Contents

Statement of Responsibilities

The Borough Council's Responsibilities

The Authority is required to:-

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the 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 29 September 2011.

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.
29 September 2011

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 2011.

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 Regulations 2003, as amended in 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 2011, and its income and expenditure for the year then ended.

David Thomason
Deputy Chief Executive / Executive Director, Finance and Resources
30 June 2011

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 2011. Of the summaries some are recognised as Core Financial Statements, detailed below:

- **Movement in Reserves Statement**
- **Comprehensive Income and Expenditure Statement**
- **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 86 and various notes to the accounts.

1. Restatements

In 2010/2011 there have been a number of restatements to tables within the accounts due to changes arising from the "Code" and Accounts and Audit Regulations. Please see note 6, which deals with previous revaluation losses which have not been actioned in the balance sheet and total Comprehensive Income and Expenditure account. This has meant that comparative information for 2008/2009 and 2009/2010 has also been restated. The changes have resulted as follows:

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the date of transition to IFRS (1 April 2009) and at the end of the latest period presented in the most recent financial statements under previous GAAP (31 March 2010)

Note		31 March 2010	1 April 2009
		£'000	£'000
	Net Assets Under Previous GAAP	**58,892**	**96,670**
	Reclassification – Deferred Capital Receipts	40	58
	Reclassification – Contributions and Government Grants Deferred	17,571	16,223
	Reverse Revaluation	(13)	0
	Revised Net Assets Under Previous GAAP	**76,490**	**112,951**
	Adjustments:		
1.1	Accumulated Compensated Absences Adjustment Account	(289)	(316)
1.2	Government Grants	(593)	(327)
1.3	Non-Current Assets	(3,313)	(3,244)
1.4	Reclassification of Earmarked Reserves	(730)	(475)
	Net Assets Under IFRS	**71,565**	**108,589**

Reconciliation to Total Comprehensive Income and Expenditure under IFRS for the latest period in the most recent annual financial statements (year end 31 March 2010)

Note		31 March 2010
		£'000
	Total Comprehensive Income and Expenditure Under Previous GAAP	**37,778**
1.1	Accumulated Compensated Absences Adjustment Account	(27)
1.2	Government and Non Government Grants	(1,069)
1.3	Non-Current Assets	69
1.4	Reclassification of Earmarked Reserves	255
1.5	Reclassification of Deferred Capital Receipts	18
		37,024

Notes

1.1 Accumulated Compensated Absences Adjustment Account

Accumulated compensated absences adjustment account (ACAAA) refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide service to the Council. It includes - holiday pay, flexi-time balances and time off in lieu. Under the Code, the cost is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any leave earned but not taken as at 31 March each year. Under the previous accounting arrangements, no such accrual was required. The Government has issued regulations that mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the ACAAA. Accruing for this has resulted in decreases in net assets in the Balance Sheet as at 1 April 2009 and as at 31 March 2010 of £316,000 and £289,000 respectively; being increases in accruals, with corresponding decreases in the year end balance in the ACAAA. The impact on the Comprehensive Income and Expenditure Statement is a decrease of £27,000 in 2009/2010.

1.2 Government and Non Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet. This has resulted in the balance shown on the Capital Adjustment Account in the IFRS accounts being £14,252,000 and £15,298,000 higher than shown under the 1 April 2009 and 31 March 2010 previous GAAP based accounts respectively.

- The balance on the capital contributions un-applied account is now included in the usable reserves which is shown in a different section of the Balance Sheet, therefore the net assets have reduced by £1,644,000 and £1,680,000 under the 1 April 2009 and 31 March 2010 previous GAAP based accounts respectively.

- Portions of grants deferred were previously recognised as income in 2009/2010 of £2,352,000 these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures and replaced by £3,476,000 giving a net movement of £1,124,000.

1.3 Non Current Assets

Under the Code the classification of some assets has changed and this has resulted in valuations of assets being carried out under a different basis in the IFRS based accounts compared to the previous GAAP based accounts. Significantly, the removal of the land element of finance leases.

As a consequence of this change, the financial statements have been amended as follows:

- The balance of Non Current Assets has reduced by £3,244,000 as at 1 April 2009 and £3,313,000 as at 31 March 2010.

1.4 Reclassification of Earmarked Reserves

Under the Code, some reserves which comprised contributions for section 106 agreements, have now been re-classified as unapplied grants.

As a consequence of this change, the financial statements have been amended as follows:

- Earmarked reserves have reduced at 1 April 2009 by £490,000 and at 31 March 2010 by £724,000. Unapplied grants are consequently shown new at 1 April 2009 at £490,000 and at 31 March 2010 £724,000, consequently the movement of £234,000 is reflected in the total comprehensive income and expenditure account.

1.5 Reclassification of Deferred Capital Receipts

With deferred capital receipts now being shown in unusable reserves, an adjustment of £18,000 is required in the total comprehensive income and expenditure account.

1.6 Revalued Assets with Previous Revaluation Losses

No adjustment has been made for 2009/2010 and prior years. On the balance sheet this means that the revaluation reserve is higher than it should be, there is a compensating under statement on the capital adjustment account. The impact on the total comprehensive income and expenditure account is nil, as the impact is backed out so that the general fund balance is not affected.

2. Summary of Accounts 2010/2011

The Council at its budget meeting of 25 February 2010 set a budget of £21,318,540 intending to draw £52,770 from its General Fund balance to give a Budget Requirement of £21,266,000.

The outturn position for the year shows expenditure of £21,198,000 and a transfer of £68,000 to the General Fund Balance thereby meeting the Budget Requirement of £21,266,000. Expenditure below budget is mainly due to the "Major Influences" as shown below. The movement of the General Fund balance is detailed on pages 10 to 11. The outturn position is incorporated within the surplus on provision of services shown on page 12, Comprehensive Income and Expenditure Statement.

Services defined as trading operations in 2010/2011 made a surplus of £457,000, shown on page 33, mainly due to Industrial Estates.

3. Accounting for Current Economic Conditions

2010/2011 has been dominated by the size of the Government's deficit and discussion of timescales to rectify the situation. A number of service reviews have been undertaken within the Borough Council.

4. Overall Financial Position 2010/2011

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 2010/2011. 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 2010/2011

A number of major influences were seen to have an impact on the Authority's accounts in 2010/2011:

- **C.N.C. Joint Committee**

  From 1 September 2010 the Authority's building control service merged with the Central Norfolk Council's (CNC) Joint Committee, a partnership set up in 2007 by Norwich City Council, Broadland District and South Norfolk Councils. The merger took place as a result of the Authority's programme of service reviews and the need to find more cost effective ways of providing this statutory service.

- The target for turnover and procurement for 2010/2011 was £75,000 and £273,200 was achieved.

- In setting the budget for 2010/2011 shortfalls of £1,090,000 for 2011/2012 and £2,200,000 for 2012/2013 were anticipated. With the anticipated shortfalls the Council looked for efficiencies and savings was proactive in identifying reductions of £475,000 in 2010/2011.

6. **Capital**

During 2010/2011, the Authority spent £6,725,000 on capital projects. Major areas of spending were:

- Regeneration schemes, £3,250,000.
- Disabled Facility and Housing Grants, £729,590.
- Sports facility refurbishment including projects at the Oasis Sports and Leisure Centre, Lynnsport Leisure Park, St James' Swimming and Fitness Centre and Downham Market Leisure Centre, £417,860.
- Vehicles and Equipment, £371,150.
- Community Facilities, such as toilets and community centres, £251,180.
- Industrial Estates, £250,010.
- Arts and Theatres, £249,680.
- Information Technology, £169,890.
- Crematorium, Churches and Cemeteries, £144,560.

7. **Summary of Capital Expenditure**

	Expenditure in 2010/2011						2010/2011	2009/2010
	Regeneration	**Environment**	**Resources**	**Health**	**Housing**	**Community**	**Total**	**Total**
Scheme	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Access to Council Buildings	0	0	49	0	0	0	49	27
Asset Disposals	0	0	0	0	0	0	0	31
Car Parks	0	0	0	0	0	28	28	7
Civic Halls	0	0	0	0	0	60	60	32
Community Facilities	0	42	14	0	0	195	251	219
Conservation	7	0	0	0	0	0	7	29
Council Depots	0	0	0	0	0	0	0	54
Council Offices	0	0	12	0	0	0	12	1,031
Crematorium/Churches/Cemeteries	0	0	0	145	0	0	145	104
Housing	0	0	9	0	381	0	390	27
Hunstanton Improvements	0	0	0	0	0	0	0	22
Industrial Estates	250	0	0	0	0	0	250	0
Information Technology	0	0	170	0	0	0	170	333
Water front project	0	0	0	0	0	0	0	23
Recreation Centres	0	0	0	0	0	418	418	876
Refuse and Recycling	0	14	0	0	0	0	14	210
Regeneration Schemes	2,994	0	256	0	0	0	3,250	6,486
Renovation Grants /Assistance	0	0	0	0	245	0	245	404
Sewage Treatment Works	0	0	0	0	0	0	0	9
The Walks	0	0	39	0	0	23	62	10
Theatres	0	0	0	0	0	250	250	91
Tourism/ Recreation Areas	0	0	26	0	0	66	92	636
Town Centre	6	0	0	0	0	0	6	1
Vehicles and Equipment	0	30	0	0	113	198	341	179
Other	0	54	19	0	0	0	73	48
Sub Total	**3,257**	**140**	**594**	**145**	**739**	**1,238**	**6,113**	**10,889**
Disabled Facility Grants and Housing Grants	0	0	0	0	612	0	612	670
Total	**3,257**	**140**	**594**	**145**	**1,351**	**1,238**	**6,725**	**11,559**

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

8. The Euro

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

9. Accounting Policies

The accounting policies adopted by the Authority comply with recommended accounting practices and are set out on pages 71 to 86.

10. General Fund

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

	2010/2011		2010/2011	
	Original Budget		**Actual**	
	£'000	£'000	£'000	£'000
Balance brought forward		(1,542)		(3,490)
Expenditure in the year	21,319		21,198	
Budget Requirement	21,266		21,266	
(Surplus) / Deficit for year		53		(68)
Balance carried forward		**(1,489)**		**(3,558)**

11. Current Borrowing Facilities

In March 2010, the Authority's borrowing limit for 2010/2011 was established at £35 million, with the upper limit on fixed interest loans set at £32 million and the upper limit on variable rate loans set at £22 million.

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		General Fund Balance	Earmarked General Fund Reserves	CNC Reserve	Usable Capital Receipts	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		Balance as at 1 April 2009	**(2,084)**	**(12,137)**	**0**	**0**	**(1,644)**	**(15,865)**	**(92,724)**	**(108,589)**
		Movements in Reserves during 2009/2010								
		Deficit on Provision of Services	11,873	0	0	0	0	11,873	0	11,873
		Other Comprehensive Expenditure and income	0	0	0	(35)	0	(35)	25,186	25,151
		Total Comprehensive Expenditure and Income	**11,873**	**0**	**0**	**(35)**	**0**	**11,838**	**25,186**	**37,024**
4	17-18	Adjustment between Accounting Basis and Funding Basis under Regulations	(14,633)	0	0	35	(6)	(14,604)	14,604	0
		Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(2,760)**	**0**	**0**	**0**	**(6)**	**(2,766)**	**39,790**	**37,024**
		Internal repayment of Prudential Borrowing	459	0	0	0	0	459	(459)	0
5	19-20	Transfers to / from Earmarked Reserves	865	(865)	0	0	0	0	0	0
		Transfers to / from Capital Grants Unapplied	30	0	0	0	(30)	0	0	0
		(Increase) / Decrease in 2009/2010	**(1,406)**	**(865)**	**0**	**0**	**(36)**	**(2,307)**	**39,331**	**37,024**
		Balance as at 31 March 2010 Carried Forward	**(3,490)**	**(13,002)**	**0**	**0**	**(1,680)**	**(18,172)**	**(53,393)**	**(71,565)**
		Movements in Reserves during 2010/2011								
		(Surplus) on Provision of Services	(2,952)	0	0	0	0	(2,952)	0	(2,952)
		Other Comprehensive Expenditure and Income	0	0	0	(192)	0	(192)	(38,703)	(38,895)
		Total Comprehensive Expenditure and Income	**(2,952)**	**0**	**0**	**(192)**	**0**	**(3,144)**	**(38,703)**	**(41,847)**
4	17-18	Adjustments between Accounting Basis and Funding Basis under Regulations	1,664	0	0	8	359	2,031	(2,031)	0
		Net Increase / Decrease before Transfers to Earmarked Reserves	**(1,288)**	**0**	**0**	**(184)**	**359**	(1,113)	**(40,734)**	**(41,847)**
		Internal repayment of Prudential Borrowing	469	0	0	0	0	469	(469)	**0**
5	19-20	Transfer to / from Earmarked Reserves	736	(736)	0	0	0	0	0	**0**
		Transfer to / from CNC	15	0	(15)	0	0	0	0	**0**
		Increase / Decrease in Year	**(68)**	**(736)**	**(15)**	**(184)**	**359**	**(644)**	**(41,203)**	**(41,847)**
		Balance at 31 March 2011 Carried Forward	**(3,558)**	**(13,738)**	**(15)**	**(184)**	**(1,321)**	**(18,816)**	**(94,596)**	**(113,412)**

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.

2009/2010					2010/2011		
Gross Expenditure	**Gross Income**	**Net Expenditure**	**Note**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	£'000	£'000			£'000	£'000	£'000
1,995	871	1,124		Central Service to the Public	1,749	751	998
13,141	1,462	11,679		Corporate and Democratic Core	2,654	678	1,976
35,689	16,014	19,675		Cultural, Environmental, Regulatory and Planning Services	39,791	15,001	24,790
49,582	49,476	106		Housing General Fund	50,567	49,841	726
3,041	4,742	(1,701)		Highways and Transport Services	2,956	4,423	(1,467)
104	0	104		Non Distributed Costs	(11,627)	0	(11,627)
103,552	**72,565**	**30,987**		**Cost of Services**	**86,090**	**70,694**	**15,396**
		2,988	6 Pg 21	Other Operating Expenditure			3,811
		1,712	7 Pg 21	Financing and Investment Income and Expenditure			1,421
		(23,814)	8 Pg 21	Taxation and Non-Specific Grant Income			(23,580)
		11,873		**(Surplus) / Deficit on Provision of Services**			**(2,952)**
		18		Deferred Capital Receipts			10
		(6,176)		Surplus on Revaluation of Non-Current Assets			(17,405)
		(651)		Surplus on Capital Adjustments			(415)
		31,960		Actuarial (Gains) / Losses on Pensions Assets / Liabilities			(21,085)
		25,151		**Other Comprehensive Income and Expenditure**			**(38,895)**
		37,024		**Total Comprehensive Income and Expenditure**			**(41,847)**

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'.

1 April 2009	31 March 2010	Note	Page		31 March 2011
£'000	£'000				£'000
98,715	95,376	29	49-52	Property, Plant and Equipment	104,742
27,705	27,741	27	46-47	Investment Property	27,393
386	393	28	47-48	Intangible Assets	335
13,499	13,650			Long Term Investments	14
1,073	1,115	33	55	Long Term Debtors	1,259
141,378	**138,275**			**Long Term Assets**	**133,743**
12,447	12,101			Short Term Investments	25,659
110	134			Inventories	157
3,913	7,002	32	54	Short Term Debtors	3,623
1,015	1,752	15	28	Cash and Cash Equivalents	418
672	345	31	54	Assets Held for Sale	598
18,157	**21,334**			**Current Assets**	**30,455**
(6,424)	(9,118)			Short Term Borrowing	(3,817)
(10,281)	(9,629)	34	55	Short Term Creditors	(8,814)
(16,705)	**(18,747)**			**Current Liabilities**	**(12,631)**
(475)	(730)	35	58	Unapplied Grants	(1,050)
(10,000)	(11,900)			Long Term Borrowing	(11,700)
(168)	(167)			Other Long Term Liabilities	(167)
(23,598)	(56,500)	24	37-42	Pension Liabilities	(25,238)
(34,241)	**(69,297)**			**Long Term Liabilities**	**(38,155)**
108,589	**71,565**			**Net Assets**	**113,412**
(15,865)	(18,172)	10	22	Usable Reserves	(18,816)
(92,724)	(53,393)	11	22-26	Unusable Reserves	(94,596)
(108,589)	**(71,565)**			**Total Reserves**	**(113,412)**

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.

2009/2010	Note	Page		2010/2011
£'000				£'000
(11,873)			Surplus / (Deficit) on the Provision of Services	2,952
15,102			Adjust Net Surplus / (Deficit) on the Provision of Services for Non Cash Movements	9,758
19			Adjust for Items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	(4,562)
3,248			**Net Cash flows from Operating Activities**	**8,148**
(7,099)	13	27	Investing Activities	(5,084)
4,588	14	27	Financing Activities	(4,398)
737			**Net Increase /(Decrease) in Cash and Cash Equivalents**	**(1,334)**
1,015			Cash and Cash Equivalents at the Beginning of the Reporting Period	1,752
1,752	15	28	**Cash and Cash Equivalents at the End of the Reporting Period**	**418**

Notes to Core Financial Statements

1. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

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 will need to be adopted fully by the Council in the 2011/2012 financial statements.

The Council is required to disclose information relating to the impact of accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case heritage assets. The Council is required to make disclosure of the estimated effect of the new standard in these financial statements.

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

- Historic buildings including Greyfriars Tower, Red Mount, Southgates and the Town Wall. These are currently held in the Balance Sheet as Community Assets at a carrying amount of £1,200,000.
- Civic Regalia including the King John cup, paintings and civic regalia. These are not currently recognised in the financial statements. The Council anticipates that it will be able to recognise the civic regalia on the balance sheet using as its base a detailed insurance valuation which is based on market valuation.

The new standard will require that a new class of asset ‘Heritage Assets’ is disclosed separately on the face of the Council’s Balance Sheet in 2011/2012 financial statements. It is not anticipated that this change will have any material financial effect in relation to revaluations gains, losses, depreciation or impairment.

2. Critical Judgements in Applying Accounting Policies

Not Applicable

3. 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 that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority’s Balance Sheet at 31 March 2011 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.
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 £10,136,000; a one year increase in member life expectancy would increase employer liability by 3% and cost £3,282,000; a 0.5% increase in the salary increase rate would lead to an increase of 2% in employer liability and cost £2,275,000 and a 0.5% increase in the pension increase rate would increase employer liability by 7% and cost £7,276,000. However, the assumptions interact in complex ways. During 2010/2011, the authority actuaries advised that the net pension liability had decreased by £31,262,000 as a result of estimates being corrected as a result of experience, £10,177,000 and of updating assumptions, £21,085,000.
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors for £1,951,000. A review of significant balances suggested that an allowance for doubtful debts of 25% (£488,000) 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 £310,000 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.

4. **Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details adjustments made to the total comprehensive income and expenditure 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.

	Usable Reserves			
2010/2011	**General Fund Balance**	**Usable Capital Receipts**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	£'000	£'000	£'000
Adjustments Involving the Capital Adjustment Account:				
Reversal of Items Debited / (Credited) to the CIES:				
Charges for Depreciation and Impairment of Non-Current Assets	(7,579)			7,579
Revaluation Losses on Property, Plant and Equipment	(6,302)			6,302
Movements in the Market Value of Investment Properties	(594)			594
Reverse Impairments in year from Revaluation Increases	353			(353)
Amortisation of Intangible Assets	(86)			86
Capital Grants and Contributions that have been Applied to Capital Financing	-		359	(359)
Revenue Expenditure Funded from Capital under Statute	(245)			245
Amounts of Non-Current Assets Written Off on Disposal or Sale as part of the (Gain) / Loss on Disposal to the CIES	484			(484)
Repayment of Improvement Grant and Release of Covenant	146			(146)
Usable capital receipts funding housing capital receipts paid to the government pool	(8)	8		
Insertion of Items not Debited / (Credited) to the CIES				
Statutory Provision for the Financing of Capital Investment	419			(419)
Capital Expenditure Charged Against the General Fund	2,009			(2,009)
Adjustment Involving the Capital Grants Unapplied Account				
Application of Grants to Capital Financing	2,915			(2,915)
Adjustments Involving the Financial Instruments Adjustment Account:				
Amount by which Finance Costs Charged to the CIES are different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	69			(69)
Adjustments Involving the Pensions Reserve:				
Reversal of Items Relating to Post Employment Benefits Debited / (Credited) to the (Surplus) / Deficit on the Provision of Services in the CIES (see note 24 Page 38)	7,656			(7,656)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	2,521			(2,521)
Adjustments Involving the Collection Fund Adjustment Account:				
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)			115
Adjustment Involving the Accumulating Compensated Absences Adjustment Account				
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			(21)
Total Adjustments	**1,664**	**8**	**359**	**(2,031)**

2009/2010 Comparative Figures	Usable Reserves General Fund Balance	 Usable Capital Receipts	 Capital Grants Unapplied Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments Involving the Capital Adjustment Account:				
Reversal of Items Debited / (Credited) to the CIES:				
Charges for Depreciation and Impairment of Non-Current Assets	(20,006)			20,006
Revaluation Losses on Property, Plant and Equipment	0			0
Movements in the Market Value of Investment Properties	0			0
Reverse Impairments in year from Revaluation Increases	(68)			68
Amortisation of Intangible Assets	6		(6)	0
Capital Grants and Contributions that have been Applied to Capital Financing	(404)			404
Revenue Expenditure Funded from Capital under Statute	546			(546)
Amounts of Non-Current Assets Written Off on Disposal or Sale as part of the (Gain) / Loss on Disposal to the CIES	54			(54)
Repayment of Improvement Grant and Release of Covenant	(35)	35		
Usable capital receipts funding housing capital receipts paid to the government pool				
Insertion of Items not Debited / (Credited) to the CIES	385			(385)
Statutory Provision for the Financing of Capital Investment	3,227			(3,227)
Capital Expenditure Charged Against the General Fund				
Adjustment Involving the Capital Grants Unapplied Account				
Application of Grants to Capital Financing	2,626			(2,626)
Adjustments Involving the Financial Instruments Adjustment Account:	5			
Amount by which Finance Costs Charged to the CIES are different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	(82)			82
Adjustments Involving the Pensions Reserve:				
Reversal of Items Relating to Post Employment Benefits Debited / (Credited) to the (Surplus) / Deficit on the Provision of Services in the CIES (see note 24 page 38)	(3,420)			3,420
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	2,478			(2,478)
Adjustments Involving the Collection Fund Adjustment Account:				
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	33			(33)
Adjustment Involving the Accumulating Compensated Absences Adjustment Account	27			(27)
Total Adjustments	**(14,633)**	**35**	**(6)**	**14,604**

5. **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 2010/2011.

	Balance at 1 April 2009	Transfer Out 2009/2010	Transfer In 2009/2010	Balance at 31 March 2010	Transfer Out 2010/2011	Transfer In 2010/2011	Balance at 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Amenity Areas	398	(254)	173	317	(397)	416	336
Capital Programme Resources	4,463	(2,819)	3,268	4,912	(1,955)	2,682	5,639
West Norfolk Partnership	2,101	(1,124)	609	1,586	(586)	703	1,703
Insurance Reserve	117	(3)	12	126	(70)	61	117
Restructuring Reserve	557	0	251	808	(674)	300	434
Repairs & Renewals Reserve	1,458	(540)	678	1,596	(202)	541	1,935
Holding Accounts	2,815	(851)	1,282	3,246	(1,143)	1,041	3,144
Ring Fenced Reserves	109	(42)	304	371	(112)	94	353
Other	119	(135)	56	40	(33)	70	77
Total	**12,137**	**(5,768)**	**6,633**	**13,002**	**(5,172)**	**5,908**	**13,738**

The balances as at 1 April 2009 of £12,137,000 and 31 March 2010 of £13,002,000 are a reduction of £475,000 and £730,000.

These amounts are for the reclassification of earmarked reserves to grants unapplied (see restatements of UKGAAP to IFRS on pages 4 and 5)

Comment [c1]: Added 10.08.11 CC (tracked changes accidently taken off)

Movement in Reserves Statement – Purpose of Reserve

Amenity Areas Reserve – now represents contributions made by developers to the Council for play areas.

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 reserves and Shared Services (Revenue) reserves.

West Norfolk Partnership – exists to tackle the toughest problems affecting the residents of West Norfolk. The partnership is a joint initiative between the borough and county councils, the Police, Voluntary Sector, Education Sector and Health Sector.

Safer, Stronger Communities Fund – is a Government sponsored initiative aimed at tackling crime, anti-social behaviour and drugs, empowering communities and improving the condition of streets and public spaces. (Now shown within West Norfolk Partnership).

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

Restructuring Reserve – includes the Restructuring Reserve and the Financing Revenue Reserve which are to reduce the impact on future years from changes in interest rates. Contributions are from the movement in the Treasury Management position.

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 Trust Funds that are administered by the Council on behalf of the Trustees.

Housing and Planning Delivery Grant – was established in 2007 to reward local authorities for improved delivery of housing and other planning outcomes. The grant replaces the planning Delivery Grant.

Local Public Service Agreement – is funding for initiatives on service delivery with other local authorities. (Now shown within Holding Accounts)

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

As part of the closedown process, individual reserves have been re-categorised.

6. **Comprehensive Income and Expenditure Statement – Other Operating Expenditure**

2009/2010		2010/2011
£'000		£'000
2,031	Parish Council Precepts	2,177
2,545	Levies	2,567
(1,077)	(Gains) on Trading Operations (Note 17, page 30)	(457)
35	Payments to the Government Housing Capital Receipts Pool	8
(546)	(Gains) on the Disposal of Non-Current Assets	(484)
2,988	**Total**	**3,811**

7. **Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

2009/2010		2010/2011
£'000		£'000
379	Interest Payable and Similar Charges	376
2,037	Pensions Interest Cost and Expected Return on Pensions Assets	1,457
(704)	Interest Receivable and Similar Income	(412)
0	Other Investment Income	0
1,712	**Total**	**1,421**

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

2009/2010		2010/2011
£'000		£'000
(7,798)	Council Tax Income	(7,996)
(12,227)	Non Domestic Rates	(13,439)
(3,789)	Non-Ringfenced Government Grants	(2,145)
(23,814)	**Total**	**(23,580)**

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

A past service gain of £11.9 million 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 are 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 24, pages 37-42.

The revaluation of non current assets in 2009/2010 resulted in £9 million reduction in values and £6 million in revaluation increases being reported, mainly NORA land. The revaluation review in 2010/2011 reduced non current asset values by £6 million, in particular the Princess Theatre and Corn Exchange facilities, and reported revaluation increases of £17 million, mainly sports facilities, resort car parks and the multi-storey car park King's Lynn.

10. **Balance Sheet – Usable Reserves**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on Page 11.

11. **Balance Sheet – Unusable Reserves**

31 March 2010		**31 March 2011**
£'000		£'000
(40)	Deferred Capital Receipts	(30)
(12,311)	Revaluation Reserve	(29,883)
(98,432)	Capital Adjustment Account	(90,836)
1,055	Financial Instruments Adjustment Account	986
56,500	Pensions Reserve	25,238
(454)	Collection Fund Adjustment Account	(339)
289	Accumulating Compensated Absences Adjustment Account	268
(53,393)	**Total**	**(94,596)**

<u>Deferred Capital Receipts</u>

31 March 2010		**31 March 2011**
£'000		£'000
(58)	**Balance Brought Forward**	(40)
18	Principal Repayments due in Year	10
(40)	**Total**	**(30)**

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 balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

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

2009/2010		**2010/2011**
£'000		£'000
(6,135)	**Balance at 1 April**	(12,311)
(6,494)	Upward Revaluation of Assets	(17,349)
64	Difference between Fair Value Depreciation and Historical Cost Depreciation	87
254	Accumulated Gains on Assets Sold or Scrapped	28
0	Amount Written Off to the Capital Adjustment Account	353
0	Prior Year Adjustment – Revaluations	(744)
0	Adjustments on Reconciliation of Assets Register	53
(12,311)	**Balance at 31 March**	**(29,883)**

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 19-20, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/2010		**2010/2011**
£'000		£'000
(110,997)	**Balance at 1 April**	(98,432)
20,006	▪ Charges for Depreciation and Impairment of Non-Current Assets	7,901
0	▪ Revaluation Losses on Property, Plant and Equipment	6,036
68	▪ Amortisation of Intangible Assets	86
404	▪ Revenue Expenditure Funded from Capital Under Statute	245
806	▪ Amounts of Non-Current Assets Written Off on Disposal or Sale as Part of the (Gain) / Loss on Disposal to the Comprehensive Income and Expenditure Statement	318
(403)	Adjusting Amounts Written out of the Revaluation Reserve	(440)
(197)	Write out depreciation on disposals, revaluations and impairment	145
	Capital Financing Applied in the Year:	
(2,626)	▪ Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(2,911)
0	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(363)
(1,260)	▪ Application of Capital Receipts	(756)
(3,227)	▪ Application of Earmarked Reserves	(2,009)
(385)	▪ Statutory Provision for the Financing of Capital Investment Charged against the General Fund Balance	(418)
(459)	▪ Capital Expenditure charged against the General Fund Balance	(469)
0	Movements in the Market Value of Investment Properties Debited / (Credited) to the Comprehensive Income and Expenditure Statement	594
11	Principal repayment of loans	0
(1)	Principal repayment of finance leases	(1)
9	Soft Loans – Principal repaid	127
(186)	Soft Loans – Fair value adjustment	(78)
5	Adjustment prior year – capital grants and contributions	0
0	Adjustments on reconciliation of asset register	(455)
0	Asset derecognised	44
(98,432)	**Balance at 31 March**	**(90,836)**

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 Council 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.

2009/2010		**2010/2011**
£'000		£'000
973	**Balance at 1 April**	1,055
82	In year fair value adjustment of Private Sector Housing loans	69
1,055	**Balance at 31 March**	**1,124**

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.

2009/2010		**2010/2011**
£'000		£'000
23,598	**Balance at 1 April**	56,500
31,960	Actuarial (Gains) / Losses on Pensions Assets and Liabilities	(21,085)
3,420	Reversal of Items relating to Retirement Benefits on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,656)
(2,478)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(2,521)
56,500	**Balance at 31 March**	**25,238**

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.

2009/2010		2010/2011
£'000		£'000
(421)	**Balance at 1 April**	(454)
(33)	Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income calculated for the Year in Accordance with Statutory Requirements	115
(454)	**Balance at 31 March**	**(339)**

Accumulating 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.

2009/2010		2010/2011
£'000		£'000
(316)	**Balance at 1 April**	(289)
316	Settlement or Cancellation of Accrual made at the End of the Preceding Year	289
(289)	Amounts Accrued at the End of the Current Year	(268)
(289)	**Balance at 31 March**	**(268)**

12. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/2010		2010/2011
£'000		£'000
553	Interest Received	447
(534)	Interest Paid	(378)
19	**Total**	**69**

13. Cash Flow Statement – Investing Activities

2009/2010		2010/2011
£'000		£'000
(12,178)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(5,677)
(750)	Purchase of Short Term and Long Term Investments	(3,300)
3,471	Other Payments for Investing Activities	(230)
1,262	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	942
1,096	Proceeds from Short Term and Long Term Investments	3,500
0	Other Receipts from Investing Activities	(319)
(7,099)	**Net cash flows from Investing Activities**	**(5,084)**

14. Cash Flow Statement – Financing Activities

2009/2010		2010/2011
£'000		£'000
49,000	Cash Receipts of Short- and Long Term Borrowing	28,950
(2)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases	0
(44,410)	Repayments of Short- and Long Term Borrowing	(34,450)
0	Other Payments for Financing Activities	1,102
4,588	**Net Cash Flows from Financing Activities**	**(4,398)**

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

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

2009/2010		2010/2011
£'000		£'000
15	Cash held by officers	13
437	Bank current accounts	(595)
1,300	Short Term deposits with building societies	1,000
1,752	**Total Cash and Cash Equivalents**	**418**

16. **Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account 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 Account)
- 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
- expenditure on some support services is budgeted for centrally and not charged to portfolios

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

Portfolio Income and Expenditure 2010/2011	Community & Democracy	Environmental Improvement & Protection	Housing GF	Performance & Resources	Regeneration	Safer & Healthy Communities	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & 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)
Total Income	**(10,677)**	**(4,080)**	**(49,632)**	**(17,862)**	**(4,212)**	**(1,559)**	**(88,022)**
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
Total Expenditure	**16,063**	**9,847**	**51,680**	**22,671**	**7,586**	**2,531**	**110,378**
Net Expenditure	**5,386**	**5,767**	**2,048**	**4,809**	**3,374**	**972**	**22,356**

Portfolio Income and Expenditure 2009/2010	Community & Democracy	Environmental Improvement & Protection	Housing GF	Performance & Resources	Regeneration	Safer & Healthy Communities	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(11,107)	(3,967)	(1,697)	(19,387)	(3,839)	(1,554)	(41,551)
Government Grants	(1)	0	(45,596)	(747)	(1,186)	0	(47,530)
Total Income	**(11,108)**	**(3,967)**	**(47,293)**	**(20,134)**	**(5,025)**	**(1,554)**	**(89,081)**
Employee Expenses	5,509	1,141	2,383	11,030	682	324	21,069
Other Service Expenses	9,378	7,396	45,939	5,034	3,018	844	71,609
Support Service Recharges	1,583	1,351	1,175	7,205	3,871	1,415	16,600
Total Expenditure	**16,470**	**9,888**	**49,497**	**23,269**	**7,571**	**2,583**	**109,278**
Net Expenditure	**5,362**	**5,921**	**2,204**	**3,135**	**2,546**	**1,029**	**20,197**

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.

	2009/2010	2010/2011
	£'000	£'000
Net Expenditure in the Portfolio Analysis	**20,197**	**22,356**
Net Expenditure of Services and Support Services Not Included in the Analysis	16,436	(2,562)
Amounts in the Comprehensive Income and Expenditure Statement Not Reported to Management in the Analysis	(479)	(600)
Amounts Included in the Analysis Not Included in the Comprehensive Income and Expenditure Statement	(5,167)	(3,798)
Cost of Services in Comprehensive Income and Expenditure Statement	**30,987**	**15,396**

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.

2010/2011	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not reported to mgmt	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(38,834)	(10,441)	(600)	(2,250)	0	(1,888)	0	(54,013)
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)
Total Income	**(88,022)**	**(10,164)**	**(600)**	**(2,250)**	**1,457**	**(1,888)**	**(23,992)**	**(125,459)**
Employee Expenses	21,607	(8,299)	0	67	0	56	0	13,431
Other Service Expenses	73,209	11,118	0	(2,103)	0	888	0	83,112
Support Service Recharges	15,562	(267)	0	488	0	487	0	16,270
Depreciation, Amortisation and Impairment	0	5,050	0	0	0	0	0	5,050
Interest Payments	0	0	0	0	0	0	376	376
Precepts & 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)
Total Expenditure	**110,378**	**7,602**	**0**	**(1,548)**	**(476)**	**1,431**	**5,120**	**122,507**
(Surplus) / Deficit on the Provision of Services	**22,356**	**(2,562)**	**(600)**	**(3,798)**	**981**	**(457)**	**(18,872)**	**(2,952)**

2009/2010 Comparative Figures	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not reported to mgmt	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£’000	£’000	£’000	£’000	£’000	£’000	£’000	£’000
Fees, Charges & Other Service Income	(41,551)	(2,176)	(479)	(2,297)	0	(2,297)	0	(48,800)
Interest and Investment Income	0	0	0	0	0	0	(704)	(704)
Income from Council Tax	0	0	0	0	0	0	(7,798)	(7,798)
Government Grants and Contributions	(47,530)	(1,691)	0	0	0	0	(16,016)	(65,237)
Total Income	**(89,081)**	**(3,867)**	**(479)**	**(2,297)**	**0**	**(2,297)**	**(24,518)**	**(122,539)**
Employee Expenses	21,069	2,337	0	61	0	61	0	23,528
Other Service Expenses	71,609	(1,471)	0	(3,394)	0	696	0	67,440
Support Service Recharges	16,600	(265)	0	463	0	463	0	17,261
Depreciation, Amortisation and Impairment	0	19,702	0	0	0	0	0	19,702
Interest Payments	0	0	0	0	2,037	0	379	2,416
Precepts & Levies	0	0	0	0	0	0	4,576	4,576
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	35	35
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	(546)	0	0	(546)
Total Expenditure	**109,278**	**20,303**	**0**	**(2,870)**	**1,491**	**1,220**	**4,990**	**134,412**
(Surplus) / Deficit on the Provision of Services	**20,197**	**16,436**	**(479)**	**(5,167)**	**1,491**	**(1,077)**	**(19,528)**	**11,873**

17. Trading Operations

The following services are run by the Council as trading services. These services are provided in a competitive environment.

		2009/2010		2010/2011	
		£'000	£'000	£'000	£'000
The Authority owns and manages Markets, generating income from regular and casual tolls. Management of the Markets is in-house. The trading objective is to maximise the surplus.	Income	106		83	
	Expenditure	107		104	
			1		21
The Authority contracts out its refuse collection service on the basis of an agreement concluded between the service manager and the Contractor following a competitive tender. The trading objective is to maximise the surplus.	Income	660		617	
	Expenditure	534		515	
			(126)		(102)
The Authority lets 132 units in industrial estates located in various parts of West Norfolk. As part of the Authority's economic development strategy, rents can be set at less than the market rate to support small businesses. The trading objective is to maximise the surplus.	Income	1,526		1,564	
	Expenditure	574		1,188	
			(952)		(376)
Net Surplus on Trading Operations:			**(1,077)**		**(457)**

18. Agency Services

The Authority provides a grass cutting service on behalf of Norfolk County Council and the Commonwealth Graves Commission. The Authority also provides a Care and Repair Agency on behalf of Fenland and Breckland Councils. The services are provided at cost.

	2009/2010	2010/2011
	£'000	£'000
Expenditure Incurred in Providing a Grass Cutting Service	42	44
Expenditure Incurred in Providing a Care and Repair Agency	248	275
Total Expenditure	**290**	**319**

The figure for 2009/2010 for Care and Repair has increased as expenditure was understated.

Comment [c2]: Added 10.08.11 CC (track changes accidently taken off)

19. 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 Authority has yet to formally invest in the company. The financial statements for the year ending 31 March 2011 have not yet been audited. The draft results show a profit for the part year of £14,696.34. 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.

20. Members' Allowances

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

	2009/2010	2010/2011
	£'000	£'000
Total	**436**	**430**

21. **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	Pension Contribution	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2010/2011	121,028	0	3,356	0	19,822	**144,206**
	2009/2010	121,066	0	3,536	0	19,795	**144,397**
Deputy Chief Executive / Executive Director Finance & Resources	2010/2011	86,322	0	5,207	0	13,486	**105,015**
	2009/2010	84,604	0	4,821	0	13,860	**103,285**
Executive Director Leisure & Public Space	2010/2011	75,279	0	4,245	0	12,374	**91,898**
	2009/2010	67,875	0	3,908	0	11,181	**82,964**
Executive Director Development Services	2010/2011	73,539	0	4,312	0	12,060	**89,911**
	2009/2010	63,546	0	4,460	0	10,422	**78,428**
Executive Director Revenue & Customer Services	2010/2011	69,729	113	1,209	104,992	11,276	**187,319**
	2009/2010	68,502	138	790	0	11,042	**80,472**
Executive Director Regeneration	2010/2011	66,441	16	0	78,115	9,805	**154,377**
	2009/2010	67,536	109	0	0	10,883	**78,528**
Executive Director Central Services	2010/2011	64,597	0	4,727	0	10,759	**80,083**
	2009/2010	64,053	0	4,452	0	10,529	**79,034**
Executive Director Environmental Health & Housing	2010/2011	63,871	0	4,343	0	10,474	**78,688**
	2009/2010	63,160	0	2,142	0	10,248	**75,550**

There were no bonus payments to report.

Note

In 2010/2011 the Chief Executive received £6,947 for election fees (£9,217 in 2009/2010), which attracted pension contributions of £1,139 (£1,512 in 2009/2010). The fees were for County Council and European elections and were reimbursed by the County Council and the European Parliamentary Fund.

During 2010/2011 the Executive Director Regeneration and Executive Director Revenues and Customer Services both terminated employment with the Council. In 2011/2012 the Management Team will be reduced from 8 to 6 Directors.

In 2010/2011 the Executive Director for Leisure and Public Space received an allowance for taking on additional responsibilities during the period of long term sickness of another Director.

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	2009/2010 Number of employees	2010/2011 Number of employees
£50,000 - £54,999	12	17*
£55,000 - £59,999	8	11*
£60,000 - £64,999	3	4
£65,000 - £69,999	3	3
£70,000 - £74,999	0	0
£75,000 - £79,999	0	1*
£80,000 - £84,999	0	3*
£85,000 - £89,999	0	1*
£90,000 - £94,999	0	0
£95,000 - £99,999	1*	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	1*

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

22. 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.

	2009/2010	2010/2011
	£'000	£'000
Fees Payable with Regard to External Audit Services Carried out by the Appointed Auditor for the Year	125	115
Fees Payable to the Audit Commission in Respect of Statutory Inspections	8	5
Fees Payable to the Appointed Auditor for the Certification of Grant Claims and Returns for the Year	43	43
Fees to Other Services	0	0
Total	**176**	**163**

Fees payable with regard to external audit services carried out by the appointed auditor for the year is net of a refund of £10,931 from the Audit Commission in respect of scale fees and IFRS.

23. **Termination Benefits**

The Authority terminated the contracts of a number of employees in 2010/2011, incurring liabilities of £1,457,526 (£191,233 in 2009/2010). Of this total, £104,992 is payable to the Executive Director Revenues and Customer Services and £78,115 to the Executive Director Regeneration (there were no payments to Executive Directors in 2009/2010). The remaining £1,274,419 (£191,233 in 2009/2010) was payable to 50 officers (4 in 2009/2010) who were made redundant as part of the Authority's cost reduction programme.

24. **Defined Benefit Pension Schemes**

<u>Participation in Pension Schemes</u>

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 pensions 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	
	2009/2010	**2010/2011**
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
▪ Current Service Cost	1,279	2,514
▪ Past Service Costs / (Gains)	11	(11,882)
▪ Losses on Curtailments	93	255
Financing and Investment Income and Expenditure:		
▪ Interest Cost	5,980	7,135
▪ Expected Return on Scheme Assets	(3,943)	(5,678)
Total Post Employment Benefit Charged to the (Surplus) / Deficit on the Provision of Services	**3,420**	**(7,656)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
▪ Actuarial (Gains) and Losses	31,960	(21,085)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**35,380**	**(28,741)**
Movement in Reserves Statement		
▪ Reversal of Net Charges made to the (Surplus) / Deficit for the Provision of Services for Post Employment Benefits in Accordance with the Code	(2,220)	(2,264)
Actual Amount Charged against the General Fund Balance for Pensions in the Year:	(258)	(257)
Employers' Contributions Payable to Scheme	**(2,478)**	**(2,521)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £23,082,000.

Assets and Liabilities in Relation to Post Employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme	
	2009/2010	**2010/2011**
	£'000	£'000
Opening Balance as at 1 April	87,660	139,329
Current Service	1,279	2,514
Interest Cost	5,980	7,135
Contributions by Members	833	823
Losses on Curtailments	93	255
Actuarial (Gains) / Losses	47,709	(24,444)
Benefits Paid	(3,978)	(4,060)
Unfunded Benefits Paid	(258)	(257)
Past Service Costs / (Gains)	11	(11,882)
Closing Balance at 31 March	**139,329**	**109,413**

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

	Assets: Local Government Pension Scheme	
	2009/2010	**2010/2011**
	£'000	£'000
Opening Balance as at 1 April	64,062	82,829
Expected Rate of Return	3,943	5,678
Actuarial Gains / (Losses)	15,749	(3,359)
Settlements	0	0
Employer Contributions	2,220	2,264
Contributions by Members	833	823
Benefits Paid	(3,978)	(4,060)
Unfunded Benefits Paid	(258)	(257)
Contribution in respect of Unfunded Benefits	258	257
Closing Balance at 31 March	**82,829**	**84,175**

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.

The actual return on scheme assets in the year was £6,272,000 (2009/2010: £19,697,000).

Scheme History

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
	£'000	£'000	£'000	£'000	£'000
Obligations:					
Present Value of Defined Benefit	(98,800)	(90,206)	(87,660)	(139,329)	(109,413)
Fair Value of Assets in the Local Government Pension Scheme	84,200	81,955	64,062	82,829	84,175
(Deficit) in the Scheme:	(14,600)	(8,251)	(23,598)	(56,500)	(25,238)
Local Government Pension Scheme	**(14,600)**	**(8,251)**	**(23,598)**	**(56,500)**	**(25,238)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £109,413,000 has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £25,238,000. 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 increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £2,455,000.

Estimate of Contributions expected to be paid to the scheme for year ending 31 March 2012:

	£'000	**% Pay**
Projected Current Service Cost	2,208	17.9
Interest on obligation	5,966	48.5
Expected Return on Plan Assets	(5,594)	(45.4)
Total to be paid to scheme 31 March 2012	**2,580**	**21.0**

Defined Benefit Obligations

	31 March 2010	**31 March 2011**
	£'000	£'000
Fair Value of Employer Assets	82,829	84,175
Present Value of Funded Obligations	(135,444)	(106,090)
Net Overfunding in Funded Plan	**(52,615)**	**(21,915)**
Present Value of Unfunded Obligations	(3,885)	(3,323)
(Deficit)	**(56,500)**	**(25,238)**

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 members 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 1 April 2009.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2009/2010	**2010/2011**
Long Term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.8%	7.5%
Bonds	5.0%	4.9%
Property	5.8%	5.5%
Cash	4.8%	4.6%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
Men	20.8 yrs	21.2 yrs
Women	24.1 yrs	23.4 yrs
Longevity at 65 for Future Pensioners:		
Men	22.3 yrs	23.6 yrs
Women	25.7 yrs	25.8 yrs
Rate of Inflation	3.8%	2.8%
Rate of Increase in Salaries	5.3%	5.1%
Rate of Increase in Pensions	3.8%	2.8%
Rate for Discounting Scheme Liabilities	5.5%	5.5%

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

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

	31 March 2010	31 March 2011
	%	%
Equity Investments	67	69
Bonds	17	17
Property	10	11
Cash	6	3
	100	100

<u>History of experience gains and losses</u>

The actuarial gains identified as movements on the Pensions Reserve in 2010/2011 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
	%	%	%	%	%
Differences between the expected and actual return on assets	(0.5)	(10.9)	(35.7)	19.0	(4.0)
Experience gains and losses on liabilities	(5.6)	1.3	(0.1)	0.1	(13.6)

25. **Related Parties**

The Authority is required to disclose material transactions with related parties – 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 Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

<u>Members</u>

Members of the Authority have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/2011 is shown in Note 20, page 34. During 2010/2011, works and services to the value of £109,336 were commissioned from companies in which 5 members had an interest. Contracts were entered into in full compliance with the Authority's standing orders. In addition, grants totalling £918 were awarded to voluntary organisations in which 1 member had positions on the governing body. Grants totalling £30,250 were also made to organisations whose senior management included close members of the families of members. 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' Interest, which is 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 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2011 are shown below.

	31 March 2010	31 March 2011
	£'000	£'000
Debtors		
Central Government Bodies	4,353	535
Local Authorities	943	1,371
NHS Bodies	27	0
Public Corporations and Trading Funds	2	0
Creditors		
Central Government Bodies	(1,874)	(1,221)
Local Authorities	(3,746)	(3,475)
NHS Bodies	(15)	0
Public Corporations and Trading Funds	(14)	(287)

26. **Leases**

<u>Authority as Lessee</u>

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: The net amounts have reduced by four million as a result of the derecognition of the land element. Under IFRS land is classified as operating leases.

	31 March 2010	31 March 2011
	£'000	£'000
Other Land and Buildings	**4,660**	**5,064**

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

	31 March 2010	31 March 2011
	£'000	£'000
Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):		
▪ Non-Current	167	166
Finance Costs Payable in Future Years	300	292
Minimum Lease payments	**467**	**458**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
	£'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	161	160	263	256
	167	**166**	**299**	**292**

The Authority has sub-let some of the accommodation held under these finance leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £419,120 (£407,480 at 31 March 2010).

Operating Leases

The Authority has operating lease agreements for the provision of trade refuse containers, grounds maintenance equipment and land and buildings.

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

	Operating Lease Payments	
	31 March 2010	31 March 2011
	£'000	£'000
Not Later than One Year	6	0
Later than One Year and Not Later than Five Years	48	35
Later than Five Years	381	368
	435	**403**

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2009/2010	2010/2011
	£'000	£'000
Minimum Lease Payments	3	0
Contingent Rents	67	31
	70	**31**

Authority as Lessor

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
- Buildings used as Community facilities and used by voluntary groups including community centres, museums and storage space.

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

	31 March 2010	31 March 2011
	£'000	£'000
Not Later than One year	1,783	1,670
Later than One Year and Not Later than Five Years	4,667	4,887
Later than Five Years	32,450	34,659
	38,900	**41,216**

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 2010/2011 £2,296,240 contingent rents were receivable by the Authority (2009/2010 £2,288,278).

27. Investment Properties

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

	2009/2010	2010/2011
	£'000	£'000
Rental Income from Investment Property	(1,845)	(1,891)
Direct Operating Expenses Arising from Investment Property	281	233
Net (Gain) / Loss	**(1,564)**	**(1,658)**

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 repairs, maintenance or enhancement.

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

	2009/2010	2010/2011
	£'000	£'000
Balance at Start of the Year	27,741	27,741
Additions:		
▪ Purchases	0	255
Disposals	0	0
	0	(43)
Net (Gains) from Fair Value Adjustments	0	(594)
Transfers:		
▪ From Property, Plant and Equipment	0	34
Balance at Year End	**27,741**	**27,393**

28. 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 IT 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:

	Other Assets
5 years	Software Licences
10 years	Housing Nomination Rights

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £79,894 charged to revenue in 2010/2011 for software was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure 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 2010/2011 for housing nomination rights was charged to the housing general fund in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:

	2009/2010			2010/2011		
	Software Licences	**Housing Nomination Rights**	**Total**	**Software Licences**	**Housing Nomination Rights**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of year:						
▪ Gross Carrying Amount	303	303	606	378	303	681
▪ Accumulated Amortisation	(82)	(138)	(220)	(144)	(144)	(288)
Net Carrying Amount at Start of Year	**221**	**165**	**386**	**234**	**159**	**393**
Additions:						
▪ Purchases	75	0	75	39	0	39
Other Disposals						
Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	0	0	0	(11)	0	(11)
Amortisation for the Period	(62)	(6)	(68)	(80)	(6)	(86)
Net Carrying Amount at End of Year	**234**	**159**	**393**	**182**	**153**	**335**
Comprising:						
Gross Carrying amounts	378	303	681	405	303	708
Accumulated Amortisation	(144)	(144)	(288)	(223)	(150)	(373)
	234	**159**	**393**	**182**	**153**	**335**

The Authority holds intangible assets at historic cost.

29. **Property, Plant and Equipment**

Movements on Balances

Movements in 2010/2011:

	Other Land and Buildings	Land Awaiting Development	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:						
At 1 April 2010	**75,990**	**30,671**	**11,451**	**619**	**6,412**	**125,143**
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 (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	1,338	**(34)**
Other Movements in Cost or Valuation	799	(419)	319	0	(12)	**687**
At 31 March 2011	**82,238**	**36,947**	**12,503**	**1,575**	**6,765**	**140,028**
Accumulated Depreciation and Impairment:						
At 1 April 2010	8,180	14,212	6,686	395	294	**29,767**
Depreciation Charge	1,698	0	1,163	8	134	**3,003**
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)**
At 31 March 2011	**11,889**	**14,359**	**7,867**	**674**	**497**	**35,286**
Net Book Value:						
At 31 March 2011	**70,349**	**22,588**	**4,636**	**901**	**6,268**	**104,742**
At 31 March 2010	**67,810**	**16,459**	**4,765**	**224**	**6,118**	**95,376**

Comparative Movements in 2009/2010:

	Other Land and Buildings	Land Awaiting Development	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:						
At 1 April 2009	**73,155**	**18,531**	**10,105**	**615**	**6,440**	**108,846**
Additions	2,752	6,248	1,377	4	27	**10,408**
Revaluation Increase Recognised in the Revaluation Reserve	367	6,019	0	0	0	**6,386**
Derecognition – Disposals	0	(3)	(31)	0	0	**(34)**
Assets Reclassified (to) Held for Sale	(191)	(272)	0	0	0	**(463)**
Other Movements in Cost or Valuation	(93)	148	0	0	(55)	**0**
At 31 March 2010	**75,990**	**30,671**	**11,451**	**619**	**6,412**	**125,143**
Accumulated Depreciation and Impairment:						
At 1 April 2009	4,373	68	5,118	364	142	**10,065**
Depreciation Charge	1,632	4	1,137	27	120	**2,920**
Impairment Losses Recognised in the Deficit on the Provision of Services	2,304	14,198	462	4	32	**17,000**
Derecognition – Disposals	0	0	(31)	0	0	**(31)**
Derecognition – Other	85	0	0	0	0	**85**
Eliminated on reclassification to Assets Held for Sale	(62)	(58)	0	0	0	**(120)**
Other Movements in Depreciation and Impairment	(152)	0	0	0	0	**(152)**
At 31 March 2010	**8,180**	**14,212**	**6,686**	**395**	**294**	**29,767**
Net Book Value						
At 31 March 2010	**67,810**	**16,459**	**4,765**	**224**	**6,118**	**95,376**

Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/2012 and future years budgeted to cost £24,151,000. Similar commitments at 31 March 2010 were £31,409,000. The major commitments are:

	Contractually Committed 31 March 2011	**Commitment Non-Contractual 31 March 2011**
Car Parks	38	362
Civic Buildings	421	280
Community Centres	0	3
Community Grants	0	230
Crematoriums & Cemeteries	0	46
Disability Discrimination Act	26	141
Industrial Estates Refurbishment	0	642
Leisure & Arts	228	1,635
Office Equipment	96	971
Offices	0	15
Other	0	148
Parks & Open Spaces	50	87
Private Sector Housing / Energy Efficiency	319	4,602
Refuse & Recycling	7	28
Regeneration Schemes	4,347	7,660
Resort Services	15	104
Vehicles and Equipment	121	1,529
Total	**5,668**	**18,483**

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 82.

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

- Property, plant and equipment which include 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
- Assets held for sale

	Other Land and Buildings	**Vehicles, Plant, Equipment**	**Total**
	£'000	£'000	£'000
Carried at historical cost	0	12,503	12,503
Valued at fair value as at:			
31 March 2011			
31 March 2010			
31 March 2009			
31 March 2008			
31 March 2007			
Total Cost or Valuation	**82,238**	**12,503**	**164,112**

Details to be Completed

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.

	2009/2010 £000	**2010/2011 £000**
	£'000	£'000
Opening Capital Financing Requirement	**11,637**	**14,985**
Capital Investment:		
Property, Plant and Equipment	10,408	5,572
Investment Properties	0	255
Intangible Assets	75	39
Revenue Expenditure Funded from Capital under Statute	404	245
Sources of Finance:		
Capital Receipts	(1,262)	(756)
Government Grants and Other Contributions	(2,626)	(3,829)
Sums Set Aside from Revenue:		
▪ Direct Revenue Contributions	(3,226)	(2,368)
▪ MRP/Loans Fund Principal	(426)	(546)
Closing Capital Financing Requirement	**14,984**	**13,597**
Explanation of movements in year:		
Increase in Underlying Need to Borrowing (Unsupported by Government Financial Assistance)	3,347	(1,388)
Increase / (Decrease) in Capital Financing Requirement	**3,347**	**(1,388)**

31. **Assets Held for Sale**

	Current	
	2009/2010	**2010/2011**
	£'000	£'000
Balance Outstanding at Start of Year	672	345
Assets Newly Classified as Held for Sale:		
▪ Property, Plant and Equipment	451	513
Revaluation Losses	(117)	0
Revaluation Gains	11	85
Assets Sold	(672)	(345)
Balance Outstanding at Year End	**345**	**598**

32. **Short Term Debtors**

	31 March 2009	**31 March 2010**	**31 March 2011**
	£'000	£'000	£'000
Central Government Bodies	1,514	4,353	535
Local Authorities	803	670	1,117
NHS Bodies	28	27	0
Public Corporations and Trading Funds	0	2	0
Other Entities and Individuals	2,188	2,510	2,552
Sub Total	**4,533**	**7,562**	**4,204**
Provision for Doubtful Debt	**(620)**	**(560)**	**(581)**
Total	**3,913**	**7,002**	**3,623**

Comment [c3]: Addition

33. **Long Term Debtors**

	31 March 2009	31 March 2010	31 March 2011
	£'000	£'000	£'000
Central Government Bodies	0	0	0
Local Authorities	294	273	254
NHS Bodies	0	0	0
Public Corporations and Trading Funds	0	0	0
Other Entities and Individuals	805	873	1,031
Sub Total	**1,099**	**1,146**	**1,285**
Provision for Doubtful Debt	**(26)**	**(31)**	**(26)**
Total	**1,073**	**1,115**	**1,259**

34. **Creditors**

	31 March 2009	31 March 2010	31 March 2011
	£'000	£'000	£'000
Central Government Bodies	(1,633)	(1,874)	(1,221)
Local Authorities	(4,076)	(3,746)	(3,475)
NHS Bodies	(16)	(15)	0
Public Corporations and Trading Funds	(5)	(14)	(287)
Other Entities and individuals	(4,551)	(3,980)	(3,831)
Total	**(10,281)**	**(9,629)**	**(8,814)**

35. **Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2010/2011:

	2009/2010	**2010/2011**
	£'000	£'000
Credited to Taxation and Non Specific Grant Income:		
Rate Support Grant	2,822	1,952
Area Based Grant	414	193
Housing & Planning Delivery Grant	553	0
Total	**3,789**	**2,145**
Credited to Services:		
Active Norfolk	0	3
Badminton England	0	1
Business Rates cost of collection	30	4
Concessionary Travel - Administration for new card scheme	516	530
Community Safety	28	25
Local Development Framework	81	72
Department for Works and Pensions - Performance standards funding	13	59
Disabled Facilities	470	474
Food Standards Agency	0	9
Football Foundation	11	0
Great Yarmouth Borough Council	0	21
Growth Point Funding	189	159
Homelessness	233	138
Housing Capital	200	0
Improvement East	0	200
Local Housing Allowance	0	25
Local Public Service Agreement	62	88
Norfolk Constabulary	1	0
Norfolk County Council	0	627
Norfolk Drug and Alcohol Action Team	17	0
Primary Care Trust	9	0
Planning Delivery	553	0
Safer, Stronger Communities Fund	461	0
Sound Connect	0	16
Sports Council / Sport England	8	0
Supporting People	256	567
West Norfolk Insulation Scheme	35	25
Other	0	10
Total	**6,962**	**5,198**

Grant Income Table continued (Capital):

	2009/2010	2010/2011
	£'000	£'000
Credited to Services (Capital):		
Grants		
BIG Lottery	227	3
Department for Communities and Local Government	24	0
Department for Environment Food and Rural Affairs	0	49
East of England Development Agency	319	0
Energy Efficiency	25	0
English Heritage	9	0
Football Foundation	148	0
Homes and Community Agency	2,016	1,509
National Heritage Memorial Lottery Fund	375	0
Norfolk County Council	325	35
Norfolk Constabulary	5	0
Norfolk Job Centre Plus	8	0
Waste Performance	65	0
Contributions		
Downham Market Town Council	5	0
Freebridge Community Housing	5	6
RG Carter Limited	60	0
Other Contributions	0	2
Vancouver Partnership	0	1
Total Credited to Services (Capital)	**3,616**	**1,605**

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 2010	31 March 2011
	£'000	£'000
Amenity Area Grant Unapplied	67	67
Capital Grants Receipts in Advance:		
NORA Utilities	1,027	0
Environmental Monitoring Equipment	11	7
Refurbish Children's Play Areas	50	28
Decimalisation	0	25
Shown on Short Term Creditors	**1,155**	**127**
Housing Grants Unapplied :		
Care & Repair Reserve	52	70
Care & Repair, Fenland	85	71
Care & Repair, Breckland	44	34
Care & Repair LIST	72	109
Handyperson, Breckland	5	22
Handyperson, Fenland	9	0
Care & Repair, Decluttering	10	10
Care & Repair, WN Insulation	16	16
Section 106 Agreements	437	718
Shown as Unapplied Grants	**730**	**1,050**
Total	**1,885**	**1,177**

36. **Financial Instruments**

Categories of Financial Instruments

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

	Long Term			Current		
	1 April 2009	**31 March 2010**	**31 March 2011**	**1 April 2009**	**31 March 2010**	**31 March 2011**
	£'000	£'000	£'000	£'000	£'000	£'000
Investments						
Loans and Receivables	13,499	13,650	14	12,647	12,101	25,659
Financial Assets at Fair Value through Profit and Loss	0	0	0	(199)	60	6
Total Investments	**13,499**	**13,650**	**14**	**12,448**	**12,161**	**25,665**
Debtors						
Loans and Receivables	1,073	1,115	1,259	2,452	2,769	1,593
Total Debtors	**1,073**	**1,115**	**1,259**	**2,452**	**2,769**	**1,593**
Borrowings						
Financial Liabilities at Amortised Costs	10,000	11,900	11,700	6,424	9,118	3,817
Financial Liabilities at Fair Value through Profit and Loss	(1,160)	(218)	(33)	0	0	0
Total Borrowings	**8,840**	**11,682**	**11,667**	**6,424**	**9,118**	**3,817**
Other Long Term Liabilities						
Financial Lease Liabilities	(168)	(167)	(167)	0	0	0
Total Other Long Term Liabilities	**(168)**	**(167)**	**(167)**	**0**	**0**	**0**
Creditors						
Financial Liabilities at Amortised Cost	58	40	30	2,793	3,451	5,293
Total Creditors	**58**	**40**	**30**	**2,793**	**3,451**	**5,293**

Income, Expense, Gains and Losses

	2009/2010				2010/2011			
	Financial Liabilities	Financial Assets	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities	Financial Assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	Liabilities Measured at Amortised Cost	Loans and Receivables			Liabilities Measured at Amortised Cost	Loans and Receivables		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	379	0	0	**379**	376	0	0	**376**
Reductions in Fair Value	0	0	(218)	**(218)**	0	0	(33)	**(33)**
Fee Expense	31	0	0	**31**	30	0	0	**30**
Total Expense in (Surplus) / Deficit on the Provision of Services	**410**	**0**	**(218)**	**192**	**406**	**0**	**(33)**	**373**
Interest Income	0	(704)	0	**(704)**	0	(412)	0	**(412)**
Increases in Fair Value	0	0	60	**60**	0	0	(6)	**(6)**
Total Income in (Surplus) / Deficit on the Provision of Services	**0**	**(704)**	**60**	**(644)**	**0**	**(412)**	**(6)**	**(418)**
Net (Gain) / Loss for the Year	**410**	**(704)**	**(158)**	**(452)**	**406**	**(412)**	**(39)**	**(45)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and Long Term debtors and creditors 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 2011 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
- 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 2010		31 March 2011	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	£'000	£'000	£'000
Financial Liabilities	12,569	12,569	9,110	9,110
Long Term Creditors	11,900	11,682	11,797	11,764
Total	**24,469**	**24,251**	**20,907**	**20,874**

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 2011) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2010		31 March 2011	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	£'000	£'000	£'000
Loans and Receivables	13,650	13,650	13	13
Long Term Debtors	1,115	1,115	1,259	1,259
Debtors	16,170	16,230	28,252	28,246
Total	**30,935**	**30,995**	**29,524**	**29,518**

The fair value of the assets is lower than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) 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 debtors and creditors 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
- 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.

The credit criteria in respect of financial assets held by the Authority are as detailed below:

The Council'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 Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council'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 Council in the Annual Treasury Management Strategy. The Council 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 arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. 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 Council has a policy of not lending more than £5m of its surplus balances to one institution at any one time.

The Council's minimum ratings for banks are:

Short term Rating	Individual Rating	Support Rating	Long Term Rating
F1	**B/C**	**4**	**A**

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

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

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

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 Council 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 2011 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 Council 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 Council 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.

Treasury Management - Limits

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

Liquidity Risk

As the Council 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 Council 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 maturity analysis of financial liabilities is as follows:

	31 March 2010	31 March 2011
	£'000	£'000
Less than One Year	12,569	9,110
Between One and Two Years	0	0
Between Two and Five Years	0	0
More than Five Years	11,900	11,700
	24,469	**20,810**

All trade and other 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 of 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 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in Interest Payable on Variable Rate Borrowings	37
Increase in Interest Receivable on Variable Rate Investments	(163)
Impact on Surplus on the Provision of Services	(126)
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)	2,054

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 1st April 1993, with the introduction of council tax, it now deals with payments of non-domestic rates, 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.

From 2009/2010, within the Borough Council's accounts, accounting for Council Tax and NNDR changed. The accounts no longer reflect the collection fund in total, only the amounts collected on behalf of the Borough Council are shown in the accounts.

Note		2009/2010		2010/2011	
		£'000	£'000	£'000	£'000
	Income				
	Non Domestic Ratepayers		35,105		36,526
	Council Tax	64,200		65,891	
	Benefits	10,807	75,007	11,303	77,194
	Total Income		110,112		113,720
	Expenditure				
	Non Domestic Ratepayers Pool		34,276		36,152
	Precepts and Demands				
	Norfolk County Council	55,885		57,778	
	Norfolk Police Authority	9,229		9,645	
	Borough Council of King's Lynn and West Norfolk	5,508		5,650	
	Parish / Special Expenses	2,031	72,653	2,155	75,228
	Transfer surplus to Norfolk Police Authority	275		348	
	Transfer surplus to Norfolk County Council	1,682		2,107	
	Transfer surplus to BCKLWN	226		284	
	Cost of Collection Allowance	214		213	
	Non-Domestic Rates Write Offs & Bad Debt Provision	280		294	
	Council Tax Write Offs and Bad Debt Provision	213	2,890	201	3,447
	Total Expenditure		109,819		114,827
	Surplus / (Deficit) in year		293		(1,107)
	Surplus brought forward at 1 April		4,065		4,358
	Surplus carried forward at 31 March		**4,358**		**3,251**

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 Income and expenditure account.

	2009/2010	**2010/2011**
	£'000	**£'000**
Gross non-domestic rates payable	39,882	42,673
Less: Allowances and other adjustments	(5,606)	(6,521)
Net Contribution to NNDR pool	**34,276**	**36,152**

The Gross Non Domestic Rateable Value at 31 March 2011 was £104,919,862 (31 March 2010 £101,276,493) with basic NNDR multiplier 41.4p (2009/2010 48.5p)

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 2010/2011 irrecoverable debt was as follows:

	2009/2010	**2010/2011**
	£'000	**£'000**
Council Tax	213	201
NNDR	280	294
Total	**493**	**495**

Council Tax

Each Council calculates the amount of its Council 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 Council expects to be able to collect.

Valuation Band	Range of values at 1st April 1991	No of Chargeable Dwellings	Ratio to Band	Band D Equivalent
A	*	69	5/9	39
A	Up to £40,000	18,772	6/9	12,514
B	£40,001 - £52,000	14,410	7/9	11,208
C	£52,001 - £68,000	11,485	8/9	10,209
D	£68,001 - £88,000	7,910	9/9	7,910
E	£88,001 - £120,000	3,970	11/9	4,852
F	£120,000 - £160,000	2,046	13/9	2,955
G	£160,001 - £320,000	864	15/9	1,440
H	More than £320,000	80	18/9	160
				51,287
Council tax base at 97.5% collection rate				50,005
Contributions in lieu				453
Total Council tax base at 97.5% collection rate				50,458

***Entitled to a disabled relief reduction**

The Council set a precept of £5,649,760 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 £600,100 and parish precepts totalling £1,576,690 were levied, averaging £43.14 for a Band D property. Norfolk County Council set a precept of £57,777,942 representing a Band D Charge of £1,145.07 and Norfolk Police Authority set a precept of £9,645,551 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 2011 stands at £3,251,420 (2009/2010 £4,358,300).This amount is shared as follows:

	2009/2010	2010/2011
	£'000	**£'000**
Borough Council	454	338
Norfolk County Council	3,344	2,496
Norfolk Police Authority	560	417
Total	**4,358**	**3,251**

Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transaction for the 2010/2011 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts under the Accounts and Audit 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 2010/2011 and the Best Value Accounting Code of Practice 2010/2011 supported by International Financial Reporting Standards (IFRS).

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 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 debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors 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 (eg, 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 Provision

General Fund

The following percentages determine the level of Bad Debt Provision,

	%
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 provision specifically for housing benefits bad debts has been reviewed, so that for bad debts in excess of 12 months there is now 100% cover. This has been made to safeguard the Council's future financial standing.

Collection Fund

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

Council Tax

Prior Years	(2006/2007)	100.0%
	(2007/2008)	75.0%
	(2008/2009)	50.0%
Previous Year	(2009/2010)	10%
Current Year	(2010/2011)	1.5%

NNDR

Prior Years	(Pre 2009/2010)	100.0%
Previous Year	(2009/2010)	50.0%
Current Year	(2010/2011)	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.

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 2009/2012. The major 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 the 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 Account 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 paid an employer's contribution of 16.4% of superannuable employees' reckonable pay into Norfolk County Council's Superannuation Fund (for 3 years 2008/2009 to 2010/2011) a reduction of 3% compared to 2007/2008 which reflects the £1 million paid in 2007/2008 following the Housing Stock Transfer. The costs of inflation awards (Pensions Increase Act payments) to pensioners of the Fund are met by the Fund. Any payments, including the costs of inflation, arising from discretionary awards made by the Authority are paid separately and charged to the services in which pensioners were working before retirement.

The Authority complies fully with the requirements of ISA 19 (as detailed in the Code).

The policy is to recognise the full liability that the Council 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 or 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 Council 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
- 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

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; and
- 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 Council 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 ISA 39 and the Code.

Classification	**Description**	**Measurement Base**
Financial liabilities		
Amortised cost	All financial liabilities not held for trading or are derivatives, e.g. operational creditors and borrowings.	Amortised cost
Fair value through profit and loss	Liabilities held for trading or derivatives with a negative value. Not expected to be held.	Fair value

Financial assets		
Loans and Receivables	Financial assets that have fixed or determinate payments that are not quoted in an active market, e.g. operational debtors and bank deposits.	Amortised cost
Fair value through profit and loss	Assets that are held for trading and derivatives with a positive value.	Fair value

Basis for Charging Revenue

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

Classification	**Description**	**Impact on Income and Expenditure**
Financial liabilities		
Amortised cost	Amortised cost	The interest payable using the effective interest rate is charged.
Fair value through profit and loss	Fair value	Gains and losses on the fair value of the liability are charged as they arise.
Financial assets		
Loans and Receivables	Amortised cost	The interest receivable using the effective interest rate is charged.
Fair value through profit and loss	Fair value	Gains and losses on the fair value or the liability are charged as they arise.

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 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 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 Account 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 acquired using the 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 creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (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.

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 (eg, 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 Best Value Accounting Code of Practice 2010/2011 (BVACOP). 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 BVACOP 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.

<u>Recognition</u>

All expenditure over £10,000 on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (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
- 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 (6th Edition) to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.] Non-Current assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. During the year assets within the Culture portfolio were revalued.

Portfolio	**Last Dates for next Revaluation**	
Culture	31st March	2011
Resources & Performance and Culture & Recreation	31st March	2012
Regeneration (King's Lynn and Other)	31st March	2013
Environmental Health and Resources & Performance	31st March	2014
Housing	31st March	2015

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.

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.

Deprecation is calculated on the following bases:

Asset Lives:	Buildings	up to 60 years
	Equipment	up to 15 years
	Vehicles	up to 10 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).

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

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.

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.

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. This Annual Governance Statement explains how this council has complied with the code, 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 of the systems and processes, and culture and values 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 of appropriate cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks, the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks 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 2011 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 2010-2011.

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. There is a Corporate Risk Register, integral to the Council's performance management system, which is regularly updated and reported upon to senior management team and members. During 2010/11 the responsibility for maintaining the Corporate Risk Register was taken by the Internal Audit function.
The Council has continued to strengthen its approach to the management of risk in the 2010/11 year, examples include:

- Gained accreditation for the GCSx Government Connect Code of Connection to protect computer data
- Enhanced security of access to computer systems
- Developed business continuity management processes and supporting documentation
- Revised treasury management policies to take into account the new Investment Strategy
- Developed accounts reporting to be compliant with the International Financial Reporting Standards (IFRS) Accounting Policies
- Updated Contract Standing Orders and the Anti-Fraud and Anti-Corruption Policy in light of the new Bribery Act 2010

5. BUDGETARY CONTEXT AND THE TRANSPARENCY AGENDA

The Financial Plan for the 2010/11 year was set in February 2010. That financial plan built on a series of service reviews that had taken place across the authority, aimed at reducing expenditure, and marked the commencement of other reviews; with a view to coping with the difficult economic environment and pre-empting cuts in Government grant in 2011. Since February 2010 the situation has changed significantly – a new coalition Government came to power with an aim of reducing the national deficit quickly, and in doing so has accelerated the reduction in Government grant to local authorities. The formula grant to this Council is estimated to reduce by 30% which is a significant reduction in cash terms over the period 2011/14.

During 2010, the new Government abolished the Comprehensive Area Assessment regime and the suite of prescribed National Indicators. The new Government also brought in requirements of public sector bodies around transparency of data; the Council was amongst the first to meet requirements 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. The Council is currently working on the publication of the required organisational and contextual information (such as senior managers job descriptions and breakdown of services provided) as defined by the Local Government Group in collaboration with the Local Public Data Panel.

The ever changing external context and the unprecedented budgetary position within which the Council is operating, requires a renewed focus to ensure that the Council is delivering its locally determined priorities as well as its statutory services.

6. 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.

In 2010, the Council undertook consultation on its future governance arrangements as required by the Local Government and Public Involvement in Health Act 2007. The results of the consultation with the public and the Policy Review and Development Panel were agreed by Council in November 2010. A decision was made to adopt a 'Strong Leader' governance model.

The Council's Standing Orders (which form part of the Council's Constitution) were also reviewed during 2010 and the revised version was agreed by Council in November 2010.

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.
- The Audit and Risk Committee carries out an overview of the activities of the Council's internal and external audit functions. Members are provided with copies of all reports produced by Internal Audit and the external auditors. 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 2010/11 which will go before the Audit and Risk Committee on 1 June 2011.
- 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 reviews of the effectiveness of the Internal Audit Service and the Audit & Risk Committee, the results of these reviews will be reported to Audit and Risk Committee in June 2011.
- The Council's external auditors review the activities of the Council, approve the annual accounts and certify grant claims (where required). Conclusions and significant issues arising are detailed in various reports from the auditors: the Audit of the Statement of Accounts for year ended March 2010 and the Annual Audit Letter went before Cabinet on 11 January 2011; and the 'Certification Report to those charged with governance' went before the Audit & Risk Committee on 11th April 2011. These reports all referred to the 2009/10 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.

  A review of arrangements has been undertaken; the review has not highlighted any issues as significant weaknesses in governance or internal control during 2010/11. The arrangements outlined above are in place and operating as planned.

7. EFFICIENCY / VALUE FOR MONEY

The Council's corporate strategy is founded on the principle of high quality services at lowest cost to the taxpayer. It prides itself on delivering quality services at an affordable price, and is recognised as being efficient. In September 2010 the Council established a cost reduction programme to reduce the Council's costs following announcements the Chancellor made regarding the Government's deficit reduction intentions in an emergency budget in June. Details of the programme are contained in the Chief Executive's report to Cabinet on 21 September 2010. All of the Council's services have been reviewed and the required savings to date have been achieved.

Examples of efficiencies made during 2010/11 include entering into a shared service arrangement with CNC for the Building Control service; ending the pest control service to domestic premises; closing the CIC at Heacham; outsourcing the operation of the Princess Theatre in Hunstanton. The Council has also progressed the shared service arrangement for Revenues/Benefits service with a neighbouring council, and completed a major joint procurement exercise for our largest outsourced contract (Refuse and Recycling). The cost reduction programme has resulted in capacity being reduced in many in-house areas across the authority; and the Council's corporate Management Team has reduced by 2.2 posts.

The Council has also taken an 'entrepreneurial' approach where it believes this would provide value for money; examples of these areas are Procurement, Car Parking, Treasury Management and Property Services. Further details are available in the Chief Executive's report to Cabinet on 14 April 2011.

8. AUDITOR JUDGEMENT

As mentioned in section 5 above, the Comprehensive Area Assessment regime was abolished during the 2010/11 year. There is therefore no external auditor's judgement on 'Use of Resources', as previously available.

PricewaterhouseCoopers, external auditors, have audited the Council's accounts in line with Internal Standards on Auditing (UK & Ireland) and issued an unqualified audit report on 28 September 2010. This related to the 2009/10 year; this judgement is always given on the previous year's accounts.

9. SIGNIFICANT GOVERNANCE ISSUES

In her report to the Audit and Risk Committee on 1 June 2011 the Audit Manager stated that in her opinion, based on the work carried out by Internal Audit in 2010/2011, internal controls and risk management are considered to be adequate and effective.

In the Annual Governance Statement for the 2009/10 year (presented to Cabinet on 17 June 2010) a 13 point Action Plan was set out to deal with governance issues identified. 9 points on the Action Plan have been completed satisfactorily. Two of the remaining four – Procurement Strategy and ICT Strategy have not yet been completed – although in these areas, significant amounts of work have been undertaken; these have been carried forward to the Action Plan for the 2011/12 year. Asset Management, the third item not wholly completed, has been the subject of an internal audit; this will help focus on key maters in this area. The final area not completed from the action plan in the 2009/10 statement was the Community Engagement and Communication Strategy; this work has been superseded by proposed abolition of the Duty to Engage, Inform and Involve and the forthcoming Localism Bill, so the requirement for this strategy will be reviewed later in 2011.

An Action Plan for the 2011/12 year for governance related issues, containing new items identified through the review undertaken, is attached at Appendix B.

10. ASSURANCE SUMMARY

From the review, assessment and ongoing monitoring work undertaken 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

Ray Harding
Chief Executive
Date

APPENDIX A: APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

Principles	Requirements	Evidence
1. Focusing on the purpose of the Council and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area		
Exercising leadership by clearly communicating the Council's purpose and vision and its intended outcome for citizens and service users	• Develop & promote the authorities' purpose & vision	Corporate Strategy Sustainable Community Strategy Website and / or PR activity
	• Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements	Code of Corporate Governance
	• Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	WN Partnership working protocol CNC – Building Control Sustainable Community Strategy Care and Repair NNDC – Refuse contract
	• Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	Annual financial statement
Ensuring that users receive a quality service whether directly, or in partnership or by commissioning	• Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	Corporate Strategy Annual Service plans Medium term financial strategy Customer satisfaction surveys Service Reviews
	• Put in place effective arrangements to identify and deal with failure in service delivery	Complaints procedure
Ensuring that the Council makes best use of resources and that tax payers and service users receive value for money	• Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions. • Explore and rigorously test opportunities for shared services and joint procurement	Performance Reports Benchmarking Environmental Statement Monitoring Report Service Reviews Joint Revenues & Benefits service Car parking arrangements Joint refuse contract procurement
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles		
Ensuring effective	• Set out a clear statement of the respective roles and	Constitution

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

Principles	Requirements	Evidence
	• Ensure that effective mechanisms exist to monitor service delivery	Performance management framework Reporting Schedule Panel and Cabinet reports
	• Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other stakeholders, and that they are clearly articulated and disseminated	Corporate Strategy & Community Strategy - Vision & Objectives Service plans Budgets Consultation mechanisms (eg Citizen's Panel) Improving Neighbourhoods Board Budget consultation with business ratepayers
	• When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.	WN Partnership working protocols WN Partnership Terms of Reference WN Partnership scheme of delegation CNC
	• When working in partnership: - Ensure that there is clarity about the legal status of the partnership - Ensure that representatives of organisations both understand and make clear to all other partnerships the extent of their authority to bind their organisations to partnership decisions	WN Partnership working protocols WN Partnership Terms of Reference WN Partnership scheme of delegation Budget monitoring reports
3. Promoting the values of the Council and demonstrating the values of good governance through behaviour		
Ensuring Council Members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance	• Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	Corporate strategy – Values Extended Management Team meetings Staff Briefing sessions
	• Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	Members / officers' code of conduct & protocols Performance appraisal system Complaints procedures Anti-fraud & anti-corruption policy
	• Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	Standing orders Codes of conduct Financial regulations

Principles	Requirements	Evidence
Ensuring that organisational values are put into practice and are effective	• Develop and maintain shared values including the leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners	Codes of conduct Corporate Strategy - Values Community Strategy – Values Internal Affairs Members Bulletin Website Intranet
	• Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Codes of conduct Internal Audit Strategic Plan Constitution Audit & Risk Committee Equalities Impact Assessment process Officer membership of professional bodies
	• Develop and maintain an effective standards committee	Terms of reference Reports to the Council
	• Use the organisation's shared values to act as a guide for decision-making and as a basis for developing positive and trusting relationships within the authority	Decision-making practices Service Plans Financial Regulations Contract Standing Orders Weekly meetings of Management Team and CEO / Deputy CEO and Leader / Deputy Leader
	• In pursuing partnership working, agree a set of values against which decision-making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	Partnership working protocols Sustainable community strategy
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
Exercising leadership by being rigorous and transparent about how decisions are taken and listening to and acting upon the outcome of constructive scrutiny	• 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	Cabinet Scrutiny Audit & Risk Committee Policy Development & Review Panels
	• Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	Record of decisions and supporting materials Agendas and minutes of meetings

Principles	Requirements	Evidence
	• Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	Members' code of conduct Register of Interests Employee handbook
	• Develop and maintain an effective audit committee which is independent of the executive and scrutiny functions	Terms of reference Membership Member training programme
	• Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	Complaints procedure MP Complaints procedure
Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	• Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications	Members induction scheme Training for committee chairs and panel members Cabinet / Portfolio report templates
	• Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision-making and used appropriately	Record of decisions and supporting materials Reports available prior to meetings Officers available for queries
Making sure that an effective risk management system is in place	• 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	Risk register Risk management strategy Financial regulations Service Plans Equality Impact Assessments
	• Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access	Whistle-blowing policy
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	• Actively recognise the limits of lawful activity placed upon them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities	Constitution Monitoring officer provisions Statutory provisions
	• Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law	Monitoring officer provisions Professional standards for Officers
	• Observe all specific legislative requirements placed upon	Monitoring officer provisions

Principles	Requirements	Evidence
benefit of the citizens and communities in their area	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	Job description / specification Member / Officer protocols Statutory provisions
5. Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively		
• Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	• Provide induction programmes tailored to individual needs and opportunities for members and officers to upgrade their knowledge on a regular basis	Training and development plan Induction programme Ad hoc courses and seminars (CPD)
	• Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	Job description / person specifications Membership of management team
• Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	• Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	Training & development plans – officers and members
	• Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	Members training programme Continuing Professional Development (CPD)
	• Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs	Resources & performance panel Monitoring of members' attendance at Panels
• Encouraging new talent for membership of the Council so that best use can be made of resources in balancing continuity and renewal	• Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	Neighbourhood Management Info on website Active promotion of EE LGA events
	• Ensure that career structures are in place for members and officers to encourage participation and development	Succession planning Member training
6. Engaging with local people and other stakeholders to ensure robust local public accountability		
Exercising leadership through a robust scrutiny function which effectively engages local people and	• Make clear to themselves, all staff and the community to whom they are accountable and for what	Code of Corporate Governance Corporate Strategy Scrutiny Panels

Principles	Requirements	Evidence
all local institutional stakeholders including partnerships, and develops constructive accountability relationships		Community strategy
	• Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	WN Partnership provides mechanism for strengthening links with other key stakeholders
	• Produce an annual report on the activity of the scrutiny function	Annual Reports of the Chairs of the Panels
Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery	• Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure they operate effectively	Community strategy Your Council newsletter Diverse Community Forum
	• Hold meetings in public unless there are good reasons for confidentiality	Constitution Agendas and minutes
	• Ensure that arrangements are in place to enable the authority to 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	Service Plans Citizens' Panel Neighbourhood Board & Charter Equalities Policy Local Poll – incinerator Govmetric feedback process Customer comment form Neighbourhood Officers Satisfaction surveys
	• 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	Service Plans Impact Assessments Local Development Framework – Statement of Community Involvement
	• On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial settlements as well as information about its outcomes, achievements and the satisfaction of services users in the previous period	Annual financial statements Corporate Strategy Service Plans
	• 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	Constitution Corporate Strategy – Values Website – transparency page

Principles	Requirements	Evidence
	specific circumstances where it is proper and appropriate to do so	
Making best use of resources by taking an active and planned approach to meet responsibility to staff.	• Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	Internal Consultation & Engagement Internal communications channels JEC Senior MT/Union meetings

APPENDIX B: ACTION PLAN FOR THE 2011/2012 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	Draft underway Target date for completion December 2011
2	ICT Strategy	Produce an Information Communication Technology Strategy	ICT Manager	tbc
3	Business Continuity Management	Develop the Business Continuity process and supporting documentation, refreshing where appropriate	Deputy Chief Executive	December 2011
4	Business Continuity Management	Undertake desk-top exercise(s) as deemed appropriate to test the Business Continuity Management process	Deputy Chief Executive	March 2012
5	Payment Cards	Achieve Payment Card Industry Data Security Standards	ICT Manager	March 2012
6	International Financial Reporting Standards	Achieve sign off for the 2010/11 accounts and action any comments made by the auditors	Chief Accountant	March 2012

Details to Follow

Details to Follow

Details to Follow

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.
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 head in a balance sheet would be consumed or realised during the next accounting period e.g. stocks, cash and bank balances, debtors.
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. creditors, cash overdrawn.
Fair Value	An estimate of the market value of an asset or liability for which a market price cannot be determined.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Instruments Adjustment Account	Contains the difference between financial instruments measured at fair value and the balances required to comply with 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.
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.
Housing Revenue Account	An account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing. Even though the Authority's housing stock was transferred to Freebridge Community Housing in April 2006, the Authority had to maintain the Housing Revenue Account until it was formally closed on 31 March 2008.
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 debtors finally deemed lost to an Authority and written out of the accounts.
Local Area Agreement	A partnership with other public bodies which uses Government grants to finance work towards jointly agreed objectives for local public services.
Outturn	The actual level of expenditure and income in a particular year.
Precepts	The charge made by County, Police, Borough and Parishes on the Collection Fund to meet their net expenditure.
Rateable Value	The notional annual rental value of a premise to which the rate poundage is applied to determine the rates payable.
Rate Levy	The number of pence in the pound which is applied to the rateable value to determine the rates.
Renewals Reserve	An account an Authority can establish to meet the cost of replacing and renewing its vehicles, plant and equipment.

Revaluation Reserve	Introduced in the 2007 Statement of Recommended Practice, and recording the net gain (if any) from revaluations, depreciation and impairment made after the 1st 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.