit of the financial statements sufficiently promptly to enable you to take appropriate action.

## Accounts

14. We have completed our audit in line with current Auditing Standards subject to the matters set out below:
- Some documentation and final review of audit work in relation to:
    - The cashflow statement;
    - Journals;
    - Related parties; and
    - Reserves.
  - Receipt of evidence to support debtors relating to outstanding VAT claims (£120,000).
  - Receipt of outstanding bank and investment confirmations;
  - Resolution of a £800 reconciling difference on the Council's bank reconciliation;
  - Reconciliation of the Council's number of deferred and active members in 2011/12 within the Norfolk County Council Pension Fund;
  - Continued liaison with the Norfolk County Council Pension Fund's external auditors to understand the results of their work and ensure that assets and liabilities reviewed by them are consistent with the information presented within the Council's Actuarial report;
  - Completion of Information Technology control testing relating to the Council's revenues and benefits system and fixed asset register;
  - Methodology and evidence to support the valuation of the Council's Heritage assets relating to museums;
  - Comparison of the Council's bad debt provision against debtors recovered during the year;
  - Completion of work to assess the reasonableness of assumptions made in relation to property valuations;
  - Review of audit work performed on miscellaneous areas;
  - Final review of work supporting our Value For Money conclusion;
  - Completion of our work on the Council's Whole of Government Account schedules;
  - Checking and proof reading of the final version of the accounts;
  - Approval and signing of the financial statements and letters of representation from officers; and
  - Completion of internal PwC quality control procedures including subsequent events review.
15. We have responded to the Council's request to prepare this report by 22 August 2012, despite the above matters remaining outstanding. As the audit process is still on-going, we will provide the Committee with an updated report, with changes to this report highlighted, a few days prior to your meeting on 11 September 2012.
16. Subject to the satisfactory resolution of these remaining matters, we anticipate issuing an unqualified opinion if the matter on heritage assets, brought to your attention in paragraphs 19 to 28, of this report is resolved satisfactorily. We note however that there is currently a risk that information to support the valuation of certain heritage assets may not be available by 30 September, which could delay accounts finalisation or lead to a qualified opinion in this area.

17. As part of our work on the Statement of Accounts we also examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and anticipate and issue an opinion stating in our view they are consistent or inconsistent with the Statement of Accounts. We will update the Committee with the results of our work, and anticipated opinion, in our updated report.

### *Accounting issues*

18. We are required to report to you our view on significant qualitative aspects of the Council's accounting practices, including its accounting policies, accounting estimates and financial statement disclosures. We identified the following matters during the course of our audit work:

#### *Heritage Assets*

19. For the first time in the 2011/12 Statement of Accounts, the Code of Practice requires authorities to present information about the heritage assets that they hold. Where it is practicable to obtain a valuation (at a cost commensurate with the benefits to users of the Statement of Accounts), the Code also requires material amounts of heritage assets to be carried in the Balance Sheet at that valuation. Where assets are to be held in the balance sheet, the opening balance sheet is restated to reflect the change in accounting policy implemented by the Council.
20. Council officers were pro-active in seeking to address the new Code requirements by identifying relevant assets and then seeking valuations where applicable. The process to identify heritage assets was thorough and we commend the Council on this approach. In general, and subject to increasing the level of disclosures made, the Council's draft accounts reflected the new Code requirements. However, two issues have arisen during our audit that relate to the estimated valuation of the heritage assets held within the balance sheet.

#### *Archive documents*

21. The Council holds a large volume of archive material. The items were last valued, for insurance purposes, in 2002. This valuation identified a handful of higher value items valued at £854,000 with 1,250 boxes of diverse archive material valued at £2,652,000.
22. The Council did not initially consider the cost commensurate with the benefits to users of the Accounts to seek revaluation of the 1,250 boxes of archive material in 2011/12 and sought revaluation of the "higher value" items only (as permitted by the Code). Following revaluation, the valuation of these items rose from £854,000 to £2,820,000.
23. In light of the increase in value of these items, Council officers re-considered their position on the other 1,250 boxes and considered that the potential increase in value may be of benefit to users of the Accounts, including for insurance purposes. As a result, officers decided that they would also get these remaining items revalued, and planned to do this for cost and practical reasons during 2012/13.
24. We understand that the specialist external valuers are unable to provide a valuation to the Council until November 2012, as a result of the length of time needed to review the documents and the availability of the specialists required to do so. Due to the diverse and unique content of the Council's archive it is not possible to indicate if there will be any material overall increase or decrease in value following revaluation. Nor is it possible, as each document is unique and individual, to easily extrapolate a valuation from a small sample of valuations conducted. We understand that each item needs reviewing individually to arrive at an accurate valuation.
25. As the Council have decided that these 1,250 boxes require valuing, as it is beneficial to do so, this revaluation should be reflected in the 2011/12 accounts, in accordance with the Code. However, based upon the information detailed above, and despite ongoing actions by management to seek ways of accelerating the date by which a valuation is available. it appears the Council may not be able to obtain a reliable valuation of the assets before November 2012. The Council's accounts should be published by 30 September 2012, in accordance with the timetable for the sector.

26. Due to the uncertainty and potential materiality of the Heritage asset revaluations, we are unable to issue an unqualified audit opinion in respect of the Council's 2011/12 accounts until an updated valuation in respect of the 1,250 archive boxes is obtained, or a sufficiently reliable estimate can be obtained. Management are exploring the scope to prepare such an estimate, involving specialist external input. It is currently unclear if this will deliver an adequately accurate value, but we support management's initiative to review this. Therefore, unless the valuation can be obtained before 30 September 2012, the Council must consider whether it:
- Requests us to defer the issue of our audit opinion until such a time that appropriate evidence in respect of this matter is available and publishes its accounts without an audit opinion; or
  - Publishes its accounts by 30 September 2012 with a modified audit opinion in respect of this matter.
27. As noted above, the Council is currently identifying alternative methods of achieving an estimate of the valuation for these assets. We will continue to liaise with officers and update the Audit and Risk Committee with progress on this matter at its meeting on 11 September 2012.

#### *Museum assets*

28. The Council holds Heritage assets relating to museums within its balance sheet as at 31 March 2012, valued at £6,292,000. The information and valuation relating to these assets was supplied by Norfolk County Council museum services and the County Council's finance department. As noted in paragraph **Error! Reference source not found.**, we are still waiting for information as to the basis for valuing these assets and when they were last valued. Given the significant value of these assets and the estimation risks related to the valuation of any asset, we highlight this matter within this report for the attention of the Audit and Risk Committee. We will update the Committee as to progress and results in this area at its meeting on 11 September 2012.

#### *Valuations in the opening balance sheet*

29. As noted above, the Council's opening balance sheet has been restated in respect of Heritage assets, as required by a change in accounting policy. Just as it is important to ensure a fairly stated valuation for the assets as at 31 March 2012, so it is in relation to these earlier balance sheet dates.
30. The Council revalued its Heritage assets, where applicable, in 2011/12 and has reflected the entirety of this revaluation in that financial year alone. However, as the previous valuation was completed in 2002, it would be expected that some of the change in valuation recognised in 2011/12 had been achieved prior to this. We have asked the Council to reflect the change in asset values in the opening balance sheet, once the above issues have been resolved.

#### ***Misstatements and significant audit adjustments***

31. We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those less than £100,000, as agreed with you at your meeting on 28 February 2012. These misstatements are described in Appendix 1 to this report.
32. We are also required to report to you where significant adjustments have been made to the draft accounts by management as a result of the audit work we have performed. These are as follows:

#### ***Reversal of impairments previously charged to the Comprehensive Income and Expenditure Account***

33. Reversals of impairments made within prior years which were charged to the Comprehensive Income and Expenditure Account (e.g. through revaluations) should be credited back to the Comprehensive Income and Expenditure Account up to the value that was previously charged to revenue. As a result, these revaluations are, under local government capital accounting regulations, ultimately credited to the capital adjustment account rather than the revaluation reserve.

34. The Council identified that, prior to 1 April 2011, £2,134,000 had been incorrectly debited from the revaluation reserve in relation to such reversals, overstating the capital adjustment account by the same amount. The Council corrected this error but incorrectly accounted for it as a restatement of the prior period. As it was neither a material misstatement nor a change in accounting policy, under International Accounting Standard 8 (IAS 8) - *Accounting policies, changes in accounting estimates and errors*, restatement of prior periods is not permitted. The accounts have been updated in respect of this matter to instead show the amendment as a 2011/12 transaction.

#### *Information Technology assets*

35. When the Council introduced its new fixed asset register (FAR) in 2010/11, it considered it too difficult and time consuming to input all of the Information Technology (IT) assets into separate lines on the FAR. Instead, the existing manual spreadsheet was retained in respect of these assets and one single aggregate entry was made on the FAR. As the assets are not subject to revaluation and have relatively short useful economic lives (max. 15 years) this method appeared, to the Council, to be the most cost effective and was considered adequate for the purposes of preparing the accounts. However, the FAR would need manual updating in respect of these assets each year to ensure that depreciation and impairment were recorded correctly, as calculated on the spreadsheet.
36. As a result of the audit work we performed, we identified that the Council had made errors in the calculation of depreciation and impairments charged to the assets. This resulted in an overstatement of the net book value of the assets of £837,000. Total impairments charged to the assets were also understated by £2,143,000. The accounts have been updated in respect of this error, resulting in an increase to the carrying value of property, plant and equipment within the balance sheet of £837,000 and an increase in service expenditure within the Comprehensive Income and Expenditure account of £2,143,000, which is subsequently transferred to the capital adjustment account in the Movement in Reserves statement.

#### *Significant accounting principles and policies*

37. Significant accounting principles and policies are disclosed in the notes to the financial statements. We will ask the Audit and Risk Committee to represent to us that they have considered the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Authority's financial statements.

#### *Judgments and accounting estimates*

38. The following matters are subject to estimation uncertainty and the exercise of management judgement:

- The valuation of property;
- The valuation of assets and liabilities in relation to the Local Government Pension Scheme (LGPS); and
- The provision for bad debts.

#### *Valuation of Property*

39. The Council's accounting policy is for property classified as other land and buildings, land awaiting development and investment properties to be included in the financial statements at current fair value. Excluding investment properties, which are revalued annually, the Council has a 5 year cyclical programme in place for arranging professional valuations of property with impairment reviews considered in the intervening years to identify any factors that may indicate whether the fair value stated in the Balance Sheet might be materially misstated.
40. In accordance with its accounting policy, the Council has revalued a proportion of its assets in accordance with its cyclical programme. This resulted in a net increase in the value of those assets of £2,179,000. For assets not formally valued during 2011/12, a review of their fair values as at 31 March 2012 by the Council resulted in no changes being proposed to these properties' valuations within the 2011/12 financial statements.

41. In estimating the fair value to be included in the 2011/12 accounts, management has utilised the expertise of the Council's internal property valuers. However, the assumptions used by these experts remain the responsibility of management.
42. We are still completing our review of the fair value of land and buildings not revalued during 2011/12 in conjunction with our internal property valuation experts. In particular we are looking to ensure the consistency of the findings from the Council's formal review with the proposition to make no adjustment for the other properties not valued formally. We will update the Audit and Risk Committee on 11 September 2012 as to the final conclusion to our work in this area.

#### The valuation of assets and liabilities in relation to the LGPS

43. The financial statements include a non-current payable as at 31 March 2012 of £37,243,000 (2011: £25,238,000) in respect of the Council's net overall liability to the Norfolk County Council LGPS. This net liability consists of total assets of £84,334,000 which off-set total gross liabilities of £121,577,000. Given its nature, a significant number of assumptions and estimates have needed to be made by the scheme actuary to calculate the value of this net liability for inclusion in the accounts. These assumptions are disclosed within the notes to the accounts.
44. We have assessed the assumptions used by the scheme actuary for calculating the gross liability and reviewed them against independent sources and have identified no matters of concern to report to you. We also intend to assess the consistency of the assumptions within the expected ranges when compared to the prior year and will report to you the results of this assessment in our final report. We have requested that the Deputy Chief Executive and Director of Finance and Resources confirm the appropriateness of these assumptions in the letter of representation (see Appendix 2).
45. We are also assessing the value of Council's share of the pension assets within the LGPS, which we are doing via liaison with the external auditor of the LGPS.
46. We have some outstanding work in relation to this area which is detailed in paragraph **Error! Reference source not found.** of this report. We will update the Audit and Risk Committee on 11 September 2012 as to the final conclusion to our work in this area.

#### Provision for bad debts

47. The Council makes provision for the non-payment of debt which is deducted from the value of short term debtors within the balance sheet, thereby reducing income due to the Council. The Council provides for debts using a percentage of the total debt outstanding. Difference percentages are applied according to the age and type of debt outstanding. As such, the provision made by the Council is an estimate based upon management judgement.
48. We compared the value of bad debt provision held within the Council's 2011/12 accounts to the level of debt written off by officers during the financial year:

Debt type	Provision (£)	Amount Written Off/debt recovery abandoned in 2011/12 (£)	Difference (£)
Council Tax	380,863	170,435	210,428
NNDR	453,132	237,762	215,370
General Fund	485,624	106,719	378,905
<b>Total</b>	<b>1,319,619</b>	<b>514,916</b>	<b>804,703</b>



49. Comparison of the provision for non-payment of *future* debts to the value of debt written off during the previous year is only an indication of whether the level of provision could be insufficient or excessive for the level of future debts. However, the comparison shows that, in total, the level of provision is £804,703 greater than the level of debt written off by the Council in 2011/12. This could indicate that the level of provision is excessive, potentially understating debtors and income due to the Council by this amount. We have discussed this with management who have accepted this figure may be overstated but that they believe there may be offsetting understatements of debt provisions elsewhere.

We are undertaking further work with management to consider the level of debt outstanding as at 31 March 2011 which has been recovered to date. We will update the Audit and Risk Committee on this matter in our revised report and ask you to consider the acceptability of this matter. We have also currently included this matter as a judgemental unadjusted misstatement in Appendix 1 to this report, but have not included any figure as at this date.

#### National Non-Domestic Rates (NNDR) Income

50. We reconciled the Council's NNDR 2011/12 return to the Department for Communities and Local Government to the Council's general ledger and Collection Fund. During this process, a difference of £105,000 was noted within the Collection Fund when compared to the return. An amendment to the accounts was made to debit accounts payable and credit NNDR income, thereby increasing income by £105,000.
51. We understand that the difference of £105,000 arises from two reports produced from the NNDR IT system. One is used to prepare the return and one the accounts. Although both should total the same, there is a £105,000 difference. We have performed additional procedures to confirm that the NNDR figures within the accounts are fairly stated. We ask the Audit and Risk Committee to consider the acceptability of this matter.

#### Management representations

52. The draft of the representation letter that we are requesting management and those charged with governance to sign is attached in Appendix 2.

#### Related parties

53. Subject to the completion of our outstanding work in this area, we have no significant matters to report to the Audit and Risk Committee in relation to the Council's related parties.

#### Audit independence

54. We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) "*Communication with those charged with governance*", UK Ethical Standard 1 (Revised) "*Integrity, objectivity and independence*" and UK Ethical Standard 5 (Revised) "*Non-audit services provided to audited entities*" issued by the UK Auditing Practices Board. Together these require that we communicate at least annually with you regarding all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers' firms and associated entities ("PwC") and the Company, its directors and senior management and its affiliates ("the Group") that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.
55. For the purposes of this letter we have made enquiries of all PricewaterhouseCoopers' teams whose work we intend to use when forming our opinion on the truth and fairness of the financial statements.

#### Relationships between PwC and the Council

56. We are not aware of any relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

**Relationships and Investments**

57. We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.

**Employment of PricewaterhouseCoopers staff by the Council**

58. We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management position covering financial, accounting or control related areas.

**Business relationships**

59. We have not identified any business relationships between PwC and the Group.

**Services provided to the Council**

60. The audit of the financial statements is undertaken in accordance with the UK Firm's internal policies. The audit engagement is subject to an independent partner review of all significant judgements taken, including our reporting to the Audit Committee and a review of the annual report. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

61. PwC has undertaken no other work for the Council, except that prescribed by the Audit Commission.

**Services to Directors and Senior Management**

62. PwC does not provide any services e.g. personal tax services, directly to directors, senior management

**Rotation**

63. Audit engagement partners are rotated on public sector entities at least every five years, as required by our own rules and by the Audit Commission. In exceptional circumstances and with approval of the Audit Commission, this can be extended by one year. Rotation ensures a fresh look without sacrificing institutional knowledge. Rotation of audit engagement partners, key partners involved in the audit and other staff in senior positions is reviewed on a regular basis by the audit engagement partner. As part of this process, Clive Everest has taken over from Julian Rickett this year as engagement lead for the Council audit.

**Gifts and hospitality**

64. We have not identified any significant gifts or hospitality provided to, or received from, a member of Group's board, senior management or staff.

**Conclusion**

65. We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

66. We would ask the Audit and Risk Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

**Accounting systems and systems of internal control**

67. It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the financial statements and our review of the annual governance statement.

68. We have not identified any significant matters during our review which we wish to bring to the attention of the Audit and Risk Committee. Less significant matters have been identified and these will be communicated to officers, and an action plan agreed, following the conclusion of our audit. Whilst there may be lessons to be learned from the valuation process for heritage assets, for the avoidance of doubt we



do not believe that this issue arises as a result of significant control failure, nor is this indicative of systemic control issues. With management, we hope that this issue will be resolved prior to signing the accounts. If it is not, our view currently is that we will have to modify our audit opinion, but subject to inclusion of adequate disclosures in the accounts we would not see any need to report further in the Public Interest.

### ***Annual Governance Statement***

69. Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: 'Delivering Good Governance in Local Government'. The AGS has not been included in the financial statements, it forms a separate document.
70. We have reviewed the AGS to consider whether it complied with the CIPFA / SOLACE 'Delivering Good Governance in Local Government' framework and whether it is misleading or inconsistent with other information known to us from our audit work. We have found no areas of concern to report in this context to date but will need to consider the impact on the AGS should we need to issue a qualified audit opinion.

### ***Economy, efficiency and effectiveness***

71. Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
72. In accordance with guidance issued by the Audit Commission, in 2011/12 our conclusion is based on two criteria:
  - The organisation has proper arrangements in place for securing financial resilience; and
  - The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.
73. We have determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.
74. Subject to satisfactory completion of our quality review procedures, we anticipate issuing an unqualified value for money conclusion.
75. We will update the Audit Committee on the status of this work at the meeting on 11 September 2012.

### ***Fees update for 2011/12***

76. We reported our fee proposals as part of the Audit Plan 2011/12 presented to the Audit and Risk Committee in February 2012. We will update the Committee as to our actual fees charged in our annual audit letter, upon conclusion of our work.

# *Appendices*

# Summary of misstatements

## Summary of uncorrected misstatements

In addition to the matters reported elsewhere in this document we have identified the following errors during our audit of the financial statements that have not been adjusted by management. The Audit and Risk Committee, as those charged with governance, is requested formally to consider the unadjusted errors listed and determine whether it would wish the accounts to be amended. If the errors are not adjusted we will require a written representation from you explaining your reasons for not making the adjustments.

No	Description of misstatement (factual, judgemental, projected)		Income statement		Balance sheet	
			Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Dr. Gross service expenditure Cr. Creditors Understatement of creditors identified during audit testing.	F	200			200
2	Dr Creditors Cr Gross service expenditure Being an adjustment to eliminate a creditor which is no longer payable.	F		264	264	
<b>Total of uncorrected misstatements</b>			<b>200</b>	<b>264</b>	<b>264</b>	<b>200</b>
			<b>64</b>		<b>(64)</b>	

# Draft Letter of representation (to be confirmed)

***To be prepared on the Authority's letterhead and to be dated on the same date that the accounts are approved and signed by the Council.***

PricewaterhouseCoopers LLP  
10 Bricket Road  
St Albans  
AL1 3JX

Dear Sirs

This representation letter is provided in connection with your audit of the Statement of Accounts of the Borough Council of King's Lynn & West Norfolk (the "authority") for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the Statement of Accounts gives a true and fair view, and has been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice for Local Authorities 2011/12.

My responsibilities as Deputy Chief Executive, Director of Finance and Resources for preparing the financial statements are set out in the Statement of Responsibilities for the Statement of Accounts. I am also responsible for the administration of the financial affairs of the authority. I also acknowledge that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Borough Council of King's Lynn & West Norfolk with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

## ***Financial Statements***

I have fulfilled my responsibilities, for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith. The Movement in Reserves Statement is complete and accurate in respect of the adjustments required by the Code of Practice.

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

Significant assumptions used by the authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

## ***Subsequent events***

All events subsequent to the date of the financial statements for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom requires adjustment or disclosure have been adjusted or disclosed.

### **Uncorrected misstatements**

The effects of the following misstatements are considered by the Audit and Risk Committee to be immaterial, both individually and in the aggregate, to the financial statements as a whole. As such, they have not been corrected within the financial statements. A list of the uncorrected misstatements is shown below:

No	Description of misstatement (factual, judgemental, projected)		Income statement		Balance sheet	
			Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Dr. Gross service expenditure Cr. Creditors Understatement of creditors identified during audit testing.	F	200			200
2	Dr Creditors Cr Gross service expenditure Being an adjustment to eliminate a creditor which is no longer payable.	F		264	264	
<b>Total of uncorrected misstatements</b>			<b>200</b>	<b>264</b>	<b>264</b>	<b>200</b>
			<b>64</b>		<b>(64)</b>	

### **Information Provided**

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you (the authority's auditors) are aware of that information.

I have provided you with:

- Access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters, including minutes of Council and committee meetings and relevant management meetings;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

### **Fraud and non-compliance with laws and regulations**

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I 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.

I have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

- Management;
- Employees who have significant roles in internal control; or
- Others where the fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the authority financial statements communicated by employees, former employees, analysts, regulators or others.

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the financial statements.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.

The pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the payment schedule/schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

### ***Related party transactions***

I confirm that we have disclosed to you the identity of the authority's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

### ***Employee Benefits and Retirement Benefits***

I confirm that the Authority has made you aware of all employee benefit schemes in which employees of the authority participate. All significant retirement benefits that the authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

I have considered the assumptions underlying the valuation of the retirement benefit scheme liabilities and am satisfied that the actuary is best qualified to make these assumptions in the preparation of our financial statements and leads to the best estimate of scheme liabilities. I am not aware of any reason to disagree with the actuary's approach or the assumptions adopted.

I have also considered the accuracy of the pension fund assets and member data in relation to that recognised in relation to the Council by the Pension Fund and the Actuary. I am not aware of any discrepancies with other data held by the Council or that communicated to me by third parties.

### ***Pension fund registered status***

I confirm that the Norfolk County Council Local Government Pension Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

### ***Contractual arrangements/agreements***

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### ***Bank accounts***

I confirm that we have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

### ***Assets and liabilities***

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Authority has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the financial statements.

### ***Property valuations***

I agree with the findings of the Council's internal valuers, as experts in property valuation in determining the amount at which properties are stated in the 2011/12 accounts, for both properties formally valued in the year and those whose values were assessed through a desktop exercise considering appropriate market data. I agree with their findings and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

### ***Heritage assets***

I confirm that all material heritage assets owned by the Council have been identified and included, as appropriate, within the financial statements.

I also confirm that values for heritage assets that are land or buildings have been determined where there is sufficient information to do so. Where no value has been assigned, this is because the assets have no identifiable

market, do not produce a sufficient income stream to allow a discounted cash flow estimate and depreciated replacement cost is not appropriate as it is impossible to replicate the heritage significance in a replacement asset.

Where heritage assets have been valued by external experts, I agree with their findings, as experts in valuing such assets, in determining the amount at which assets are stated in the 2011/12 accounts. I agree with their findings and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

[Paragraph potentially to be inserted if management include an estimated value for the presently unvalued archives]

### ***Financial Instruments***

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year end have been properly valued and that valuation incorporated into the financial statements.

All embedded derivatives have been identified and appropriately accounted for under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Where we have assigned fair values to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate. In particular, I confirm that provisions for bad debts are included at the Council's best estimate of amounts expected to be recovered.

### ***Litigation and claims***

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

### ***Taxation***

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any corporation or other direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

As minuted by the Committee at its meeting on 11 September 2012 and subsequently agreed by the Deputy Chief Executive, Director of Finance and Resources.



.....

Deputy Chief Executive, Director of Finance and Resources

For and on behalf of .....

.....

Date .....

DRAFT



DRAFT

*In the event that, pursuant to a request which the Borough Council of King's Lynn & West Norfolk has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. The Borough Council of King's Lynn & West Norfolk agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the Borough Council of King's Lynn & West Norfolk shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, the Borough Council of King's Lynn & West Norfolk discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

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**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 Deputy Chief Executive and Executive Director, Finance and Resources, David Thomason.
- 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 27 September 2012.

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

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

Deputy Chief Executive and Executive Director, Finance and Resources Responsibilities

The Deputy Chief Executive and Executive Director, Finance and Resources 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 2012.

In preparing the Statement of Accounts, the Deputy Chief Executive and Executive Director, Finance and Resources 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.

He 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 2012, and its income and expenditure for the year then ended. The notes on pages 13 to 70 form part of the financial statements



David Thomason  
Deputy Chief Executive / Executive Director, Finance and Resources

29 June 2012

**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 2012. 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 71 to 88 and various notes to the accounts.

**1. Restatements**

In 2011/2012 there have been two areas of change that have resulted in restatements to tables within the accounts, the adoption of the new accounting standard for Heritage Assets FRS30 and a review of the accounting practices around the revaluation of Property, Plant and Equipment assets.

Heritage Assets (FRS30)

The Code of Practice on Local Authority Accounting in the UK 2011/2012 has introduced a change in accounting policy in relation to the treatment of Heritage assets held by the Council, which has been adopted fully by the Council in the 2011/2012 financial statements.

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. The Heritage assets currently held by the Authority are:

	<b>Net Book Value as at</b>	
	31 March 2011 £'000	31 March 2012 £'000
Public Art Collections	236	237
Civic Regalia	7,874	6,580
Museum Collections	6,292	6,292
Historic Buildings	1,177	1,151
Archives	3,632	5,598
<b>Total</b>	<b>19,211</b>	<b>19,858</b>

Please refer to Note 1 page 13 of the Notes to the Core Financial Statements for how this change in accounting policy has been applied to the 2011/2012 financial statements.

**2. Summary of Accounts 2011/2012**

The Council, at its budget meeting of 23 February 2011, set a revised budget of £18,294,680 intending to draw £440,770 from its General Fund balance to give a Budget Requirement of £18,735,450.

The outturn position for the year shows expenditure of £18,301,549 and a transfer of £6,869 to the General Fund Balance thereby meeting the Budget Requirement of £18,294,680. The movement of the General Fund balance is detailed on page 7. The outturn position is incorporated within the surplus on provision of services shown on page 10, Comprehensive Income and Expenditure Statement.

**3. Accounting for Current Economic Conditions**

2011/2012 has been dominated by continued poor economic conditions in the UK and Euro zone debt issues. In February 2011 the Council set out a Financial Plan for 2010/2014 that took account of the coalition government's aim of reducing the national deficit quickly and in doing so had accelerated the reduction in government grant to Councils. The Financial Plan showed the formula grant to the Council reducing by 30% in cash terms over the period 2011/2014. This period remains the most difficult period since the Council came into being in 1974 in terms of continuing levels of spending whilst maintaining services to residents, businesses and visitors to the Borough. Past experience shows that it is important to gain savings as soon as possible and the Council will maintain momentum in its current drive to reduce costs.

**4. Overall Financial Position 2011/2012**

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 2011/2012. 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.

**5. Major Influences on the Council's Accounts during 2011/2012**

A number of major influences were seen to have an impact on the Authority's accounts in 2011/2012:

- In 2011/2012 an Actuarial loss on the Authority's Pensions assets of £11,978,000 has increased the Authority's Pensions liabilities to £37,243,000.
- The savings target for turnover and procurement for 2011/2012 was £73,000 and £130,070 was achieved.
- The continuing programme of service reviews which commenced during 2010/2011 have produced savings of £3,910,030 in 2011/2012. In setting the budget for 2011/2012 shortfalls of £231,000 for 2011/2012, £381,000 for 2012/2013 and £1,681,000 for 2013/2014 were anticipated. With the anticipated shortfalls the Council has continued to look for efficiency savings and was proactive in achieving reductions of £442,770 in 2011/2012.



6. **Capital**

During 2011/2012, the Authority spent £6,292,000 on capital projects. Major areas of spending were:

Town Hall / Archive	£ 214,273
Vehicles and Equipment	£ 690,315
Housing Grants and Disabled Facilities Grants	£ 764,856
Affordable Housing Schemes	£ 329,192
ICT Development Programme	£ 638,722
Installation of solar panels King's Court and Lynnsport	£ 143,036
Regeneration Schemes	£1,633,986

7. **Summary of Capital Expenditure**

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

	2010/2011 Outturn £'000	2011/2012 Outturn £'000
Community and Democracy	1,238	1,416
Environment Improvement and Protection	140	462
Housing	739	260
Performance and Resources	594	954
Regeneration	3,257	2,134
Safer and Healthy Communities	145	37
<b>Sub Total</b>	<b>6,113</b>	<b>5,263</b>
Disabled Facility Grants, Housing Grants and Other Grants	612	1,029
<b>Capital Programme Outturn</b>	<b>6,725</b>	<b>6,292</b>

Details of how this expenditure has been financed are given at note 30, page 53.

8. **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.

9. **Accounting Policies**

The accounting policies adopted by the Authority comply with recommended accounting practices and are set out on pages 71 to 88.

10. **General Fund**

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

	2011/2012		2011/2012		2011/2012	
	Original Budget		Revised Budget - January		Actual	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance brought forward</b>		(3,558)		(3,558)		(3,558)
Expenditure in the year	18,661		18,735		18,302	
Budget Requirement	18,295		18,295		18,295	
Deficit for year		366		440		7
<b>Balance carried forward</b>		<b>(3,192)</b>		<b>(3,118)</b>		<b>(3,551)</b>

11. **Current Borrowing Facilities**

In March 2011, the Authority's borrowing limit for 2011/2012 was established at £35m, with the upper limit on fixed interest loans set at £32m and the upper limit on variable rate loans set at £22m.

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 (surplus) or 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 2010/2011	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
		<b>Balance at 1 April 2010 Brought Forward</b>	<b>(3,490)</b>	<b>(13,002)</b>	<b>0</b>	<b>(1,680)</b>	<b>(18,172)</b>	<b>(53,393)</b>	<b>(71,565)</b>
		Heritage Assets Restated for FRS30	0	0	0	0	0	(18,034)	(18,034)
		<b>Restated Balance at 1 April 2010</b>	<b>(3,490)</b>	<b>(13,002)</b>	<b>0</b>	<b>(1,680)</b>	<b>(18,172)</b>	<b>(71,427)</b>	<b>(89,599)</b>
	10	Surplus on Provision of Services	(4,565)	0	0	0	(4,131)	0	(4,131)
	10	Other Comprehensive Expenditure and Income	28	0	0	0	28	(37,729)	(37,701)
	<b>10</b>	<b>Total Comprehensive Expenditure and Income</b>	<b>(4,537)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,103)</b>	<b>(37,729)</b>	<b>(41,832)</b>
5	17-18	Adjustments between Accounting Basis and Funding Basis under Regulations	3,733	0	(184)	359	3,474	(3,474)	0
		<b>Net (Increase) / Decrease before Transfers to Reserves</b>	<b>(804)</b>	<b>0</b>	<b>(184)</b>	<b>359</b>	<b>(629)</b>	<b>(41,203)</b>	<b>(41,832)</b>
6	19-20	Transfer to / from Reserves	736	(736)	0	0	0	0	0
		<b>(Increase) / Decrease in Year 2010/2011</b>	<b>(68)</b>	<b>(736)</b>	<b>(184)</b>	<b>359</b>	<b>(629)</b>	<b>(41,203)</b>	<b>(41,832)</b>
		<b>Balance at 31 March 2011 Carried Forward</b>	<b>(3,558)</b>	<b>(13,738)</b>	<b>(184)</b>	<b>(1,321)</b>	<b>(18,801)</b>	<b>(112,630)</b>	<b>(131,431)</b>

Borough Council of King's Lynn and West Norfolk

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
		<b>Balance at 1 April 2011 Brought Forward</b>	<b>(3,558)</b>	<b>(13,738)</b>	<b>(184)</b>	<b>(1,321)</b>	<b>(18,801)</b>	<b>(112,630)</b>	<b>(131,431)</b>
	10	Deficit on Provision of Services	2,321	0	0	0	2,321	0	2,321
	10	Other Comprehensive Expenditure and Income	0	0	0	0	0	5,609	5,609
	<b>10</b>	<b>Total Comprehensive Expenditure and Income</b>	<b>2,321</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,321</b>	<b>5,609</b>	<b>7,930</b>
5	17-18	Adjustments between Accounting Basis and Funding Basis under Regulations	(2,036)	0	197	0	(1,839)	1,839	0
		<b>Net Decrease before Transfers to Reserves</b>	<b>285</b>	<b>0</b>	<b>197</b>	<b>0</b>	<b>482</b>	<b>7,448</b>	<b>7,930</b>
6	19-20	Transfer to / from Reserves	(278)	1,338	(1,319)	259	0	0	0
		<b>(Increase) / Decrease in Year 2011/2012</b>	<b>7</b>	<b>1,338</b>	<b>(1,122)</b>	<b>259</b>	<b>482</b>	<b>7,448</b>	<b>7,930</b>
		<b>Balance at 31 March 2012 Carried Forward</b>	<b>(3,551)</b>	<b>(12,400)</b>	<b>(1,306)</b>	<b>(1,062)</b>	<b>(18,319)</b>	<b>(105,182)</b>	<b>(123,501)</b>

**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.

2010/2011						2011/2012		
Gross Expenditure	Gross Income	Net Expenditure	Note	Page		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000				£'000	£'000	£'000
Restatement								
1,749	751	998			Central Service to the Public	1,712	836	876
2,642	669	1,973			Corporate and Democratic Core	6,917	69	6,848
19,999	6,730	13,269			Cultural and Related Services	13,049	7,112	5,937
12,079	4,434	7,645			Environmental and Regulatory Services	12,114	6,643	5,471
6,013	2,301	3,712			Planning Services	5,209	1,501	3,708
50,567	49,841	726			Housing General Fund	52,165	50,975	1,190
2,950	4,423	(1,473)			Highways and Transport Services	1,703	3,946	(2,243)
255	0	255			Non Distributed Costs	443	0	443
(11,882)	0	(11,882)	10 23	22 37	Pension Past Service Gain	0	0	0
<b>84,372</b>	<b>69,149</b>	<b>15,223</b>			<b>Cost of Services</b>	<b>93,312</b>	<b>71,082</b>	<b>22,230</b>
		4,268	7	21	Other Operating Expenditure			2,342
		(476)	8	21	Financing and Investment Income and Expenditure			(1,229)
		(23,580)	9	21	Taxation and Non-Specific Grant Income			(21,022)
		<b>(4,565)</b>	16	31-32	<b>(Surplus) / Deficit on Provision of Services</b>			<b>2,321</b>
		(16,058)			Surplus on Revaluation of Non-Current Assets			(6,369)
		(124)			Surplus on Capital Adjustments			0
		(21,085)	10 23	22 37	Actuarial (Gains) / Losses on Pensions Assets / Liabilities			11,978
		<b>(37,267)</b>			<b>Other Comprehensive Income and Expenditure</b>			<b>5,609</b>
		<b>(41,832)</b>			<b>Total Comprehensive Income and Expenditure</b>			<b>7,930</b>

**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'.

Restated 1 April 2010 £'000	Restated 31 March 2011 £'000	Note	Page		31 March 2012 £'000
94,173	103,565	29	49-50	Property, Plant and Equipment	103,333
19,237	19,211	28	48	Heritage Assets	19,858
27,741	27,393	26	46	Investment Property	27,762
393	335	27	47	Intangible Assets	493
13,650	14	36	59	Long Term Investments	44
1,115	1,259	33	55	Long Term Receivables	1,306
<b>156,309</b>	<b>151,777</b>			<b>Long Term Assets</b>	<b>152,796</b>
12,101	25,659	36	59	Short Term Investments	22,585
134	157			Inventories	153
7,002	3,630	32	54	Short Term Receivables	4,828
1,752	418	15	28	Cash and Cash Equivalents	3,855
345	598	31	54	Assets Held for Sale	2,991
<b>21,334</b>	<b>30,462</b>			<b>Current Assets</b>	<b>34,412</b>
(9,118)	(3,817)	36	59	Short Term Borrowing	(6,217)
(9,629)	(8,836)	34	55	Short Term Payables	(7,563)
<b>(18,747)</b>	<b>(12,653)</b>			<b>Current Liabilities</b>	<b>(13,780)</b>
(730)	(1,051)	35	58	Unapplied Grants	(1,019)
(11,900)	(11,700)	36	59	Long Term Borrowing	(11,500)
(167)	(166)			Other Long Term Liabilities	(165)
(56,500)	(25,238)	23	39	Pension Liabilities	(37,243)
<b>(69,297)</b>	<b>(38,155)</b>			<b>Long Term Liabilities</b>	<b>(49,927)</b>
<b>89,599</b>	<b>131,431</b>			<b>Net Assets</b>	<b>123,501</b>
(18,172)	(18,801)	11	22	Usable Reserves	(18,319)
(71,427)	(112,630)	11	22	Unusable Reserves	(105,182)
<b>(89,599)</b>	<b>(131,431)</b>			<b>Total Reserves</b>	<b>(123,501)</b>

## 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 cashflows 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.

2010/2011	Note	Page		2011/2012
£'000				£'000
4,565	CIES	10	Surplus on the Provision of Services	(2,321)
4,143			Adjust Net Surplus on the Provision of Services for Non Cash Movements	5,574
(3,853)			Adjust for Items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	(1,333)
<b>4,855</b>	12	26	<b>Net Cash flows from Operating Activities</b>	<b>1,920</b>
(1,790)	13	27	Investing Activities	322
(4,399)	14	27	Financing Activities	1,195
<b>(1,334)</b>			<b>Net Increase / ( Decrease) in Cash and Cash Equivalents</b>	<b>3,437</b>
1,752			Cash and Cash Equivalents at the Beginning of the Reporting Period	418
<b>418</b>	15	28	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>3,855</b>

**Notes to Core Financial Statements****1. Restatements****Heritage Assets**

For 2011/2012 the Authority is required to change its accounting policy for Heritage Assets and recognise them at valuation. Previously, Heritage Assets were either recognised as Community Assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as Heritage Assets) that were donated to the Authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of Heritage Assets are set out in the Authority's summary of significant accounting policies (page 71-88).

In applying the new accounting policy, the Authority has identified that the assets that were previously held as Community Assets within Property, Plant and Equipment at £1.2 million should now be recognised as Heritage Assets and measured at £1.2 million. These assets relate to historic buildings which were previously recognised in the Community Assets classification of Property, Plant and Equipment. The Authority will also recognise an additional £18 million for the recognition of Heritage Assets that were not previously recognised in the Balance Sheet. This increase is recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/2011 comparative figures have thus been restated in the 2011/2012 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- The fully restated 1 April 2010 Balance Sheet is provided on page 11. The adjustments that have been made to that Balance Sheet over the version published in the 2010/2011 Statement of Accounts are as follows:



Effect on the Opening Balance Sheet 1 April 2010

	Note	Page	Opening Balance as at 1 April 2010 £'000	Adjustment to the Opening Balance 1 April 2010 £'000	Restated Opening Balance as at 1 April 2010 £'000
Property, Plant and Equipment	29	49-50	95,376	(1,203)	94,173
Heritage Assets	28	48	0	19,237	19,237
<b>Long-term Assets</b>			<b>95,376</b>	<b>18,034</b>	<b>113,410</b>
<b>Total Net Assets</b>			<b>95,376</b>	<b>18,034</b>	<b>113,410</b>
Unusable Reserves	11	22	(53,393)	(18,034)	(71,427)
<b>Net Worth/Total Reserves</b>			<b>(53,393)</b>	<b>(18,034)</b>	<b>(71,427)</b>

Effect on the Balance Sheet 31 March 2011

	Note	Page	As previously stated 31 March 2011 £'000	Adjustment to previously stated 31 March 2011 £'000	Restated 31 March 2011 £'000
Property, Plant and Equipment	29	49-50	104,742	(1,177)	103,565
Heritage Assets	28	48	0	19,211	19,211
<b>Long-term Assets</b>			<b>104,742</b>	<b>18,034</b>	<b>122,776</b>
<b>Total Net Assets</b>			<b>104,742</b>	<b>18,034</b>	<b>122,776</b>
Unusable Reserves	11	22	(94,596)	(18,034)	(112,630)
<b>Net Worth/Total Reserves</b>			<b>(94,596)</b>	<b>(18,034)</b>	<b>(112,630)</b>

The effect of the change in accounting policy in 2010/2011 has been that Heritage Assets are recognised at £19.2 million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £18 million and Property, Plant and Equipment being restated by the amount of Heritage Assets previously recognised at the cost in Community Assets. This change in accounting policy has had no effect on the prior years Comprehensive Income and Expenditure Statement.

**2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

Amendments to IFRS 7 Financial Instruments:

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

**3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out on pages 71 to 88, 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 2012 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 of 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 falls. The net book value of the Authority's property, plant and equipment assets is £104m as at 31 March 2012. 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 £5m 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 £140,000 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 £30,000 and the value of the assets decrease.
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 9% and cost £11,330,000; a one year increase in member life expectancy would increase employer liability by 3% and cost £3,647,000; a 0.5% increase in the salary increase rate would lead to an increase of 2% in employer liability and cost £3,201,000 and a 0.5% increase in the pension increase rate would increase employer liability by 7% and cost £8,049,000. However, the assumptions interact in complex ways. During 2011/2012, the Authority actuaries advised that the net pension liability had increased by £12,005,000 as a result of estimates being adjusted.
Arrears	At 31 March 2012, the Authority had a balance of sundry Receivables of £1,775,000. A review of significant balances suggested that an allowance for doubtful debts of 29% (£515,000) 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 £327,000 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**

This note details adjustments made to the total CIES recognised by the Authority in the year in accordance with proper accounting practice to resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/2012	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Usable Capital Receipts	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
<b>Adjustments Involving the Capital Adjustment Account:</b>				
Reversal of Items Debited / (Credited) to the CIES:				
Charges for Depreciation and Impairment of Non-Current Assets	(5,713)	0	0	5,713
Revaluation Losses on Property, Plant and Equipment (Note 11 page 24- CAA)	(417)	0	0	417
Movements in the Market Value of Investment Properties	368	0	0	(368)
Reverse Impairments in year from Revaluation Increases	(1,763)	0	0	1,763
Amortisation of Intangible Assets	(79)	0	0	79
Revenue Expenditure Funded from Capital under Statute	(394)	0	0	394
Amounts of Non-Current Assets Written Off on Disposal or Sale as part of the (Gain)/ Loss on Disposal to the CIES	(102)	0	0	102
Soft Loans – Adjustments	(14)	0	0	14
<b>Insertion of Items not Debited / (Credited) to the CIES</b>				
Statutory Provision for the Financing of Capital Investment	416	0	0	(416)
Additional Provision for the Financing of Capital Investment relating to Internal Repayment of Prudential Borrowing	593	0	0	(593)
Capital Expenditure Charged Against the General Fund	1,887	0	0	(1,887)
<b>Adjustment Involving the Capital Grants Unapplied Account</b>				
Application of Grants to Capital Financing	623	0	0	(623)
<b>Adjustment Primarily Involving the Capital Receipts Reserve</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	2,448	(2,448)	0	0
Use of Capital Receipts Reserve to Finance New Capital Expenditure	0	2,762	0	(2,762)
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool	(9)	9	0	0
Repayment of Improvement Grant and Release of Covenant	126	(126)	0	0
<b>Deferred Capital Receipts</b>				
Mortgage Principal Repaid	(12)	0	0	12
<b>Adjustments Involving the Financial Instruments Adjustment Account :</b>				
Amount by which Finance Costs Charged to the CIES are different from Finance Costs Chargeable in the Year (in accordance with statutory requirements)	48	0	0	(48)
<b>Adjustments Involving the Pensions Reserve:</b>				
Reversal of Items Relating to Post Employment Benefits Debited / (Credited) to the (Surplus) / Deficit on the Provision of Services in the CIES (Note 23 page 37)	(2,854)	0	0	2,854
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	2,827	0	0	(2,827)
<b>Adjustments Involving the Collection Fund Adjustment Account :</b>				
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)	(60)	0	0	60
<b>Adjustment Involving the Accumulating Compensated Absences Adjustment Account:</b>				
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)	45	0	0	(45)
<b>Total Adjustments</b>	<b>(2,036)</b>	<b>197</b>	<b>0</b>	<b>1,839</b>

Borough Council of King's Lynn and West Norfolk

Comparative 2010/2011	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Usable Capital Receipts	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
<b>Adjustments Involving the Capital Adjustment Account:</b>				
<u>Reversal of Items Debited / (Credited) to the CIES:</u>				
Charges for Depreciation and Impairment of Non-Current Assets	(7,584)	0	0	7,584
Revaluation Losses on Property, Plant and Equipment (Note 11 page 24- CAA)	(6,297)	0	0	6,297
Movements in the Market Value of Investment Properties	(594)	0	0	594
Reverse Impairments in year from Revaluation Increases	1,981	0	0	(1,981)
Amortisation of Intangible Assets	(86)	0	0	86
Capital Grants and Contributions that have been Applied to Capital Financing	0	0	359	(359)
Revenue Expenditure Funded from Capital under Statute	(245)	0	0	245
Amounts of Non-Current Assets Written Off on Disposal or Sale as part of the (Gain) / Loss on Disposal to the CIES	(346)	0	0	346
<u>Insertion of Items not Debited / (Credited) to the CIES</u>				
Statutory Provision for the Financing of Capital Investment	419	0	0	(419)
Additional Provision for the Financing of Capital Investment relating to Internal Repayment of Prudential Borrowing	469	0	0	(469)
Capital Expenditure Charged Against the General Fund	2,009	0	0	(2,009)
<b>Adjustment Involving the Capital Grants Unapplied Account</b>				
Application of Grants to Capital Financing	2,915	0	0	(2,915)
<b>Adjustment Primarily Involving the Capital Receipts Reserve</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	802	(802)	0	0
Use of Capital Receipts Reserve to Finance New Capital Expenditure	0	756	0	(756)
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool	(8)	8	0	0
Repayment of Improvement Grant and Release of Covenant	146	(146)	0	0
<b>Adjustments Involving the Financial Instruments Adjustment Account:</b>				
Amount by which Finance Costs Charged to the CIES are different from Finance Costs Chargeable in the Year (in accordance with statutory requirements)	69	0	0	(69)
<b>Adjustments Involving the Pensions Reserve:</b>				
Reversal of Items Relating to Post Employment Benefits Debited / (Credited) to the (Surplus) / Deficit on the Provision of Services in the CIES (Note 23 page 37)	7,656	0	0	(7,656)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	2,521	0	0	(2,521)
<b>Adjustments Involving the Collection Fund Adjustment Account:</b>				
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)	(115)	0	0	115
<b>Adjustment Involving the Accumulating Compensated Absences Adjustment Account:</b>				
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)	21	0	0	(21)
<b>Total Adjustments</b>	<b>3,733</b>	<b>(184)</b>	<b>359</b>	<b>(3,908)</b>

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 2011/2012.

	Balance at 31 March 2010	Transfer Out 2010/2011	Transfer In 2010/2011	Balance at 31 March 2011	Reclassification 2011/2012	Transfer Out 2011/2012	Transfer In 2011/2012	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>								
Amenity Areas Reserve	317	(397)	416	336	0	(50)	1	287
Capital Programme Resources Reserve	4,912	(1,955)	2,682	5,639	(1,478)	(525)	190	3,826
West Norfolk Partnership	1,586	(586)	703	1,703	0	(600)	553	1,656
Insurance Reserve	126	(70)	61	117	0	(10)	17	124
Restructuring Reserve	808	(674)	300	434	0	(420)	812	826
Repairs and Renewals Reserve	1,596	(202)	541	1,935	159	(178)	410	2,326
Holding Accounts	3,246	(1,143)	1,041	3,144	836	(768)	489	3,701
Ring Fenced Reserves	371	(112)	94	353	34	(42)	187	532
Planning Reserves	0	0	0	0	(870)	(76)	0	(946)
Other	40	(33)	70	77	0	(9)	0	68
<b>Total</b>	<b>13,002</b>	<b>(5,172)</b>	<b>5,908</b>	<b>13,738</b>	<b>(1,319)</b>	<b>(2,678)</b>	<b>2,659</b>	<b>12,400</b>

The movement in year is a reduction in Earmarked Reserves of £279,000 from the opening balance in the 2011/2012 statement of accounts. During 2011/2012 a review was carried out on the reserves, during which some reserves were reclassified.

An amount of £1,318,000 of VAT shelter money was removed from the reserves to usable capital receipts.

**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 VAT shelter money, 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.

Renewals and Repairs Reserves – 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 Reserves – 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 Reserves - used to enable the Council to fulfil it's 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

2010/2011		2011/2012
£'000		£'000
2,177	Parish Council Precepts	2,189
2,567	Levies	2,579
8	Payments to the Government Housing Capital Receipts Pool	9
(484)	Net Gains on the Disposal of Non-current Assets	(2,435)
<b>4,268</b>	<b>Total</b>	<b>2,342</b>

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

2010/2011		2011/2012
£'000		£'000
376	Interest Payable and Similar Charges	481
1,457	Pensions Interest Cost and Expected Return on Pensions Assets	392
(412)	Interest Receivable and Similar Income	(422)
(833)	Gains on Trading Operations*	0
594	Net (Gains) and Losses on Fair Value Adjustments on Investment Properties	(368)
(1,658)	Net Income from Investment Properties	(1,312)
<b>(476)</b>	<b>Total</b>	<b>(1,229)</b>

\* In 2011/2012 gains from Trading Operations has been moved to become part of the 'Cost of Service' within the CI&E.

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

2010/2011		2011/2012
£'000		£'000
(7,996)	Council Tax Income	(8,037)
(13,439)	Non-domestic Rates	(9,454)
(2,145)	Non-Ringfenced Government Grants	(3,531)
<b>(23,580)</b>	<b>Total</b>	<b>(21,022)</b>



10. **Comprehensive Income and Expenditure Statement – Material Items of Income and Expenditure**

In 2011/2012 an Actuarial loss on the Authority's Pensions assets of £11,978,000 has increased the Authority's Pensions liabilities to £37,243,000.

In 2010/2011 a past service gain of £11,882,000 has been credited to expenditure against Non-Distributed Costs in the net cost of services. This reflects the announcement that, from 1 April 2011, public service pensions were to be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). Further details can be found in note 23, pages 36-41.

The revaluation review in 2011/2012 reduced non-current assets by £7.5m, in particular the Civic Regalia, and reported revaluation increases of £11.5m, mainly books, maps and manuscript archives.

11. **Balance Sheet – Reserves**

Usable Reserves

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

Unusable Reserves

<b>31 March 2011</b>		<b>31 March 2012</b>
£'000		£'000
(30)	Deferred Capital Receipts	(18)
(39,953)	Revaluation Reserve	(46,007)
(98,801)	Capital Adjustment Account	(97,282)
986	Financial Instruments Adjustment Account	938
25,238	Pensions Reserve	37,243
(339)	Collection Fund Adjustment Account	(278)
269	Accumulating Compensated Absences Adjustment Account	222
<b>(112,630)</b>	<b>Total</b>	<b>(105,182)</b>

Deferred Capital Receipts

31 March 2011		31 March 2012
£'000		£'000
(40)	<b>Balance Brought Forward</b>	(30)
10	Principal Repayments due in Year	12
<b>(30)</b>	<b>Total</b>	<b>(18)</b>

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.

2010/2011		2011/2012
Restated		
£'000		£'000
(24,009)	<b>Balance at 1 April</b>	(39,953)
(17,349)	Upward Revaluation of Assets	(4,606)
87	Difference between Fair Value Depreciation and Historical Cost Depreciation	311
28	Accumulated Gains on Assets Sold or Scrapped	4
1,981	Impairments Written Off to the Capital Adjustment Account	(1,763)
(691)	Adjustments on Reconciliation of Assets Register	0
<b>(39,953)</b>	<b>Balance at 31 March</b>	<b>(46,007)</b>

On upward revaluation of non-current assets the IFRS code requires that impairments made within prior years which were charged to the Capital Adjustment Account are to be credited back. As reported in 2010/2011 the Authority was required to complete full calculation of impairment reversals during 2011/2012. The result of the calculation has been to revise the impairment reversals for prior years by £2,134,000.

The restated 2010/2011 figures include the impact of first time adoption of FRS30 Heritage Assets. The opening balance at 1 April 2010 includes a movement of £18,034,000. Please refer to Note 1 page 13 for how this change in accounting policy has been applied to the 2011/2012 financial statements.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of Non-Current assets and for financing the acquisition, construction or 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 17-18, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/2011		2011/2012
£'000		£'000
Restated		
<b>(104,769)</b>	<b>Balance at 1 April</b>	<b>(98,801)</b>
7,584	▪ Charges for Depreciation and Impairment of Non-Current Assets	5,713
6,297	▪ Revaluation Losses on Property, Plant and Equipment	417
86	▪ Amortisation of Intangible Assets	79
245	▪ Revenue Expenditure Funded from Capital Under Statute	394
346	▪ Amounts of Non-Current Assets Written Off on Disposal or Sale as Part of the (Gain) / Loss on Disposal to the CIES Statement	491
(2,096)	Adjusting Amounts Written out of the Revaluation Reserve	1,452
145	Write out depreciation on disposals, revaluations and impairment	(393)
	<b>Capital Financing Applied in the Year:</b>	
(2,915)	▪ Capital Grants and Contributions Credited to the CIES that have been applied to Capital Financing	(623)
(359)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	0
(756)	▪ Application of Capital Receipts	(2,762)
(2,009)	▪ Capital Expenditure Charged Against the General Fund	(1,886)
(419)	▪ Statutory Provision for the Financing of Capital Investment Charged against the General Fund Balance	(416)
(469)	▪ Additional Provision for the Financing of Capital Investment relating to Internal Repayment of Prudential Borrowing	(593)
594	Movements in the Market Value of Investment Properties Debited / (Credited) to the CIES	(368)
0	Principal repayment of loans	1
(1)	Principal repayment of finance leases	(1)
127	Soft Loans – Principal repaid	21
(78)	Soft Loans – Fair value adjustment	(7)
(398)	Adjustments on reconciliation of asset register	0
44	Asset derecognised	0
<b>(98,801)</b>	<b>Balance at 31 March</b>	<b>(97,282)</b>

See page 23 Revaluation Reserve for details of treatment of prior year impairments.

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 the Statement of Movement on the General Fund Balance.

2010/2011		2011/2012
£'000		£'000
<b>1,055</b>	<b>Balance at 1 April</b>	<b>986</b>
(69)	In year fair value adjustment of Private Sector Housing loans	(48)
<b>986</b>	<b>Balance at 31 March</b>	<b>938</b>

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 pensions 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.

2010/2011		2011/2012
£'000		£'000
<b>56,500</b>	<b>Balance at 1 April</b>	<b>25,238</b>
(21,085)	Actuarial (Gains) / Losses on Pensions Assets and Liabilities	11,978
(7,656)	Reversal of Items relating to Retirement Benefits on the Provision of Services in the CIES	2,854
(2,521)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(2,827)
<b>25,238</b>	<b>Balance at 31 March</b>	<b>37,243</b>

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.

2010/2011 £'000		2011/2012 £'000
(453)	<b>Balance at 1 April</b>	(338)
115	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	60
<b>(338)</b>	<b>Balance at 31 March</b>	<b>(278)</b>

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.

2010/2011 £'000		2011/2012 £'000
289	<b>Balance at 1 April</b>	269
(289)	Settlement or Cancellation of Accrual made at the End of the Preceding Year	(269)
269	Amounts Accrued at the End of the Current Year	222
<b>269</b>	<b>Balance at 31 March</b>	<b>222</b>

12. **Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

2010/2011 £'000		2011/2012 £'000
387	Interest Received	290
(377)	Interest Paid	(483)
<b>10</b>	<b>Total</b>	<b>(193)</b>

## 13. Cash Flow Statement – Investing Activities

2010/2011		2011/2012
£'000		£'000
(4,946)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(6,048)
(115,042)	Purchase of Short Term and Long Term Investments	(126,310)
(230)	Other Payments for Investing Activities	(67)
954	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,976
115,110	Proceeds from Short Term and Long Term Investments	129,448
2,364	Other Receipts from Investing Activities	1,323
<b>(1,790)</b>	<b>Net cash flows from Investing Activities</b>	<b>322</b>

## 14. Cash Flow Statement – Financing Activities

2010/2011		2011/2012
£'000		£'000
28,950	Cash Receipts of Short- and Long Term Borrowing	35,150
(1)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases	(1)
(34,450)	Repayments of Short and Long Term Borrowing	(32,950)
1,102	Other Payments for Financing Activities	(1,004)
<b>(4,399)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>1,195</b>

15. **Cash Flow Statement – Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>31 March 2011</b>		<b>31 March 2012</b>
£'000		£'000
13	Cash held by officers	13
(595)	Bank current accounts	542
1,000	Short Term deposits	3,300
<b>418</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,855</b>

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 Best Value Accounting Code of Practice. 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.

## Borough Council of King's Lynn and West Norfolk

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 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)
<b>Total Income</b>	<b>(11,490)</b>	<b>(4,436)</b>	<b>(51,329)</b>	<b>(13,418)</b>	<b>(3,297)</b>	<b>(1,600)</b>	<b>(85,570)</b>
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
<b>Total Expenditure</b>	<b>15,398</b>	<b>9,818</b>	<b>52,467</b>	<b>21,515</b>	<b>3,959</b>	<b>1,867</b>	<b>105,024</b>
<b>Net Expenditure</b>	<b>3,908</b>	<b>5,382</b>	<b>1,138</b>	<b>8,097</b>	<b>662</b>	<b>267</b>	<b>19,454</b>

Portfolio Income and Expenditure 2010/2011	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	(10,661)	(4,080)	(1,576)	(17,479)	(3,489)	(1,549)	(38,834)
Government Grants	(16)	0	(48,056)	(383)	(723)	(10)	(49,188)
<b>Total Income</b>	<b>(10,677)</b>	<b>(4,080)</b>	<b>(49,632)</b>	<b>(17,862)</b>	<b>(4,212)</b>	<b>(1,559)</b>	<b>(88,022)</b>
Employee Expenses	5,517	1,094	2,486	11,337	774	399	21,607
Other Service Expenses	9,120	7,455	47,916	4,827	3,052	839	73,209
Support Service Recharges	1,426	1,298	1,278	6,507	3,760	1,293	15,562
<b>Total Expenditure</b>	<b>16,063</b>	<b>9,847</b>	<b>51,680</b>	<b>22,671</b>	<b>7,586</b>	<b>2,531</b>	<b>110,378</b>
<b>Net Expenditure</b>	<b>5,386</b>	<b>5,767</b>	<b>2,048</b>	<b>4,809</b>	<b>3,374</b>	<b>972</b>	<b>22,356</b>



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.

	<b>2010/2011</b>	<b>2011/2012</b>
	£'000	£'000
<b>Net Expenditure in the Portfolio Analysis</b>	<b>22,356</b>	<b>19,454</b>
Net Expenditure of Services and Support Services Not Included in the Analysis	(4,174)	4,286
Amounts in the CIES Not Reported to Management in the Analysis	(600)	147
Amounts Included in the Analysis Not Included in the CIES	(2,359)	0
Allocation of Recharges	0	(1,657)
<b>Net Cost of Services in CIES</b>	<b>15,223</b>	<b>22,230</b>

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.

2011/2012	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	<b>(34,047)</b>	0	<b>(34,047)</b>
Interest and Investment Income	0	1,674	0	0	<b>1,674</b>	(2,102)	<b>(428)</b>
Income from Council Tax	0	0	0	0	<b>0</b>	(8,037)	<b>(8,037)</b>
Government Grants and Contributions	(50,210)	0	0	0	<b>(50,210)</b>	(12,985)	<b>(63,195)</b>
<b>Total Income</b>	<b>(85,570)</b>	<b>3,542</b>	<b>(555)</b>	<b>0</b>	<b>(82,583)</b>	<b>(23,124)</b>	<b>(105,707)</b>
Employee Expenses	19,423	(805)	0	0	<b>18,618</b>	0	<b>18,618</b>
Other Service Expenses	73,461	261	89	0	<b>73,811</b>	0	<b>73,811</b>
Support Service Recharges	12,140	0	0	(1,657)	<b>10,483</b>	0	<b>10,483</b>
Depreciation, Amortisation and Impairment	0	1,288	613	0	<b>1,901</b>	0	<b>1,901</b>
Interest Payments	0	0	0	0	<b>0</b>	873	<b>873</b>
Precepts and Levies	0	0	0	0	<b>0</b>	4,768	<b>4,768</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	<b>0</b>	9	<b>9</b>
Gain on Disposal of Non-Current Assets	0	0	0	0	<b>0</b>	(2,435)	<b>(2,435)</b>
<b>Total Expenditure</b>	<b>105,024</b>	<b>744</b>	<b>702</b>	<b>(1,657)</b>	<b>104,813</b>	<b>3,215</b>	<b>108,028</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>19,454</b>	<b>4,286</b>	<b>147</b>	<b>(1,657)</b>	<b>22,230</b>	<b>(19,909)</b>	<b>2,321</b>

The format of this table has been improved to make it easier for the reader of these accounts to track back to the the Comprehensive Income and Expenditure Statement.

Borough Council of King's Lynn and West Norfolk

2010/2011 Comparative	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not reported to mgmt	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	(38,834)	(10,122)	(600)	17	0	(4,155)	0	(53,694)
Interest and Investment Income	0	0	0	0	1,457	0	(412)	1,045
Income from Council Tax	0	0	0	0	0	0	(7,996)	(7,996)
Government Grants and Contributions	(49,188)	277	0	0	0	0	(15,584)	(64,495)
<b>Total Income</b>	<b>(88,022)</b>	<b>(9,845)</b>	<b>(600)</b>	<b>17</b>	<b>1,457</b>	<b>(4,155)</b>	<b>(23,992)</b>	<b>(125,140)</b>
Employee Expenses	21,607	(8,299)	0	123	0	0	0	13,431
Other Service Expenses	73,209	10,815	0	(3,474)	0	2,258	0	82,808
Support Service Recharges	15,562	(267)	0	975	0	0	0	16,270
Depreciation, Amortisation and Impairment	0	3,422	0	0	0	0	0	3,422
Interest Payments	0	0	0	0	0	0	376	376
Precepts and Levies	0	0	0	0	0	0	4,744	4,744
Payments to Housing Capital Receipts Pool	0	0	0	0	8	0	0	8
Gain on Disposal of Non-Current Assets	0	0	0	0	(484)	0	0	(484)
<b>Total Expenditure</b>	<b>110,378</b>	<b>5,671</b>	<b>0</b>	<b>(2,376)</b>	<b>(476)</b>	<b>2,258</b>	<b>5,120</b>	<b>120,575</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>22,356</b>	<b>(4,174)</b>	<b>(600)</b>	<b>(2,359)</b>	<b>981</b>	<b>(1,897)</b>	<b>(18,872)</b>	<b>(4,565)</b>

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. The Authority has also provided a Car Park Management Service on behalf of North Norfolk District Council from 2011/2012 . The services are provided at cost.

	2010/2011	2011/2012
	£'000	£'000
Expenditure Incurred in Providing a Grass Cutting Service	44	45
Expenditure Incurred in Providing a Care and Repair Agency	275	228
Expenditure Incurred in Providing Car Park Management Services	0	420
<b>Total Expenditure</b>	<b>319</b>	<b>693</b>

18. **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 2012 have not yet been audited. The draft results show a loss on the past year of (£14,696) 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 31/03/2012 were £0. 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 ODU.

19. **Members' Allowances**

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

	2010/2011	2011/2012
	£'000	£'000
Members Allowances	430	434

20. Officers' Remuneration

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

		Salary, Fees and Allowance	Taxable Expenses	Non Cash Emolument	Termination Benefits	Sub Total	Pension Contribution	Total
		£	£	£	£		£	£
Chief Executive	2011/2012	127,568	0	3,283	0	<b>130,851</b>	17,837	<b>148,688</b>
	2010/2011	121,028	0	3,356	0	<b>124,384</b>	19,822	<b>144,206</b>
Deputy Chief Executive / Executive Director Finance and Resources	2011/2012	70,149	0	6,313	0	<b>76,462</b>	9,821	<b>86,283</b>
	2010/2011	86,322	0	5,207	0	<b>91,529</b>	13,486	<b>105,015</b>
Executive Director Leisure and Public Space	2011/2012	74,930	0	4,696	0	<b>79,626</b>	10,467	<b>90,093</b>
	2010/2011	75,279	0	4,245	0	<b>79,524</b>	12,374	<b>91,898</b>
Executive Director Development Services	2011/2012	72,818	0	4,582	0	<b>77,400</b>	10,194	<b>87,594</b>
	2010/2011	73,539	0	4,312	0	<b>77,851</b>	12,060	<b>89,911</b>
Executive Director Revenues and Customer Services	2011/2012	0	0	0	0	<b>0</b>	0	<b>0</b>
	2010/2011	69,729	113	1,209	104,992	<b>176,043</b>	11,276	<b>187,319</b>
Executive Director Regeneration	2011/2012	0	0	0	0	<b>0</b>	0	<b>0</b>
	2010/2011	66,441	16	0	78,115	<b>144,572</b>	9,805	<b>154,377</b>
Executive Director Central Services	2011/2012	64,754	0	5,096	0	<b>69,850</b>	9,206	<b>79,056</b>
	2010/2011	64,597	0	4,727	0	<b>69,324</b>	10,759	<b>80,083</b>
Executive Director Environmental Health and Housing	2011/2012	64,023	0	4,439	0	<b>68,462</b>	8,963	<b>77,425</b>
	2010/2011	63,871	0	4,343	0	<b>68,214</b>	10,474	<b>78,688</b>

There were no bonus payments to report.

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	2010/2011 Number of employees	2011/2012 Number of employees
£50,000 - £54,999	17*	11*
£55,000 - £59,999	11*	8*
£60,000 - £64,999	4	5*
£65,000 - £69,999	3	1
£70,000 - £74,999	0	0
£75,000 - £79,999	1*	0
£80,000 - £84,999	3*	0
£85,000 - £89,999	1*	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	2*
£110,000 - £114,999	0	0
£115,000 - £119,999	1*	0

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

21. **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.

	2010/2011 £'000	2011/2012 £'000
Fees Payable with Regard to External Audit Services Carried out by the Appointed Auditor for the Year	115	104
External Audit Fees Payable on Additional work carried out in 2010/11	0	48**
Fees Payable to the Audit Commission in Respect of Statutory Inspections	5	0
Fees Payable to the Appointed Auditor for the Certification of Grant Claims and Returns for the Year	43	43
<b>Total</b>	<b>163</b>	<b>195</b>

Fees payable with regard to external audit services carried out by the appointed auditor for the year is net of a refund of £8,998 from the Audit Commission in respect of scale fees and IFRS.

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

\*\* These were not included in the 2010/11 accounts as the precise figure was not known until after the audit opinion on the accounts had been given.

22. 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	
	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012
£'000							£'000	£'000
£0 – £20	5	3	21	4	26	7	235	61
£20 – £40	0	0	11	2	11	2	302	54
£40 – £60	1	2	4	4	5	6	237	278
£60 – £80	0	1	4	1	4	2	269	132
£80 – £100	0	0	2	2	2	2	168	195
£100 – £150	0	0	1	0	1	0	105	0
<b>Total</b>	<b>6</b>	<b>6</b>	<b>43</b>	<b>13</b>	<b>49</b>	<b>19</b>	<b>1,316</b>	<b>720</b>

23. Defined Benefit Pension Schemes

Participation in Pension 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 needs 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	
	2010/2011 £'000	2011/2012 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
▪ Current Service Cost	2,514	2,019
▪ Past Service Gains	(11,882)	0
▪ Losses on Curtailments	255	443
Financing and Investment Income and Expenditure:		
▪ Interest Cost	7,135	6,032
▪ Expected Return on Scheme Assets	(5,678)	(5,640)
<b>Total Post Employment Benefit Charged to the (Surplus) / Deficit on the Provision of Services</b>	<b>(7,656)</b>	<b>2,854</b>
Other Post Employment Benefit Charged to the CIES		
▪ Actuarial (Gains) and Losses	(21,085)	11,978
<b>Total Post Employment Benefit Charged / (Credited) to the CIES</b>	<b>(28,741)</b>	<b>14,832</b>
<b>Movement in Reserves Statement</b>		
▪ Reversal of Net Charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in Accordance with the Code	7,656	(2,854)
<b>Actual Amount Charged Against the General Fund for Pensions in the Year</b>		
▪ Employer's Contribution	2,264	2,561
▪ Discretionary Benefits	257	266
<b>Total Amount Charged Against the General Fund for Pensions in the Year</b>	<b>2,521</b>	<b>2,827</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £35,060,000.



Assets and Liabilities in Relation to Post Employment Benefits

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

	<b>Funded Liabilities: Local Government Pension Scheme</b>	
	<b>2010/2011</b>	<b>2011/2012</b>
	£'000	£'000
<b>Opening Balance as at 1 April</b>	139,329	109,413
Current Service	2,514	2,019
Interest Cost	7,135	6,032
Contributions by Members	823	755
Losses on Curtailments	255	443
Actuarial (Gains) / Losses	(24,444)	7,820
Benefits Paid	(4,060)	(4,639)
Unfunded Benefits Paid	(257)	(266)
Past Service Gains	(11,882)	0
<b>Closing Balance at 31 March</b>	<b>109,413</b>	<b>121,577</b>

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

	<b>Assets: Local Government Pension Scheme</b>	
	<b>2010/2011</b>	<b>2011/2012</b>
	£'000	£'000
<b>Opening Balance as at 1 April</b>	82,829	84,175
Expected Rate of Return	5,678	5,640
Actuarial Losses	(3,359)	(4,158)
Employer Contributions	2,264	2,561
Contributions by Members	823	755
Benefits Paid	(4,060)	(4,639)
Unfunded Benefits Paid	(257)	(266)
Contribution in respect of Unfunded Benefits	257	266
<b>Closing Balance at 31 March</b>	<b>84,175</b>	<b>84,334</b>
Actual Return on Plan Assets	822	6,272

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

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
	£'000	£'000	£'000	£'000	£'000
Obligations:					
Present Value of Defined Benefit	(90,206)	(87,660)	(139,329)	(109,413)	(121,577)
Fair Value of Assets in the Local Government Pension Scheme	81,955	64,062	82,829	84,175	84,334
Deficit in the Scheme:	(8,251)	(23,598)	(56,500)	(25,238)	(37,243)
Local Government Pension Scheme	<b>(8,251)</b>	<b>(23,598)</b>	<b>(56,500)</b>	<b>(25,238)</b>	<b>(37,243)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £121,577,000 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 £84,334,000, resulting in a negative overall balance of £37,243,000. 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 employers contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 is £2,351,000.

Estimate of projected amount to be charged to operating profit for year ending 31 March 2013:

	£'000	% Pay
Projected Current Service Cost	2,116	19.2%
Interest on obligation	5,789	52.4%
Expected Return on Plan Assets	(4,599)	(41.7)%
<b>Total to be paid to scheme 31 March 2013</b>	<b>3,306</b>	<b>29.9%</b>

Defined Benefit Obligations

	31 March 2011	31 March 2012
	£'000	£'000
Fair Value of Employer Assets	84,175	84,334
Present Value of Funded Obligations	(106,090)	(118,114)
<b>Net Overfunding in Funded Plan</b>	<b>(21,915)</b>	<b>(33,780)</b>
Present Value of Unfunded Obligations	(3,323)	(3,463)
<b>(Deficit)</b>	<b>69 (25,238)</b>	<b>(37,243)</b>

## Borough Council of King's Lynn and West Norfolk

Funded 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 unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The 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 2010.

The principal assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	<b>2010/2011</b>	<b>2011/2012</b>
<b>Long Term Expected Rate of Return on Assets in the Scheme:</b>		
Equity Investments	7.5%	6.2%
Bonds	4.9%	4.2%
Property	5.5%	4.4%
Cash	4.6%	3.5%
<b>Mortality Assumptions:</b>		
Longevity at 65 for Current Pensioners:		
Men	21.2 yrs	21.2yrs
Women	23.4 yrs	23.4yrs
Longevity at 65 for Future Pensioners:		
Men	23.6 yrs	23.6yrs
Women	25.8 yrs	25.8yrs
Rate of Inflation	2.8%	2.5%
Rate of Increase in Salaries	5.1%	4.8%
Rate of Increase in Pensions	2.8%	2.5%
Rate for Discounting Scheme Liabilities	5.5%	4.8%

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 Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011	31 March 2012
	%	%
Equity Investments	69	66
Bonds	17	19
Property	11	12
Cash	3	3
	<b>100</b>	<b>100</b>

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/2012 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
	%	%	%	%	%
Differences between the expected and actual return on assets	(10.9)	(35.7)	19.0	(4.0)	(4.9)
Experience gains and losses on liabilities	1.3	(0.1)	0.1	(13.6)	2.3

**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

Members of the Authority have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/2012 is shown in note 19, page 33. During 2011/2012, works and services to the value of £116,734 (£109,336 in 2010/2011) were commissioned from companies in which 3 members (5 members in 2010/2011) had an interest. Contracts were entered into in full compliance with the Authority's standing orders. In addition, grants totalling £22,902 (£31,168 in 2010/2011) were made to organisations in which 1 member had an interest (1 member in 2010/2011). 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 note 35, page 56, on amounts reported to decision makers. Grant receipts outstanding at 31 March 2012 are shown below.

	31 March 2011	31 March 2012
	£'000	£'000
<b>Receivables</b>		
Central Government Bodies	535	1,656
Local Authorities	1,371	1,598
NHS Bodies	0	63
	<b>1,906</b>	<b>3,317</b>
<b>Payables</b>		
Central Government Bodies	(1,221)	(1,152)
Local Authorities	(3,475)	(2,092)
Public Corporations and Trading Funds	(287)	(25)
	<b>(4,983)</b>	<b>(3,269)</b>

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.

	<b>31 March 2011</b>	<b>31 March 2012</b>
	£'000	£'000
Other Land and Buildings	<b>5,064</b>	<b>4,936</b>

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:

	<b>31 March 2011</b>	<b>31 March 2012</b>
	£'000	£'000
Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):		
▪ Non-Current	166	165
Finance Costs Payable in Future Years	292	284
<b>Minimum Lease payments</b>	<b>458</b>	<b>449</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	£'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	160	159	256	248
	<b>166</b>	<b>165</b>	<b>292</b>	<b>284</b>

The Authority has sub-let some of the accommodation held under these finance leases. At 31 March 2012 the minimum payments expected to be received under non-cancellable sub-leases was £364,518 (£419,120 at 31 March 2011).

### 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. The large movement between 2010/2011 and 2011/2012 is due to the land that was derecognised under IFRS from finance leases having been omitted from the operating lease note.

	Operating Lease Payments	
	31 March 2011	31 March 2012
	£'000	£'000
Not Later than One Year	76	60
Later than One Year and Not Later than Five Years	103	194
Later than Five Years	654	4,250
	<b>833</b>	<b>4,504</b>

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	
	2010/2011	2011/2012
	£'000	£'000
Corporate and Democratic Core	3	0
Cultural and Related Services	17	15
Highways and Transport Services	59	45
	<b>749</b>	<b>60</b>

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:

	<b>31 March 2011</b>	<b>31 March 2012</b>
	£'000	£'000
Not Later than One year	0	15
Later than One Year and Not Later than Five Years	0	45
	<b>0</b>	<b>60</b>

**Operating Leases**

The Authority leases out property and equipment under operating 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:

	<b>31 March 2011</b>	<b>31 March 2012</b>
	£'000	£'000
Not Later than One year	1,670	1,585
Later than One Year and Not Later than Five Years	4,887	4,432
Later than Five Years	34,659	36,929
	<b>41,216</b>	<b>42,946</b>

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 2011/2012 £1,821,508 contingent rents were receivable by the Authority (2010/2011 £2,296,240).



26. Investment Properties

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

	2010/2011	2011/2012
	£'000	£'000
Rental Income from Investment Property	(1,891)	(1,744)
Direct Operating Expenses Arising from Investment Property	233	268
<b>Direct Cost of Investment Properties</b>	<b>(1,658)</b>	<b>(1,476)</b>
Other Net Operating Costs	0	164
<b>Net Gain</b>	<b>(1,658)</b>	<b>(1,312)</b>

The other net operating costs were omitted from the note in 2010/2011. 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 of 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:

	2010/2011	2011/2012
	£'000	£'000
<b>Balance at Start of the Year</b>	<b>27,741</b>	<b>27,393</b>
Additions	255	56
Derecognition	(43)	0
Impairment	0	(56)
Net Gains / (Losses) from Fair Value Adjustments	(594)	368
Transfers from Property, Plant and Equipment	34	0
<b>Balance at Year End</b>	<b>27,393</b>	<b>27,761</b>

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 of 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 £85,415 charged to revenue in 2011/2012 for software was charged to ICT Administration and then absorbed as an overhead across all the service headings 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 2011/2012 for housing nomination rights was charged to the housing general fund in Net Cost of Services. The Authority holds intangible assets at historical cost. The movement on Intangible Asset balances during the year is as follows:

	2010/2011			2011/2012		
	Software Licences	Housing Nomination Rights	Total	Software Licences	Housing Nomination Rights	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at start of year:</b>						
Gross Carrying Amount	378	303	681	405	303	708
Accumulated Amortisation	(144)	(144)	(288)	(223)	(150)	(373)
<b>Net Carrying Amount at Start of Year</b>	<b>234</b>	<b>159</b>	<b>393</b>	<b>182</b>	<b>153</b>	<b>335</b>
Additions:						
Purchases	39	0	39	250	0	250
Prior Period Additions	0	0	0	4	0	4
Derecognition	0	0	0	(2)	0	(2)
Impairment Losses Recognised in the Surplus on the Provision of Services	(11)	0	(11)	(15)	0	(15)
Amortisation for the Period	(80)	(6)	(86)	(73)	(6)	(79)
<b>Net Carrying Amount at End of Year</b>	<b>182</b>	<b>153</b>	<b>335</b>	<b>346</b>	<b>147</b>	<b>493</b>
Comprising:						
Gross Carrying Amounts	405	303	708	668	303	971
Accumulated Impairment	0	0	0	(26)	0	(26)
Accumulated Amortisation	(223)	(150)	(373)	(296)	(156)	(452)
	<b>182</b>	<b>153</b>	<b>335</b>	<b>346</b>	<b>147</b>	<b>493</b>

**28. Heritage Assets**

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

	2010/2011						2011/2012					
	Public Art Collections	Civic Regalia	Museum Collections	Historic Buildings	Archives	Total	Public Art Collections	Civic Regalia	Museum Collections	Historic Buildings	Archives	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation												
Balance at start of year	236	7,874	6,292	1,297	3,632	19,331	236	7,874	6,292	1,297	3,632	19,331
Additions	0	0	0	0	0	0	1	0	0	0	0	1
Disposals	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	(1,294)	0	0	1,966	672
Balance at end of year	236	7,874	6,292	1,297	3,632	19,331	237	6,580	6,292	1,297	5,598	20,004
Accumulated Depreciation and Impairment:												
Balance at start of year	0	0	0	(94)	0	(94)	0	0	0	(120)	0	(120)
Depreciation	0	0	0	(26)	0	(26)	0	0	0	(26)	0	(26)
Disposals	0	0	0	0	0	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0	0
Balance at the end of year	0	0	0	(120)	0	(120)	0	0	0	(146)	0	(146)
Net Book Value	236	7,874	6,292	1,177	3,632	19,211	237	6,580	6,292	1,151	5,598	19,858

Valuations have been undertaken during 2011/2012 for the Civic Regalia and part of the archive collection. Further valuations will be undertaken during 2012/2013 for the remaining archive collection which it was not possible to complete during 2011/2012, the value of this section of the archive is £2,652,250.

Please refer to Note 1 page 13 for how this change in accounting policy has been applied to the 2011/2012 financial statements.

Further information on heritage assets can be found in the accounting policies on page 79.

## 29. Property, Plant and Equipment

Movements on Balances

<b><u>Movements in 2011/2012</u></b>	<b>Other Land and Buildings</b>	<b>Land Awaiting Development</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Total Property, Plant and Equipment</b>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation:</b>						
<b>At 1 April 2011</b>	<b>82,238</b>	<b>36,947</b>	<b>12,503</b>	<b>1,575</b>	<b>5,469</b>	<b>138,732</b>
Prior Year Adjustments	(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
<b>At 31 March 2012</b>	<b>79,066</b>	<b>34,214</b>	<b>13,563</b>	<b>1,352</b>	<b>5,355</b>	<b>133,550</b>
<b>Accumulated Depreciation and Impairment:</b>						
<b>At 1 April 2011</b>	<b>11,889</b>	<b>14,359</b>	<b>7,867</b>	<b>674</b>	<b>378</b>	<b>35,167</b>
Prior Year Adjustments	(5,223)	(4,291)	104	(361)	(85)	(9,856)
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	1,254	19	10	2,515
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	(3)	66
<b>At 31 March 2012</b>	<b>8,348</b>	<b>11,432</b>	<b>9,683</b>	<b>359</b>	<b>395</b>	<b>30,217</b>
<b>Net Book Value:</b>						
<b>At 31 March 2012</b>	<b>70,718</b>	<b>22,782</b>	<b>3,880</b>	<b>993</b>	<b>4,960</b>	<b>103,333</b>
<b>At 31 March 2011</b>	<b>70,349</b>	<b>22,588</b>	<b>4,636</b>	<b>901</b>	<b>5,091</b>	<b>103,565</b>

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Comparative Movements in 2010/2011	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
<b>Cost or Valuation:</b>						
<b>At 1 April 2010</b>	<b>75,990</b>	<b>30,671</b>	<b>11,451</b>	<b>619</b>	<b>5,115</b>	<b>123,846</b>
Additions	1,818	2,600	815	271	69	5,573
Revaluation Increases Recognised in the Revaluation Reserve	11,496	4,796	0	685	287	17,264
Revaluation Increases / (Decreases) Recognised in the Surplus on the Provision of Services	(6,673)	0	0	0	(1,324)	(7,997)
Derecognition – Disposals	(1)	(1)	(82)	0	0	(84)
Derecognition – Other	0	0	0	0	(5)	(5)
Assets Reclassified to Held for Sale	(253)	(266)	0	0	0	(519)
Assets Reclassified	(938)	(434)	0	0	1,339	(33)
Other Movements in Cost or Valuation	799	(419)	319	0	(12)	687
<b>At 31 March 2011</b>	<b>82,238</b>	<b>36,947</b>	<b>12,503</b>	<b>1,575</b>	<b>5,469</b>	<b>138,732</b>
<b>Accumulated Depreciation and Impairment:</b>						
<b>At 1 April 2010</b>	<b>8,180</b>	<b>14,212</b>	<b>6,686</b>	<b>395</b>	<b>201</b>	<b>29,674</b>
Depreciation Charge	1,698	0	1,163	8	108	2,977
Impairment Losses Recognised in the Deficit on the Provision of Services	1,563	2,550	146	271	69	4,599
Derecognition – Disposals	0	0	(82)	0	0	(82)
Eliminated on Reclassification to assets Held for Sale	(6)	0	0	0	0	(6)
Other Movements in Depreciation and Impairment	454	(2,403)	(46)	0	0	(1,995)
<b>At 31 March 2011</b>	<b>11,889</b>	<b>14,359</b>	<b>7,867</b>	<b>674</b>	<b>378</b>	<b>35,167</b>
<b>Net Book Value:</b>						
<b>At 31 March 2011</b>	<b>70,349</b>	<b>22,588</b>	<b>4,636</b>	<b>901</b>	<b>5,091</b>	<b>103,565</b>
<b>At 31 March 2010</b>	<b>67,810</b>	<b>16,459</b>	<b>4,764</b>	<b>223</b>	<b>4,916</b>	<b>94,172</b>

\* Community assets have been restated for the movement on heritage assets (note 28 page 48).

Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/2013 and future years budgeted to cost £19,835,000. Similar commitments at 31 March 2011 were £24,151,000. The major commitments are:

	<b>Contractually Committed 31 March 2012</b>	<b>Commitment Non- Contractual 31 March 2012</b>
	£'000	£'000
Car Parks	0	833
Civic Buildings	0	538
Community Grants	0	222
Crematoriums and Cemeteries	0	270
Disability Discrimination Act	0	117
Environmental Monitoring	0	43
Industrial Estates Refurbishment	0	484
Leisure and Arts	138	2,005
Office Equipment	67	692
Offices and Depots	9	255
Parks and Open Spaces	0	154
Private Sector Housing / Energy Efficiency	236	4,459
Public Conveniences	0	28
Refuse and Recycling	0	41
Regeneration Schemes	3,624	3,961
Resort Services	0	42
Sewage Treatment Works	130	314
Street Lighting	10	20
Vehicles and Equipment	102	1,041
<b>Total</b>	<b>4,316</b>	<b>15,519</b>

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 the 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 84.

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
- Leases 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	Vehicles, Plant, Equipment	Infrastructure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	0	0	3,880	0	0	3,880
<b>Valued at fair value as at:</b>						
31 March 2012	7,826	645	0	120	114	8,705
31 March 2011	44,068	15,172	0	873	4,629	64,742
31 March 2010	3,329	2,702	0	0	5	6,036
31 March 2009	14,056	2,531	0	0	168	16,755
31 March 2008	1,439	1,732	0	0	44	3,215
<b>Net Book Value</b>	<b>70,718</b>	<b>22,782</b>	<b>3,880</b>	<b>993</b>	<b>4,960</b>	<b>103,333</b>

30. **Capital Expenditure and Capital 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.

	<b>2010/2011</b>	<b>2011/2012</b>
	<b>£000</b>	<b>£000</b>
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>15,025</b>	<b>14,679</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	5,573	4,541
Investment Properties	255	56
Intangible Assets	39	250
Heritage Assets	0	1
Assets Held for Sale	0	21
Revenue Expenditure Funded from Capital under Statute	245	394
<b>Sources of Finance:</b>		
Capital Receipts	(756)	(2,762)
Government Grants and Other Contributions	(3,274)	(824)
Sums Set Aside from Revenue:		
▪ Direct Revenue Contributions	(2,009)	(1,901)
▪ MRP	(419)	(416)
<b>Closing Capital Financing Requirement</b>	<b>14,679</b>	<b>14,039</b>
<b>Explanation of movements in year:</b>		
Increase in Underlying Need to Borrowing (Unsupported by Government Financial Assistance)	(346)	(640)
<b>Decrease in Capital Financing Requirement</b>	<b>(346)</b>	<b>(640)</b>



31. Assets Held for Sale

	Current	
	2010/2011 £'000	2011/2012 £'000
<b>Balance Outstanding at Start of Year</b>	<b>345</b>	<b>598</b>
Assets Newly Classified as Held for Sale:		
▪ Property, Plant and Equipment	513	1,526
Additions	0	21
Impairments	0	(21)
Revaluation Gains	85	929
Assets Sold	(345)	(62)
<b>Balance Outstanding at Year End</b>	<b>598</b>	<b>2,991</b>

32. Short Term Receivables

	31 March 2011 £'000	31 March 2012 £'000
Central Government Bodies	535	1,968
Local Authorities	1,117	1,278
NHS Bodies	0	63
Other Entities and Individuals	2,559	2,175
<b>Sub Total</b>	<b>4,211</b>	<b>5,484</b>
Allowances for Doubtful Debt (Other Entities and Individuals)	(581)	(656)
<b>Total</b>	<b>3,630</b>	<b>4,828</b>

33. Long Term Receivables

	31 March 2011	31 March 2012
	£'000	£'000
Local Authorities	254	234
Other Entities and Individuals	1,031	1,038
Finance Lease	0	60
<b>Sub Total</b>	<b>1,285</b>	<b>1,332</b>
Allowance for Doubtful Debt (Other Entities and Individuals)	(26)	(26)
<b>Total</b>	<b>1,259</b>	<b>1,306</b>

34. Short Term Payables

	31 March 2011	31 March 2012
	£'000	£'000
Central Government Bodies	(1,221)	(1,231)
Local Authorities	(3,475)	(2,192)
Public Corporations and Trading Funds	(287)	(25)
Other Entities and individuals	(3,853)	(4,115)
<b>Total</b>	<b>(8,836)</b>	<b>(7,563)</b>

35. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/2012:

	2010/2011	2011/2012
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income:</b>		
Rate Support Grant	1,952	2,922
Area Based Grant	193	0
Council Tax Freeze Grant	0	157
New Homes Bonus	0	452
<b>Sub Total</b>	<b>2,145</b>	<b>3,531</b>
<b>Credited to Services (Revenue):</b>		
Active Norfolk	3	13
Badminton England	1	0
Business Rates cost of collection	217	217
Community Safety	25	0
Concessionary Travel - Administration for new card scheme	530	0
Department for Works and Pensions - Housing Benefit Unit	49,002	48,248
Department for Works and Pensions - Performance standards funding	62	0
Disabled Facilities	474	670
Environment Agency	20	0
Food Standards Agency	2	3
Great Yarmouth Borough Council	24	12
Growth Point Funding	159	0
Homelessness	138	0
Improvement East	123	25
Local Development Framework	72	0
Local Housing Allowance	45	32
Local Public Service Agreement	93	30
NHS Norfolk	0	50
Norfolk County Council	678	649
Sound Connect	16	0
Sports Council / Sport England	0	12
Supporting People	600	518
West Norfolk Insulation Scheme	25	25
Other	10	7
<b>Total Credited to Services (Revenue)</b>	<b>54,464</b>	<b>54,042</b>

Grant Income Table continued (Capital):

	2010/2011	2011/2012
	£'000	£'000
<b>Credited to Services (Capital):</b>		
<b>Grants</b>		
BIG Lottery	(2)	0
Department for Environment Food and Rural Affairs	54	7
Football Foundation	(21)	0
Homes and Community Agency	2,537	109
Improvement East	0	85
Norfolk County Council	196	275
<b>Contributions</b>		
Ashfield Solutions	0	47
Freebridge Community Housing	5	1
Groundwork UK	0	52
Morston Assets Limited	138	0
Other Contributions	7	2
Vancouver Partnership	1	0
Wren	0	45
<b>Total Credited to Services (Capital)</b>	<b>2,915</b>	<b>623</b>

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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. The balances at the year end are as follows:

	31 March 2011	31 March 2012
	£'000	£'000
Amenity Area Grant Unapplied	67	67
<b>Capital Grants Receipts in Advance:</b>		
Decriminalisation	25	0
Depot – Fencing	0	5
Environmental Monitoring Equipment	7	0
Refurbish Children's Play Areas	28	0
<b>Shown on Short Term Payables</b>	<b>127</b>	<b>72</b>
<b>Housing Grants Unapplied :</b>		
Care and Repair, Breckland	34	3
Care and Repair, Decluttering	11	11
Care and Repair, Fenland	71	75
Care and Repair, LIST	109	119
Care and Repair, Reserve	70	45
Care and Repair, WN Insulation	16	22
Handyperson, Breckland	22	2
NORA, Hardings Pits	0	15
Section 106 Agreements	718	727
<b>Shown as Unapplied Grants</b>	<b>1,051</b>	<b>1,019</b>
<b>Total</b>	<b>1,178</b>	<b>1,091</b>

36. Financial Instruments

Categories of Financial Instruments

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

	Long Term			Short Term		
	31 March 2010	31 March 2011	31 March 2012	31 March 2010	31 March 2011	31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Investments</b>						
Loans and Receivables	13,650	14	44	12,101	25,659	22,585
<b>Cash and Cash Equivalents</b>						
Loans and Receivables	0	0	0	1,752	418	3,855
<b>Receivables</b>						
Loans and Receivables	1,115	1,259	1,306	2,316	2,018	2,292
<b>Total Assets</b>	<b>14,765</b>	<b>1,273</b>	<b>1,350</b>	<b>16,169</b>	<b>28,095</b>	<b>28,732</b>
<b>Borrowings</b>						
Financial Liabilities at Amortised Cost	11,900	11,700	11,500	9,118	3,817	6,217
<b>Payables</b>						
Financial Liabilities at Amortised Cost	730	1,051	1,019	2,835	4,651	3,691
<b>Total Liabilities</b>	<b>12,630</b>	<b>12,751</b>	<b>12,519</b>	<b>11,953</b>	<b>8,468</b>	<b>10,234</b>

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 tem) liabilities as these figures are included within the notes relating to leases.

Income, Expense, Gains and Losses

	2010/2011			2011/2012		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Liabilities Measured at Amortised Cost	Loans and Receivables		Liabilities Measured at Amortised Cost	Loans and Receivables	
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	376	0	376	481	0	481
Fee Expense	30	0	30	0	0	0
<b>Total Expense in (Surplus) / Deficit on the Provision of Services</b>	<b>406</b>	<b>0</b>	<b>406</b>	<b>481</b>	<b>0</b>	<b>481</b>
Interest Income	0	(412)	(412)	0	(422)	(422)
<b>Total Income in Surplus on the Provision of Services</b>	<b>0</b>	<b>(412)</b>	<b>(412)</b>	<b>0</b>	<b>(422)</b>	<b>(422)</b>
<b>Net (Gain) / Loss for the Year</b>	<b>406</b>	<b>(412)</b>	<b>(6)</b>	<b>481</b>	<b>(422)</b>	<b>59</b>

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 2012 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 invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities at Amortised Cost - Current	8,413	8,413	10,234	10,234
Long Term Borrowing	11,700	11,667	11,500	10,265
Unapplied Grants	1,051	1,051	1,019	1,019
<b>Total</b>	<b>21,164</b>	<b>21,131</b>	<b>22,753</b>	<b>21,518</b>

The fair value of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2011		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables - Current	28,095	28,089	28,732	28,732
Long Term Investments	14	14	44	44
Long Term Receivables	1,259	1,259	1,306	1,306
<b>Total</b>	<b>29,368</b>	<b>29,362</b>	<b>30,082</b>	<b>30,082</b>

This shows a notional future loss (based on economic conditions at 31 March 2012) attributable to the commitment to receive interest below current market rates.

- 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.



**37. 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 due 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	Individual Rating	Support Rating	Long Term Rating
<b>F1</b>	<b>B/C</b>	<b>4</b>	<b>A</b>

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.

4 = 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 2012 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 requested. 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 these debts as laid out within the Accounting policies, shown later in this booklet.

	2010/2011			2011/2012		
	Debt outstanding	Allowance in Accounts*	Net Liability	Debt outstanding	Allowance in Accounts*	Net Liability
	£'000	£'000	£'000	£'000	£'000	£'000
0 to 3 Months	1,181	30	1,151	891	16	875
4 to 6 Months	139	21	118	150	22	128
7 to 12 Months	195	39	156	259	52	207
Over One Year	862	517	345	475	238	237
<b>Total</b>	<b>2,377</b>	<b>607</b>	<b>1,770</b>	<b>1,775</b>	<b>328</b>	<b>1,447</b>

\* 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 the 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:

	<b>31 March 2010</b>	<b>31 March 2011</b>	<b>31 March 2012</b>
	£'000	£'000	£'000
Less than One Year	9,193	3,865	6,300
Between One and Two Years	155	176	128
Between Two and Five Years	87	153	154
More than Five Years	12,352	12,374	12,087
	<b>21,787</b>	<b>16,568</b>	<b>18,669</b>

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 borrowings 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 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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	Estimation of 1% increase in interest rates as at 31 March 2012  £'000
Increase in Interest Payable on Variable Rate Borrowings	13
Increase in Interest Receivable on Variable Rate Investments	(294)
<b>Impact on Surplus on the Provision of Services</b>	<b>(281)</b>
Decrease in Fair Value of Fixed rate Investment Assets	0
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)	1,666

The impact of a 1% fall in interest rates would be as above but with the 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 2010/2011. Only the amounts collected on behalf of the Borough Council are shown within the Borough Council's accounts.

Note	2010/2011		2011/2012	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Non-domestic Ratepayers		36,526		37,584
Council Tax	65,891		66,558	
Benefits	11,303	77,194	11,039	77,597
<b>Total Income</b>		<b>113,720</b>		<b>115,181</b>
<b>Expenditure</b>				
Non-domestic Ratepayers Pool		<b>36,152</b>		<b>37,186</b>
Precepts and Demands:				
Norfolk County Council	57,778		58,220	
Norfolk Police Authority	9,645		9,719	
Borough Council of King's Lynn and West Norfolk	5,650		5,693	
Parish / Special Expenses	2,155	<b>75,228</b>	2,189	<b>75,821</b>
Transfer surplus to Norfolk Police Authority	348		266	
Transfer surplus to Norfolk County Council	2,107		1,591	
Transfer surplus to BCKLWN	284		216	
Cost of Collection Allowance	213		217	
Non-Domestic Rates Write Offs and Bad Debt Allowance	294		182	
Council Tax Write Offs and Bad Debt Allowance	201	3,447	272	2,744
<b>Total Expenditure</b>		<b>114,827</b>		<b>115,751</b>
Deficit in year		(1,107)		(570)
Surplus brought forward at 1 April		4,358		3,251
<b>Surplus carried forward at 31 March</b>	<b>97</b>	<b>3,251</b>		<b>2,681</b>

General

These accounts represent the transactions of the Collection Fund, which is a 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.

	<b>2010/2011</b>	<b>2011/2012</b>
	£'000	£'000
Gross non-domestic rates payable	42,673	46,953
Less: Allowances and other adjustments	(6,521)	(9,767)
<b>Net Contribution to NNDR pool</b>	<b>36,152</b>	<b>37,186</b>

The Gross Non-domestic Rateable Value at 31 March 2012 was £104,592,252 (31 March 2011 £104,919,862) with basic NNDR multiplier 2011/2012 43.3p.

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

In 2011/2012 irrecoverable debt was as follows:

	<b>2010/2011</b>	<b>2011/2012</b>
	£'000	£'000
Council Tax	201	272
NNDR	294	182
<b>Total</b>	<b>495</b>	<b>454</b>

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	Ratio to Band D	Band D Equivalent
A*	*	67.5	5/9	37
A	Up to £40,000	18,983	6/9	12,655
B	£40,001 - £52,000	14,537	7/9	11,307
C	£52,001 - £68,000	11,527	8/9	10,246
D	£68,001 - £88,000	7,973	9/9	7,973
E	£88,001 - £120,000	3,999	11/9	4,887
F	£120,001 - £160,000	2,058	13/9	2,972
G	£160,001 - £320,000	873	15/9	1,455
H	More than £320,000	80	18/9	160
				51,692
Council Tax base at 97.5% collection rate				50,400
Contributions in lieu				444
Total Council Tax base at 97.5% collection rate				<u>50,844</u>

\*Entitled to a disabled relief reduction

The Authority set a precept of £5,693,000 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 £554,880 and parish precepts totalling £1,633,630 were levied, averaging £43.04 for a Band D property. Norfolk County Council set a precept of £58,219,939 representing a Band D Charge of £1,145.07 and Norfolk Police Authority set a precept of £9,719,339 representing a Band D Charge of £191.16. 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 2012 stands at £2,681,169 (2010/2011 £3,251,420). This amount is shared as follows:

	<b>2010/2011</b>	<b>2011/2012</b>
	£'000	£'000
Borough Council	338	278
Norfolk County Council	2,496	2,059
Norfolk Police Authority	417	344
<b>Total</b>	<b>3,251</b>	<b>2,681</b>

## Accounting Policies

### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/2012 financial year and its position at the year-end of 31 March 2012. 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 2011/2012 and the Service Reporting Code of Practice 2011/2012 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 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 central 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	(2007/2008)	100.0%
	(2008/2009)	70.0%
	(2009/2010)	50.0%
	(2010/2011)	10%
Previous Year	(2011/2012)	1.5%

Council Tax - Costs Outstanding

Prior Years	(2008/2009)	90.0%
	(2009/2010)	75.0%
	(2010/2011)	50.0%
Previous Year	(2011/2012)	20.0%

NNDR

Prior Years	(Pre 2010/2011)	100.0%
	(2010/2011)	50.0%
Previous Year	(2011/2012)	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 Estimates 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 2011/2012. (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**

### Benefits Payable During Employment

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 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 pensions 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 Statements 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.

**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.

Derecognition

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.

<b>Classification</b>	<b>Description</b>	<b>Measurement Base</b>
<u>Financial Assets</u>		
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

Classification	Description	Measurement Base
<u>Financial Liabilities</u>		
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
<u>Financial Assets</u>		
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.
<u>Financial Liabilities</u>		
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 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 valuation was carried out during 2011/2012. The valuation is undertaken by an external valuer. The assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.
- 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 Goal 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.

Historical Buildings

- Historic buildings owned by the Council included Greyfriars Tower, Red Mount Chapel, and Southgates. These Assets were previously held in the Balance Sheet as Community Assets. Depreciation of Historical Buildings is provided for, if necessary, in accordance with the Council's general policies for depreciation (see the section on Property, Plant and Equipment in this note).
- Red Mount Chapel and Southgates is open to the public on specific days between April and September and during the annual National Heritage Day in September. Full details of opening time are available on the Council website.

Museums 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 its 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.
- Museums collections are reported in the Balance Sheet on the basis of in-house valuations undertaken for curatorial and insurance valuation purposes. The vast majority of these items are of relatively low value. Assets valued at over £10,000 are reflected in the Authority's balance sheet.
- 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.

Borough Archive

- The Borough Archive includes documents, plans, books, maps and manuscripts, and is reported on the Balance Sheet at market value. 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 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 an external valuer.

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

## **Borough Council of King's Lynn and West Norfolk**

- In addition to the items listed above the Borough Archive contains some 1,250 boxes of diverse archive materials. An independent specialist valuer has been commissioned to undertake a detailed valuation of the entire archive. Given the specialist nature of this work it has not been possible to complete this work during 2011/2012. The valuation exercise will be completed during 2012/2013.
- 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, eg where an item has suffered physical deterioration or breakage or where doubts arise as 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 and 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.

## 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 benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

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

#### Recognition

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 (ie, repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing 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 then carried in the Balance Sheet using the following measurement bases:

- Infrastructure and community assets– depreciated historical cost
- Heritage Assets – see page 79
- 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 Surveyors' Standards Valuation Manual (6<sup>th</sup> 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.

<b>Portfolio</b>	<b>Last Dates for next Revaluation</b>		
Regeneration (King's Lynn and Other)	31 March	2013	
Environmental Health			
and Resources and Performance (part)	31 March	2014	
Housing	31 March	2015	
Culture (part)	31 March	2016	
Resources and Performance (part),			
Culture (part) and Recreation	31 March	2017	

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.

Componentisation

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 the 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 line(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 then 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, 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 on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against 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).

## **Borough Council of King's Lynn and West Norfolk**

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 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.

### 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 a 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 Revenue 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**

Awaiting Audit

**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 towards 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 on 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 and bank balances, 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.

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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 statutory requirements.
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.

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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, and 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-to-day 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 no Government grant to support this form of funding.

**REPORT TO CABINET**

<b>Open</b>		Would any decisions proposed :		
<b>Any especially affected Wards</b>	Mandatory	(a) Be entirely within cabinet's powers to decide NO (b) Need to be recommendations to Council YES (c) Be partly for recommendations to Council NO and partly within Cabinets powers –		
Lead Member: Cllr Nick Daubney E-mail: cllr.nick.daubney@west-norfolk.gov.uk		Other Cabinet Members consulted:		
Lead Officer: Ray Harding E-mail: ray.harding@west-norfolk.gov.uk Direct Dial: 01553 616245		Other Members consulted:		
Other Officers consulted: Deputy Chief Executive, Management Team, Monitoring Officer, Audit Manager				
Financial Implications NO	Policy/Personnel Implications NO	Statutory Implications YES	Equal Impact Assessment NO	Risk Management Implications YES

**Date of meeting: 18 September 2012**

**Annual Governance Statement****Summary**

This report proposes the approval of the Council's Annual Governance Statement for the year 2011/12.

Once a year, a review must take place of the effectiveness of the systems of internal control and an Annual Governance Statement (AGS) (formerly the Statement of Internal Control) must accompany the Statement of Accounts.

**Recommendation**

It is recommended that the Annual Governance Statement for 2011/12 as attached be approved for adoption and 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 Accounts and Audit Regulations 2003, as amended in 2006, introduced the requirement for local authorities to conduct a review at least once a year of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (formerly the Statement of Internal Control), to be published with the Statements of Accounts.



- 1.2 The Regulations provide that Councils are responsible for ensuring that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of that Council's functions.
- 1.3 The system of internal control therefore includes more than just the financial aspects of the Council's business. It includes matters such as the arrangements for decision-making, ensuring compliance with established policies etc.
- 1.4 Changes to the Accounts and Audit Regulations came into force on 31 March 2011 and since that time the Annual Governance Statement has been required to accompany the accounting statements, rather than being included within them as in previous years. This is therefore presented as a separate document for the second time this year.

## **2.0 Proposed Annual Governance Statement**

- 2.1 As to the content of the statement itself, CIPFA has produced guidance and a proforma statement. The Council's Annual Governance Statement is based upon this proforma. It should be noted that the Statement is required to include notification of any significant internal control issues and an action plan to address them. No significant issues have been identified. A number of other actions were identified last year and have been reviewed. Further actions for the current year are also identified and will be addressed during the year (see Appendix B within the Annual Governance Statement document).
- 2.2 The Leader of the Council and the Chief Executive are required to sign the Annual Governance Statement.

## **3.0 Policy Implications**

- 3.1 None

## **4.0 Financial Implications**

- 4.1 None

## **5.0 Staffing Implications**

- 5.1 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 Assessments (EIA's)**

- 7.1 None

**8.0 Risk Management**

8.1 The Annual Governance Statement is part of the Council's risk management process and provides limited assurance that the Council is complying with the adopted Code of Corporate Governance.

**9.0 Background Papers**

9.1 Annual reports as referenced within the Annual Governance Statement

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West Norfolk**



# Annual Governance Statement

2012

## **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 also responsible for ensuring that there is a sound system of internal control which facilitates 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](http://www.west-norfolk.gov.uk). This Annual Governance Statement explains how this Council has complied with the code and confirms that a review has been undertaken and meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011.

## **2. The purpose of the Governance Framework**

The governance framework comprises the policies, procedures and operations by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and outcomes.

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 ongoing processes designed to identify the principle risks to the achievement of the Council's policies, agreed outcomes and objectives, to evaluate the nature and extent of those risks, the likelihood of them being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31 March 2012 and remains in place to date.

## **3. Internal Governance Framework**

The Council has approved and adopted a Code of Corporate Governance and recognises that effective governance is achieved through the following core principles:

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.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting the values of the Council and demonstrating the values of good governance through behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
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.
6. Engaging with local people and other stakeholders to ensure robust local public accountability.

The table at Appendix A demonstrates how these core principles have been upheld during the year 2011-2012.

#### **4. Strategic risk management**

Significant business risks that may impact upon the Council's priorities have been identified and mapped, and appropriate control measures are in place. The Corporate Risk Register, which is integral to the Council's performance management system, is regularly updated and reported upon to senior management team and members. The responsibility for maintaining the Corporate Risk Register lies with the Internal Audit function.

The Council has continued to strengthen its approach to the management of risk in the 2011/12 year. Examples include:

- Have gained re-accreditation for the GCSx Government Connect Code of Connection to protect computer data
- Updated all ICT Policy Documents to reflect the Payment Card Industry Data Security Standards
- Developed the authority's Business Continuity Management processes and supporting documentation, including a refreshed Policy and Strategy, a new Invocation Process and Checklist, new Threat Cards and new BC Team Plans for Critical Activities
- Developed plans for a more robust Disaster Recovery site, outside of a flood risk zone
- Undertaken an authority wide desk-top exercise to test elements of the refreshed Business Continuity Management arrangements
- Brought the authority's Treasury Management function in-house, utilising the Treasury Management Strategy Statement 2011/2014 and Annual Investment Strategy 2011/2012 to ensure risks are minimised
- Published the 2010/11 accounts in line with the International Financial Reporting Standards (IFRS) Accounting Policies
- Reviewed and updated the authority's Contract Standing Orders, which dictate procurement policy
- Reviewed, refreshed and re-launched the corporate policy for Records Retention and Disposal
- Reviewed and refreshed the Council's Financial Regulations
- Agreed a change to the reporting format of the Corporate Risk Register, to highlight high level risks

#### **5. The national economic context, the associated risks and how the Council has responded**

Under Section 25 of the Local Government Act 2003 the Chief Financial Officer must report as to the robustness of the estimates included within the budget. The Financial Plan for the 2011/12 year, reviewed by Council in February 2011, followed an announcement in December 2010 that the Council would see its grant reduced by 23.7% for the years 2011/12 and 2012/13. It was stated in the plan that the Council also relies heavily on income from charges for services to help keep council tax at low levels, which exposes the Council to risks in the current economic climate.

In the Financial Plan for the 2011/12 year, in addition to the points made above, the following risks to the authority were highlighted by the Chief Financial Officer, amongst others:

- Operational Risks – there will always be an element of risk in the robustness of estimates where many services are demand led. This level of risk is especially heightened during this period of uncertainty in the economy. Past experience shows that the risk from these service areas can be dealt with through good budgeting techniques, sound financial management and where necessary the use of balances.

- General Economic Risks (inflation assumptions and interest rates) – these risks can be reduced through sound monitoring of spend and corrective action being taken at the right time.
- Capital Schemes, Partnerships and Contracts – the risks here can be reduced through the existence of good governance arrangements, active participation in the schemes, sound project management and constant monitoring of the risks.

In the context of this unprecedented environment, the Financial Plan stated that “the Council’s determination to act early during 2009 and 2010 showed it to be ‘ahead of the game’ and it made significant progress in identifying ongoing savings.” The plan also stated that this has “come about through an excellent working relationship between members and service managers, good financial management and powerful efficiency and service reviews” but that “Past experience shows that it is important however to gain savings as soon as possible and the Council must not lose the momentum in its current drive to reduce costs.”

Work on reducing costs therefore remained a focus for the organisation into the 2011/12 year in order to be able to produce a balanced budget. For further details, see section 8.

## **6. The transparency agenda**

The Council was amongst the first nationally to meet the Coalition Government’s requirements in 2010 to regularly publish items of spending above £500 and to publish the salaries and expenses of senior officers, in addition to providing full details of elected Councillor’s expenses. In September 2011, the DCLG published a ‘Code of Recommended Practice for Local Authorities on Data Transparency’ which outlines the minimum data that should be available. During the 2011/12 year, the Council progressed its commitment to operating in an open and transparent way and published organisational and contextual information such as Chief Executive and Executive Director’s job descriptions, a breakdown of services provided and gross expenditure by Service Area on its website. Additionally, a ‘Pay Policy Statement’ was approved by Council in March 2012.

Also in 2011/12, following local elections held in May 2011, the Council published a Corporate Business Plan (formerly known as the Corporate Strategy) which covers the four-year administrative term 2011/12 to 2014/15 and defines the outcomes – or end results – that the Council wants to achieve. This document is the overarching strategy for the authority and is based around the same priority outcomes as those identified by the West Norfolk Partnership. By taking this approach, the Council can clearly demonstrate to residents and businesses how it will fulfil its part of the area-wide strategy and it is very clear where the priorities of the administration, and therefore of the organisation, lie. The Corporate Business Plan is available to all on the Council’s website.

## **7. 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.

During the 2011/12 year, following the local elections, a full induction and training programme was undertaken for all Council members. The Councillor Call for Action process was reviewed and amended, and a review was undertaken of the three Policy Review and Development Panels. The review resulted in a reduction in the number of panels from three to two, with an increase in the number of members of the two panels. Additionally, the scheme of delegation was updated regularly and a review of the Articles in the Council’s constitution was undertaken, agreed by Council in November 2011.

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 regular reports from the Monitoring Officer. In February 2012, the Committee received a report which advised and updated them on the changes to the standards regime introduced by the Localism Act 2011. Any changes required to the Standards Regime at the Borough Council, required due to the Localism Act 2011 will be introduced through the 2012/13 year.
- The Audit and Risk Committee carries out an overview of the activities of the Council's internal and external audit functions. Membership of the Committee was extended from 9 members to 15 members during the 2011/12 year following a review of the Policy Review and Development Panels agreed by Council in July 2011.
- Members of the Audit & Risk Committee are provided with copies of all reports produced by Internal Audit and the external auditors and also receives regular reports on matters relating to finance, fraud and risk management. The Committee approve the annual plans for each, and receive regular progress reports throughout the year. The Audit Manager submits to them an annual report and opinion, and the external auditors submit an audit and inspection annual 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 2011/12 which went before the Audit and Risk Committee on 26<sup>th</sup> June 2012.
- 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 2011/12 year, the result of the review was reported to the Audit & Risk Committee on 26<sup>th</sup> June 2012.
- 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 26<sup>th</sup> June 2012.
- 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:
  - the Audit of the Statement of Accounts went before Cabinet on 20 September 2011;
  - the Annual Audit Letter went before the Audit & Risk Committee on 4 January 2012;
  - and the 'Certification Report to those charged with governance' went before the Audit & Risk Committee on 28 February 2012.

These reports from the external auditors all refer to the 2010/11 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.

In summary, a review of arrangements for the 2011/12 year has been undertaken; the review has not highlighted any issues as significant weaknesses in governance or internal control during 2011/12. The arrangements outlined above are in place and operating as planned.

## **8. Efficiency / Value for Money**

The Council's Corporate Business Plan is founded on the principle of improving the quality of people's everyday lives in order to help make West Norfolk a better place for everyone that lives and works here. A large part of these aspirations relate to how the Council uses its resources. The authority prides itself on providing services at appropriate levels of quality whilst reducing costs and is recognised as being efficient. In 2010 the Council established a cost reduction programme to further reduce the Council's costs. This drive has continued during the period to date and as part of the programme, all of the Council's services have been reviewed. The required savings to date have been achieved.

Savings and efficiencies made during 2011/12 include ceasing the in-house cashier service, providing the same facilities through other means (such as the Post Office); moving to an alternative way of delivering legal services within the Council; and increasing income by enabling the College of West Anglia to relocate its sports teaching to the Lynnsport site.

The shared service arrangement for the Revenues / Benefits service has been progressed; the Partnership Agreement was signed in December 2011, and an overall go-live date is proposed for July 2013. Additionally, the Council is examining the benefits of setting up an alternative delivery method for its Leisure Services.

Managing the Council's assets effectively is a key element of being an efficient organisation and regular Asset Monitoring reports are presented to the Resources & Performance Panel to ensure Members are kept fully informed in this area. The external auditors, PWC, carried out a follow up audit on 'Effective Management of Assets', the results of which were reported in July 2011 and concluded at that time that 55% of recommended actions were progressing or had been partially achieved. Further work will be continued in this area during 2012/13.

## **9. Auditor judgement**

PricewaterhouseCoopers, the Council's external auditors, have audited the Council's accounts in line with Internal Standards on Auditing (UK & Ireland) and issued an unqualified audit opinion in October 2011. This opinion related to the 2010/11 year; this judgement is always given on the previous year's accounts.

## **10. Significant governance issues**

In her Annual Report to the Audit and Risk Committee on 26<sup>th</sup> June 2012 the Audit Manager stated that in her opinion, based on the work carried out by Internal Audit in 2011/2012, internal controls and risk management are considered to be adequate and effective.

In the Annual Governance Statement for the 2010/11 year (presented to Cabinet on 21 June 2011) a 6 point Action Plan was set out to deal with governance issues identified. 4 points on that Action Plan have been completed satisfactorily – two relating to Business Continuity, one relating to achieving Payment Card Industry Standards and one on achieving sign off to IFRS Accounting Standards for the 2010/11 accounts. The two outstanding points not yet completed are the Procurement Strategy and the ICT Strategy. These points have been carried forward.

It has also been identified that in the future, should the Council wish to process payments on behalf of other organisations, the level of Payment Card Industry Standard compliance required will escalate. It has therefore been decided to review and extend the existing level of compliance to prepare the way for handling payments on behalf of others.

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



## 11. Assurance summary

From the review undertaken, the assessment and ongoing monitoring work completed<sup>1</sup> 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 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, and that the plan for development areas outlined at Appendix B is appropriate.

### **Signed:**

Cllr Nick Daubney  
Leader of the Council  
Date 2012

Ray Harding  
Chief Executive  
Date 2012

**NEEDS SIGNATURES ADDED ONCE AGREED BY COUNCIL IN SEPTEMBER**

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<sup>1</sup> By the Audit and Risk Committee and the Standards Committee

## APPENDIX A: APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

Principles	Requirements	Evidence
<b>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</b>		
1.1 Exercising leadership by clearly communicating the Council's purpose and vision and its intended outcome for citizens and service users	<ul style="list-style-type: none"> <li>Develop &amp; promote the authorities' purpose &amp; vision</li> </ul>	Corporate Business Plan Website and / or PR activity
	<ul style="list-style-type: none"> <li>Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements</li> </ul>	Code of Corporate Governance
	<ul style="list-style-type: none"> <li>Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners</li> </ul>	WN Partnership working protocol CNC – Building Control Care and Repair Refuse contract Revenues and Benefits Car Park management Civil Parking Enforcement
	<ul style="list-style-type: none"> <li>Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance</li> </ul>	Annual financial statement
1.2 Ensuring that users receive a quality service whether directly, or in partnership or by commissioning	<ul style="list-style-type: none"> <li>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</li> </ul>	Corporate Business Plan Annual Directorate Plans Medium term financial strategy Quality of Life survey Service Reviews
	<ul style="list-style-type: none"> <li>Put in place effective arrangements to identify and deal with failure in service delivery</li> </ul>	Complaints procedure
1.3 Ensuring that the Council makes best use of resources and that tax payers and service users receive value for money	<ul style="list-style-type: none"> <li>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.</li> <li>Explore and rigorously test opportunities for shared services and joint procurement</li> </ul>	Performance Reports Benchmarking Energy and Environment Monitoring Report Service Reviews Joint Revenues & Benefits service Car parking arrangements Joint refuse contract procurement
<b>2. Members and officers working together to achieve a common purpose with clearly defined functions and roles</b>		
2.1 Ensuring effective leadership throughout the Council by being clear about executive and non executive functions and of the roles	<ul style="list-style-type: none"> <li>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</li> </ul>	Constitution Record of delegated decisions Scheme of Delegation
	<ul style="list-style-type: none"> <li>Set out a clear statement of the</li> </ul>	Constitution

Principles	Requirements	Evidence
and responsibilities 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	<ul style="list-style-type: none"> <li>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</li> </ul>	Constitution Member / Officer Protocol
	<ul style="list-style-type: none"> <li>Make a chief executive or equivalent responsible and accountable for all aspects of operational management</li> </ul>	Conditions of employment Scheme of delegation Statutory provisions Job description / specification Performance management framework
	<ul style="list-style-type: none"> <li>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</li> </ul>	Member / officer protocol
	<ul style="list-style-type: none"> <li>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</li> </ul>	Section 151 responsibilities Financial Regulations Statutory provision Statutory reports Budget documentation Job description / specification
	<ul style="list-style-type: none"> <li>Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and regulations complied with</li> </ul>	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	<ul style="list-style-type: none"> <li>Develop protocols to ensure effective communication between members and officers in their respective roles</li> </ul>	Member / officer protocol
	<ul style="list-style-type: none"> <li>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)</li> </ul>	Pay & conditions Member Allowance Scheme Independent Allowances Panel Published pay and expenses of senior officers
	<ul style="list-style-type: none"> <li>Ensure that effective mechanisms exist to monitor service delivery</li> </ul>	Performance management framework Performance reporting schedule Meeting schedule Panel and Cabinet reports

Principles	Requirements	Evidence
	<ul style="list-style-type: none"> <li>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</li> </ul>	Corporate Business Plan Directorate Plans Performance Management Framework Budgets Budget consultation with business ratepayers
	<ul style="list-style-type: none"> <li>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.</li> </ul>	WN Partnership working protocols WN Partnership Terms of Reference WN Partnership scheme of delegation CNC – Trustees Agreement Guidance from insurers when sitting on outside bodies Safer Neighbourhood Action Panels (SNAP) Norfolk Waste Partnership
	<ul style="list-style-type: none"> <li>When working in partnership:               <ul style="list-style-type: none"> <li>Ensure that there is clarity about the legal status of the partnership</li> <li>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</li> </ul> </li> </ul>	WN Partnership working protocols WN Partnership Terms of Reference WN Partnership scheme of delegation Revenues and Benefits shared services Car Park management Civil Parking Enforcement
<b>3. Promoting the values of the Council and demonstrating the values of good governance through behaviour</b>		
3.1 Ensuring Council Members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance	<ul style="list-style-type: none"> <li>Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</li> </ul>	Corporate Business Plan Code of Corporate Governance Extended Management Team meetings Staff Briefing sessions Management Team updates
	<ul style="list-style-type: none"> <li>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</li> </ul>	Members / officers' code of conduct & protocols Performance appraisal system 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
	<ul style="list-style-type: none"> <li>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</li> </ul>	Standing orders Codes of conduct Financial regulations
3.2 Ensuring that organisational values are put into practice and are effective	<ul style="list-style-type: none"> <li>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</li> </ul>	Codes of conduct Corporate Business Plan Internal Affairs Members Bulletin Website/Intranet
	<ul style="list-style-type: none"> <li>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</li> </ul>	Codes of conduct Internal Audit Strategic Plan Constitution Audit & Risk Committee Equalities Impact Assessment process Equality Policy Officer membership of professional bodies
	<ul style="list-style-type: none"> <li>Develop and maintain an effective standards committee</li> </ul>	Terms of reference Reports to the Council
	<ul style="list-style-type: none"> <li>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</li> </ul>	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
	<ul style="list-style-type: none"> <li>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</li> </ul>	Partnership working protocols
<b>4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b>		
4.1 Exercising leadership by being rigorous and transparent about how decisions are taken and listening	<ul style="list-style-type: none"> <li>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible</li> </ul>	Cabinet Scrutiny Committee Audit & Risk Committee Policy Development & Review Panels Scrutiny and Overview

Principles	Requirements	Evidence
to and acting upon the outcome of constructive scrutiny	<ul style="list-style-type: none"> <li>Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</li> </ul>	<p>Liaison Committee</p> <p>Record of decisions and supporting materials</p> <p>Agendas and minutes of meetings</p>
	<ul style="list-style-type: none"> <li>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</li> </ul>	<p>Members' code of conduct</p> <p>Register of Interests</p> <p>Employee handbook</p>
	<ul style="list-style-type: none"> <li>Develop and maintain an effective audit committee which is independent of the executive and scrutiny functions</li> </ul>	<p>Audit and Risk Committee - Terms of reference and associated annual review</p> <p>Membership</p> <p>Member training programme</p>
	<ul style="list-style-type: none"> <li>Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</li> </ul>	<p>Complaints procedure</p>
4.2 Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<ul style="list-style-type: none"> <li>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</li> </ul>	<p>Members induction scheme</p> <p>Training for committee chairs and panel members</p> <p>Cabinet / Portfolio report templates</p> <p>Standard timetable for production and circulation of agendas</p> <p>Clear scheme of delegation</p> <p>Employment of Data Analyst</p>
	<ul style="list-style-type: none"> <li>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</li> </ul>	<p>Record of decisions and supporting materials</p> <p>Reports available prior to meetings</p> <p>Section 151 Officer, Monitoring Officer and Professional Officers available for queries</p>
4.3 Making sure that an effective risk management system is in place	<ul style="list-style-type: none"> <li>Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs</li> </ul>	<p>Corporate Risk register</p> <p>Risk Management Strategy</p> <p>Financial regulations</p> <p>Directorate Plans</p> <p>Equality Impact Assessments</p> <p>Risk section in cabinet reports</p>
	<ul style="list-style-type: none"> <li>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</li> </ul>	<p>Whistle-blowing policy</p>

Principles	Requirements	Evidence
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	<ul style="list-style-type: none"> <li>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</li> </ul>	Constitution Monitoring officer provisions Statutory provisions
	<ul style="list-style-type: none"> <li>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law</li> </ul>	Monitoring officer provisions Professional standards for Officers
	<ul style="list-style-type: none"> <li>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</li> </ul>	Monitoring officer provisions Job description / specification Member / Officer protocols Statutory provisions
<b>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</b>		
5.1 Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	<ul style="list-style-type: none"> <li>Provide induction programmes tailored to individual needs and opportunities for members and officers to upgrade their knowledge on a regular basis</li> </ul>	Training and development plan – Members and Officers Induction programme – Members and Officers Ad hoc courses and seminars (CPD)
	<ul style="list-style-type: none"> <li>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</li> </ul>	Job description / person specifications Membership of senior management
5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	<ul style="list-style-type: none"> <li>Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively</li> </ul>	Training & development programmes – Members and Officers
	<ul style="list-style-type: none"> <li>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</li> </ul>	Members training programme Continuing Professional Development (CPD)
	<ul style="list-style-type: none"> <li>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,</li> </ul>	Cabinet Scrutiny Committee Monitoring of members' attendance at Panels

Principles	Requirements	Evidence
	for example, aim to address any training or development needs	
5.3 Encouraging new talent for membership of the Council so that best use can be made of resources in balancing continuity and renewal	<ul style="list-style-type: none"> <li>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</li> </ul>	Information on website Active promotion of EE LGA events
	<ul style="list-style-type: none"> <li>Ensure that career structures are in place for members and officers to encourage participation and development</li> </ul>	Succession planning Member training
<b>6. Engaging with local people and other stakeholders to ensure robust local public accountability</b>		
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	<ul style="list-style-type: none"> <li>Make clear to themselves, all staff and the community to whom they are accountable and for what</li> </ul>	Code of Corporate Governance Corporate Business Plan Scrutiny Panels Media releases
	<ul style="list-style-type: none"> <li>Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required</li> </ul>	WN Partnership provides mechanism for strengthening links with other key stakeholders
	<ul style="list-style-type: none"> <li>Produce an annual report on the activity of the scrutiny function</li> </ul>	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	<ul style="list-style-type: none"> <li>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</li> </ul>	Website Customer Information Centre Community Information Points Press releases Communications Guide
	<ul style="list-style-type: none"> <li>Hold meetings in public unless there are good reasons for confidentiality</li> </ul>	Constitution Agendas and minutes
	<ul style="list-style-type: none"> <li>Ensure that arrangements are in place to enable the authority to 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</li> </ul>	Equalities Policy Local Poll – incinerator Govmetric feedback process Customer comment form Safer Neighbourhood Action Panels (SNAP)
	<ul style="list-style-type: none"> <li>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</li> </ul>	Equality Impact Assessments Local Development Framework – Statement of Community Involvement
	<ul style="list-style-type: none"> <li>On an annual basis, publish a</li> </ul>	Annual financial statements



Principles	Requirements	Evidence
	<p>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</p>	<p>Corporate Business Plan Corporate Monitoring Report Media releases</p>
	<ul style="list-style-type: none"> <li>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</li> </ul>	<p>Constitution Corporate Business Plan Minutes of meetings Website – transparency pages Media releases</p>
<p>6.3 Making best use of resources by taking an active and planned approach to meet responsibility to staff.</p>	<ul style="list-style-type: none"> <li>Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</li> </ul>	<p>Internal consultation and engagement Internal communications channels Senior MT/Union meetings</p>

## APPENDIX B: ACTION PLAN FOR THE 2012/13 YEAR

	Issue	Action	Responsible Officer	Target Date
1	Procurement Strategy	Review the Procurement Strategy setting out an improvement plan and setting targets for the percentage of orders procured through the on line market place.	Chief Accountant	December 2012
2	PC replacement programme	Roll out 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	ICT Manager	December 2012
4	Revenues & Benefits ICT arrangements	Implement the Council as the host ICT authority for the Revenues & Benefits Partnership including all appropriate SLA's	ICT Manager	December 2012
5	ICT Strategy	Produce an Information Communication Technology Strategy	ICT Manager	March 2013
6	International Financial Reporting Standards (IFRS)	Embed IFRS processes and add heritage assets to the requirements	Chief Accountant / Property Services Mgr	March 2013
7	Disaster Recovery site	Establish the new Disaster Recovery site	ICT Manager	March 2013
8	Localism Act 2011	Implement the requirements of the Localism Act 2011	Monitoring Officer / Policy & Partnerships Mgr / LDF Mgr	March 2013
9	Code of Data Transparency	Finalise / progress compliance with the DCLG 'Code of Recommended Practice for Local Authorities on Data Transparency'	Deputy Chief Executive	March 2013
10	Joint Committee for shared Revenues & Benefits arrangements	Ensure the Council's interests are fully represented on the Joint Committee for the shared Revenues & Benefits service	Deputy Chief Executive	March 2013
11	CNC Building Control governance arrangements	Participate in the review of governance arrangements for CNC	Executive Director, Regeneration and Development	December 2012
12	Alternative model for delivery of leisure services	Determine whether the Council adopts an alternative method of delivery of leisure services	Executive Director, Leisure & Public Space	March 2013
13	Increase level of Payment Card Industry Standard compliance	Ensure the Council's level of compliance is compatible with that required to process payments on behalf of other organisations.	ICT Manager	March 2013
14	Implement changes to the standards regime	Agree new code of conduct and appoint new standards committee in accordance with the requirements of the Localism Act	Monitoring Officer	July 2013