

**Report to**     Audit committee  
                    22 July 2014  
**Report of**     Chief finance officer  
**Subject**       Statement of accounts 2013-14

**Item**

**7**

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**Purpose**

This report presents the formal unaudited draft Statement of Accounts, authorised by the chief finance officer on 30 June 2014.

**Recommendation**

The committee is asked to review the 2013-14 Statement of accounts.

**Corporate and service priorities**

The report helps to meet the corporate priority value for money services.

**Financial implications**

This report has no direct financial consequences however it does refer to the performance of the council and the provision of value for money services.

Ward/s: All

Cabinet member: Councillor Waters, resources

**Contact officers**

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**Background documents**

None

## Report

### Background

1. The unaudited draft statement of accounts was authorised by the Chief Finance Officer (CFO) on 30 June 2014. It is a requirement of the Accounts and Audit Regulations 2011 that the CFO authorises the draft statement of accounts by 30 June each year; however there is no requirement for the committee to approve the draft financial statements.
2. This version of the statement of accounts will be audited and may be amended/adjusted in line with audit findings.

### Statement of accounts

#### *Presentation*

3. The statement of accounts is attached at Appendix 3. Its format is required to follow the Code of Practice (CoP) on Local Authority Accounting in the United Kingdom (supported by International Financial Reporting Standards (IFRS)), and includes a full balance sheet and statement of cash flow movements.
4. The CoP 2014 has introduced a few additional accounting requirements and changes mainly in the disclosure requirements relating to pension scheme.
5. The classification of services in the Comprehensive income and expenditure Statement does not align with internal management arrangements and officer structures, and therefore our management accounts. The statement of accounts has to conform instead to the service classification required by CIPFA's Service Reporting Code of Practice (SeRCOP). Some information is however readily recognisable from the normal management accounts reported to Cabinet. Nevertheless both sets of accounts reconcile to each other and it is the statement of accounts on which the audit opinion is given. A reconciliation showing how the overall results within the Statement of accounts differ from that reported within the budget monitoring outturn report is provided in Note 31 of the statement of accounts.

#### *Review – Comprehensive income and expenditure statement*

6. **Culture and related services** - The increase in net costs relates to revaluation losses which are reversed in the Movement in Reserves Statement (MiRS) so have no impact on the council's finances
7. **Highways and transport services** -The decrease in net costs is due to an increase in income and a decrease in expenditure.

8. The increase in income is as detailed in the table below:

	£000
Increase in car park fees	195
Increase in contract parking income	43
Increase in on street fees	40
Increase in PCN offences	80
Increase in residents parking permits	103
<b>Total increase in income</b>	<b>461</b>

9. The decrease in expenditure is due to revaluation losses in 2012/13 of £4.574m which did not reoccur in 13/14 and an increase in Pension entries made in accordance with International Financial Reporting Standards of £0.428m, these entries are reversed out in the MiRS so have no impact on the council's finances

10. **Local Authority housing** - The increase in surplus relates to a net revaluation gain of £15.068m (12/13 revaluation loss of £(8.919)m). The revaluation gains on council dwellings of £15.176m is reversed in the MiRS so has no impact on the Housing Revenue Account (HRA), the revaluation losses on other HRA assets of £0.108m is not reversed so represents a true cost to the HRA.

11. **Corporate and democratic core** -The decrease in net expenditure is detailed in the table below:

	£000
Decrease in accommodation charge	(796)
Decrease in added years pension	(1,213)
Decrease in CDS recharge to general fund	2,783
Decrease in CDS recharge to HRA	281
Impairment charged in 12/13, no charge in 13/14	(1,505)
Revaluation losses in 12/13, no charge in 13/14	(235)
Increase in recharging of department costs	(597)
Increase in recharge of directorate costs	(1,380)
Increase in electricity costs	58
Increase in IFRS pension entries	135
Increase in inter directorate recharge	154
Increase in legal expenses & support	131
Reduction in Norwich Connect costs	(274)
Decrease in depreciation costs	(363)
Increase in profession advice costs	2,530
Increase in Property services costs	305
Decrease in full time salaries	(564)
Decrease in shared service costs LGSS	(760)
<b>Total</b>	<b>(1,310)</b>

12. **Other operating income & expenditure** - The increase in costs relates to de-recognition of components on council dwellings £1.23m (12-13 nil), this relates to kitchens, bathrooms, windows and doors and heating where the replacement has taken place before the end of the assumed economic life, reduction in the profit on sales of non-current assets £1.285m and a loss on sale of £0.166m.
13. **Taxation and non-specific grant income** - The increase in income is detailed in the table below:

	£000
Reduction in Council Tax precept	1,805
Increase in New Home Bonus	(565)
New s31 grant relating to Business Rates reliefs	(564)
Increase in Revenue Support grant	(7,643)
Contribution from leaseholder –Townshend House	(515)
Donation from developers of shared equity	(306)
Department of Transport City cycle Ambition grant	(1,112)
Compensation in respect of St Andrews Car park	(1,100)
NNDR redistribution no longer received	11,246
Retained business rates	(30,109)
Business Rates tariff	24,915
Business Rates Levy	30
Local Services Support grant no longer received	337
Council Tax Freeze Grant no longer received	232
NNDR Cost of Collection Fund Grant no longer received	270
Other minor savings	(35)
<b>Total</b>	<b>(3,114)</b>

### ***Review – Balance sheet***

14. **Long and Short Term Investments** - The major reason for the decrease in Long term Investments and increase in Short term Investments is the transfer of £12.5m to Short Term Investments.
15. There has been an increase of £13.658m in cash and cash equivalents; the table below shows the breakdown of the amounts:

	31-Mar-14 £000	31-Mar-13 £000	Movement £000
Cash held	24	31	(7)
Current accounts	492	227	265
Investments for less than 3 months in banks	10,000	6,100	3,900
Investments for less than 3 months in building societies	9,500	-	9,500
<b>Total</b>	<b>20,016</b>	<b>6,358</b>	<b>13,658</b>

16. The increase in cash and cash equivalents is due to asset sales amounting to £9.22m and the retention of housing rental income.

17. It should be noted that the balances shown in the above table for current accounts does not represent the actual balance on the Council's accounts at the bank, but the book balance taking timing differences into account. The cash across all the council's current accounts is maintained as close to zero as prudently possible, any surplus cash being invested in a call account overnight. Total debt outstanding at the year-end was £226.081m. There was a net decrease of 0.001m in long-term borrowings in the year.
18. Cash surpluses occurring during the year have been invested in accordance with guidance issued by the government and the council's agreed Treasury Management Strategy. The primary objective is to ensure that funds are invested prudently, with priority given to security and risk minimisation.
19. The increase in short term creditors is mainly due to an increase in accruals in relation to the joint ventures with Norfolk County Council.
20. The movements on the pension scheme liability and pensions reserve reflect the requirements of IAS 19 and are as recommended by the scheme's actuary.
21. The level of the General Fund Balances are controlled through targets set in the Medium Term Financial Strategy (MTFS) with annual risk-based assessment of prudent minima, and monitored throughout the financial year as part of the council's management accounting systems. The fund balance currently stands at £8.313m
22. The increase of £20.89m in unusable reserves (those that are not able to be used to provide services) is largely a result of the net movement in fixed assets (i.e. additions, revaluations, disposals & impairments), plus an increase in Pension Fund net liabilities.
23. During the year the total equity of the council increased by £28.228m.

### **Other matters**

24. The draft statement of accounts have not yet been subject to audit, therefore the final version may contain different figures and disclosures dependent upon any audit findings and required adjustments, together with any changes in circumstances identified by council officers.

<b>Source Documents</b>	<b>Location</b>
CIPFA Accounting Code of Practice 2013/14. Statement of Accounts 2012/13 Unaudited Statement of Accounts 2013/14 Statement of Accounts working papers. Outturn for 2013/14	Room 407 City Hall, Norwich

## Appendix 1: Comprehensive Income and Expenditure Statement Changes

	2013-14 £000	2012-13 £000	Change £000	Change %
Central services to the public	3,756	4,047	(291)	(7.19)%
Culture and related services	10,426	8,808	1,618	18.37 %
Environment and regulatory services	7,953	8,732	(779)	(8.92)%
Planning services	2,569	2,218	351	15.83 %
Highways and transport services	(2,750)	1,942	(4,692)	(241.61)%
Local Authority housing - HRA	(34,857)	(14,791)	(20,066)	135.66 %
Other Housing Services	3,965	4,434	(469)	(10.58)%
Corporate and democratic core	1,322	2,689	(1,367)	(50.84)%
Non distributed costs	144	255	(111)	(43.53)%
<b>Cost Of Services</b>	<b>(7,472)</b>	<b>18,334</b>	<b>(25,806)</b>	
Other Operating Expenditure	1,357	(1,461)	2,818	(192.88)%
Financing and Investment Income and Expenditure	13,470	12,772	698	5.47 %
Taxation and Non-Specific Grant Income	(27,844)	(24,730)	(3,114)	12.59 %
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(20,489)</b>	<b>4,915</b>	<b>(25,404)</b>	
(Surplus) or deficit on revaluation of fixed assets	(2,036)	(3,675)	1,639	(44.6)%
Actuarial (gains) / losses on pension assets / liabilities	(5,702)	21,310	(27,012)	(126.76)%
<b>Other Comprehensive Income and Expenditure</b>	<b>(7,738)</b>	<b>17,635</b>	<b>(25,373)</b>	
<b>Total Comprehensive Income and Expenditure</b>	<b>(28,227)</b>	<b>22,550</b>	<b>(76,150)</b>	

## Appendix 2: Balance Sheet Changes

	31-Mar-14 £000	31-Mar-13 £000	Change £000	Change %
Property, Plant & Equipment	764,048	746,715	17,333	2.32 %
Heritage assets	20,643	19,965	678	3.40 %
Investment properties	35,549	36,228	(679)	(1.87)%
Intangible Assets	910	838	72	8.59 %
			(12,971)	(77.14)
Long Term Investments	3,843	16,814	)	%
Long Term Debtors	9,153	8,236	917	11.13 %
<b>Long Term Assets</b>	<b>834,146</b>	<b>828,796</b>	<b>5,350</b>	
Short Term Investments	42,430	28,200	14,230	50.46 %
				(25.96)
Assets Held for Sale	1,392	1,880	(488)	%
				(15.15)
Short Term Debtors	10,677	12,584	(1,907)	%
				(17.86)
Inventories	23	28	(5)	%
				214.82
Cash and Cash Equivalents	20,016	6,358	13,658	%
<b>Current Assets</b>	<b>74,538</b>	<b>49,050</b>	<b>25,488</b>	
Short Term Borrowing	(1,300)	(1,300)	-	-
Short Term Creditors	(25,534)	(21,119)	(4,415)	20.91%
Capital Grants & Contributions				111.32
Receipts in Advance	(2,240)	(1,060)	(1,180)	%
<b>Current Liabilities</b>	<b>(29,074)</b>	<b>(23,479)</b>	<b>(5,595)</b>	
Provisions	(346)	-	(346)	-
Long Term Creditors	(3,725)	(3,926)	201	(5.12)%
	(224,782)	(224,783)		
Long Term Borrowing	)	)	1	-
	(134,923)	(136,230)		
Other Long Term Liabilities	)	)	1,307	(0.96)%
Capital Grants and Contributions				(78.69)
Receipts in Advance	(493)	(2,314)	1,821	%
	(364,269)	(367,253)		
<b>Long Term Liabilities</b>	<b>)</b>	<b>)</b>	<b>2,984</b>	
<b>Net Assets</b>	<b>515,341</b>	<b>487,114</b>	<b>28,227</b>	
Usable Reserves	59,776	52,438	7,338	10.37%
				(25.09)
Unusable Reserves	455,564	434,674	20,890	%
<b>Total Reserves</b>	<b>515,340</b>	<b>487,112</b>	<b>28,228</b>	



# Statement of accounts for the year ending 31 March 2014



**NORWICH**  
City Council



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# Explanatory Foreword

## 1. Who we are and what we do

Norwich City Council is one of four Councils that provide services to the City of Norwich along with Broadland District Council, South Norfolk Council and Norfolk County Council.

The City Council is responsible for approximately 60% of the urban area of the City, including the historic city centre, covering a population of approximately 134,300 people (Source: 2012 midyear estimates, Office of National Statistics ONS).

Norwich is an innovative, creative city with big ambition for both the place and the people who live here. The fastest growing economy in the east of England, it is home to the headquarters of 50 major companies, is in the top shopping destinations in the country, and is the regional cultural capital. Yet in sharp contrast to this outward economic prosperity, Norwich has a low-wage economy and high levels of deprivation.

Norwich's position as a regional centre means there are high levels of inward travel into the City for work, shopping, cultural and leisure activities. This means that many of the services the City Council provides are used by people who live outside of the City, placing additional pressures on Council resourcing.

In the next section there is more detail on the economic, social, health, cultural and environmental picture of the City.

### Norwich - facts and figures

Norwich has been a success story for almost 1,000 years. It is a modern city with a historic heart. It is vibrant and growing fast. Its economic, social, cultural and environmental influence is out of proportion to its size, and extends far beyond its boundary. Norwich's importance to the people of Norfolk and the wider region is clear.

But it is also a tale of two cities. While the city has many positive aspects, it also has many of the severe issues that urban city centres can experience, poor educational attainment, poor health, and above average crime and antisocial behaviour, although this is reducing. Below we set out some key facts about the City.

### Summary of the social picture

- Levels of socio-economic deprivation are the third highest in the region and 70<sup>th</sup> (out of 326) in England (Source: Index of Multiple Deprivation 2010, Average of Scores)
- 25.2 per cent of housing is council rented, compared to only 5.7 per cent in Norfolk (Source: Census 2011, ONS)
- 81 per cent of school leavers staying on to further education, compared with 85 per cent across Norfolk (Source: Year 11 leavers activity data, Norfolk County Council, Norfolk Insight)
- 7.4 per cent of the working age population is claiming incapacity benefit/ employment support allowance (Source: December 2013, Department of Work and Pensions (DWP) and ONS)
- Over the three years to 2013, overall crime reduced by 13.7 per cent (Source: Crime statistics, Norfolk Police)
- For the 12 months ending September 2013 there were 8,400 incidents of anti-social behaviour in Norwich, which was a year-on-year reduction of 4.5 per cent.
- 31.8 per cent of children in Norwich are affected by income deprivation which is the 30th highest percentage nationally. It is the highest percentage of any district council and the highest percentage in the eastern region (Source: Index of Multiple Deprivation 2010, IDACI)

### **Summary of the environmental picture**

- Over the lifetime of our Carbon Management Programme, Norwich City Council reduced its carbon emissions by more than 24% (non-weather corrected data) or 29% (weather corrected data). (Source: Norwich City Council)
- University of East Anglia (UEA) and Norwich Research Park are internationally recognised for excellence in environmental, health and life sciences. (Source: UEA Climatic research unit)
- Norwich City Council has increased household recycling and composting to around 37 per cent and reduced residual waste per household. The dry recycling rate (i.e. paper, glass, metals and plastics) for Norwich city council stands at 22.16% which is the highest of all Norfolk Authorities. (Sources: Norwich City Council/WasteDataFlow)

### **Summary of the economic picture**

- 28 per cent of Norwich's adult population is qualified to degree level and above, higher than the national (27%) and Norfolk (22%) averages. (Census 2011)
- Around 125,600 people work in the Norwich urban area and 50,000 workers commute to the city each day. (Sources: 2012 Business Register and Employment Survey and 2001 Census)
- 38 per cent of jobs in the county are based in the Norwich urban area. (Source: 2012 BRES)
- Norwich is ranked 13<sup>th</sup> in the UK as a retail centre and the sector accounts for 13% of employment in the city. (Source: UK Retail footprint, CACI Venuescore)

### **Summary of the cultural picture**

- Highest level of culture per capita in the UK. (Source: locallife.co.uk)
- Prime examples of architecture including Norwich 12, the UK's finest collection of heritage buildings in a medieval cityscape. (Source: Norwich Heart)
- Bid shortlisted for UK City of Culture 2013. (Source: UK City of Culture 2013)
- Major sporting facilities including football, athletics, Olympic swimming pool etc. (Source: Norwich City Council)
- Three regional media businesses (BBC, Anglia and Archant). (Source: Norwich City Council)
- High-profile arts calendar including the Norfolk and Norwich Festival, the largest festival in the country. (Source: Norwich City Council)
- Writers' Centre Norwich delivering world-class literary events. (Source: Norwich City Council)
- Norwich has been awarded UNESCO City of Literature status. The first city in England to achieve this. (Source: Norwich City Council)
- Highly regarded arts institutions including Norwich Castle Museum and Art Gallery, Norwich University College of the Arts and the Sainsbury Centre for Visual Arts. (Source: Norwich City Council)
- Five theatres, including the Theatre Royal – the most successful regional theatre in the UK. (Source: Norwich City Council)
- 75 formal play areas and 17 all weather games areas. (Source: Norwich City Council)

### **Summary of the health picture**

- The health picture overall for Norwich is mixed, with life expectancy overall similar to the national average. (Source: Health Profiles 2013, Public Health England)
- But this masks differences within the city, for example men in the most deprived areas of the City have an average life expectancy that is 6.7 years shorter than in the least deprived areas. For women the difference is 3.2 years. (Source: Health Profiles 2013, Public Health England)

- Many key health measures are significantly worse in Norwich than in the rest of the county. (Source: Health Profiles 2013, Public Health England)
- Significant health issues with high levels of teenage pregnancy, mental health problems and drug and alcohol misuse. (Source: Health Profiles 2013, Public Health England)
- Low levels of malignant melanoma and diabetes. Fewer obese adults. (Source: Health Profiles 2013, Public Health England)
- Lower than average children's population, and higher young people's population (16 to 24). (Source: 2012 mid-year population estimates, ONS)

Lower than average road deaths and injuries. (Source: Health Profiles 2013, Public Health England)

## **The council**

The City Council has approximately 589 full time equivalent (FTE) employees, who, along with various partner organisations, provide a range of different services for Norwich residents and visitors including:

- Street cleansing, waste collection and recycling services
- Planning, regeneration and economic development services
- Transport services
- Public protection services including licensing and environmental health
- Housing services including providing and maintaining approximately 16,000 Council homes - making us one of the largest local Council landlords
- Parks and open spaces
- Cultural, tourism and leisure services
- Processing housing and council tax benefits
- Electoral services

The Council has 39 Councillors representing 13 Wards (three Councillors for each ward), each serving a four year term. In February each year the Council sets the policy framework, budget and level of council tax for the coming financial year.

The current political make up of the Council is as follows:

- Labour – 21 seats
- Green Party - 15 seats
- Liberal Democrats - 3 seats

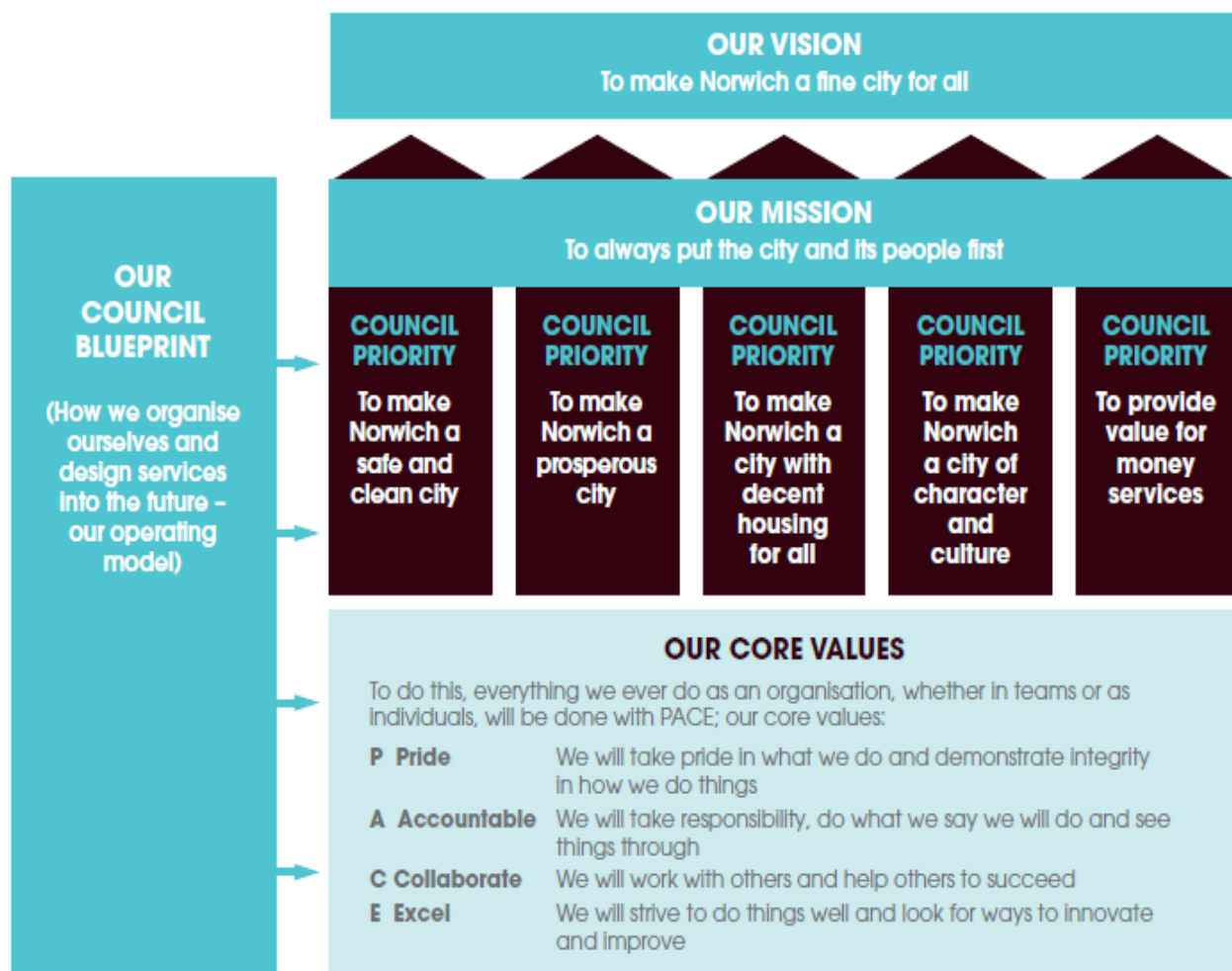
The Council operates a 'leader and cabinet' structure. The current cabinet consists of six members of the Labour group, including the leader of the Council.

- Leader of the Council and cabinet member for strategy and policy, strategic partnerships, culture and sport and economic development
- Deputy leader and cabinet member for resources
- Cabinet member for housing
- Cabinet member for environment, development and transport
- Cabinet member for neighbourhoods and community safety
- Cabinet member for customer services

The cabinet makes recommendations to the Council on the policy and budget framework. It also carries out all the executive functions of the Council which are not reserved to the full Council, exercised by another committee or delegated to an officer.

## 2. Priorities, performance and plans

Diagram showing our vision, mission, priorities and values 2012-2015



## Key performance measures and targets

To ensure we are achieving our priorities and delivering the key actions that support them we develop and monitor key performance measures. We use these to test how we are doing. These are shown in the tables below:-

WHAT WE AIM TO ACHIEVE (OUR PRIORITIES)	SAFE AND CLEAN CITY		PROSPEROUS CITY	
WHAT WE WILL DO TO ACHIEVE OUR PRIORITIES WORKING WITH OUR PARTNERS AND RESIDENTS (KEY ACTIONS)	To maintain street and area cleanliness		To support the development of the local economy and bring in inward investment through economic development and regeneration activities	
	To provide efficient and effective waste services and increase the amount of recycling		To encourage visitors and tourists to Norwich through effective promotion of the city	
	To work effectively with the police to reduce antisocial behaviour, crime and the fear of crime		To support people on low incomes through advocacy and financial inclusion activities	
	To protect residents and visitors by maintaining the standards of food safety		To reduce fuel poverty through affordable-warmth activities	
	To maintain a safe highway network and reduce road casualties including advocating for the introduction of 20mph zones in residential areas.			
HOW WE MEASURE WHAT WE ARE ACHIEVING (KEY PERFORMANCE MEASURES)	% of streets found clean on inspection	% of compliant food safety inspections	No. of new jobs created through council activity	% of people saying that debt issues had become manageable following face-to-face advice
	% of domestic waste sent for reuse, recycling or composting	No. of killed and seriously injured road casualties	Amount of funding secured by the council for regeneration activity	Average processing time for housing and council tax benefits
	% of people satisfied with waste service		No. of new homes built	No. of private households where council activity helped to improve the energy efficiency of their homes
	% of people feeling safe		No. of people accessing information through the TIC	
KEY SERVICES CONTRIBUTING	Customer contact service	Local neighbourhoods service	Customer contact service	Communications and culture service
	Citywide services	Housing service	Strategy and programme management	City development services
	City development services			Planning service



**WHAT WE AIM  
TO ACHIEVE  
(OUR PRIORITIES)**

**WHAT WE WILL  
DO TO ACHIEVE  
OUR PRIORITIES  
WORKING WITH  
OUR PARTNERS  
AND RESIDENTS  
(KEY ACTIONS)**

**HOW WE  
MEASURE  
WHAT WE ARE  
ACHIEVING  
(KEY  
PERFORMANCE  
MEASURES)**

**KEY SERVICES  
CONTRIBUTING**

DECENT HOUSING FOR ALL		CITY OF CHARACTER AND CULTURE		VALUE FOR MONEY SERVICES	
To improve the letting of council homes so we make the best use of existing affordable housing resources		To manage the development of the city through effective planning and conservation management		To continue to reshape the way the council works to realise our savings targets, protecting and improving services wherever possible and working effectively with partners, through a transformation programme	
To improve the council's housing stock through a programme of upgrades and maintenance including new kitchens, windows and doors		To provide a range of cultural and leisure opportunities and events for people		To improve the efficiency of the council's customer engagement and access channels	
To develop new affordable housing		To provide well-maintained parks and open spaces		To maximise council income through effective asset management, trading and collection activities	
To prevent people from becoming homeless through providing advice and alternative housing options		To maximise the opportunities provided by the 2012 Olympics		To reach the achieving level of the equalities framework	
To bring empty homes back into use and improve the standard of private sector housing through advice, grants and enforcement		To become England's first UNESCO City of Literature		To reduce the council's carbon emissions through a carbon management programme	
Letting times for council housing	No. of people prevented from becoming homeless	% of major planning applications completed within target	% of people satisfied with leisure and cultural facilities	Council achieves savings targets	Avoidable contact levels
No. of council properties meeting the Norwich Standard	No. of empty homes brought back into use	% of minor and other planning applications completed within target	No. of people attending free or low-cost events provided through the council	% of residents satisfied with the service they received from the council	% of income owed to the council collected
% of tenants satisfied with the housing service	No. of privately owned homes made safe		No. of visitors and residents engaged with Olympic torch relay activities	% of all council outcome performance measures on or above target	Reaching 'achieving' level of equalities framework
No. of new affordable homes delivered on council owned land		% of people satisfied with parks and open spaces	City becomes first UNESCO City of Literature	% of council partners satisfied with the opportunities to engage with the council	% reduction in CO <sub>2</sub> emissions from local authority operations
Customer contact service	Housing service	Customer contact service	Communications and culture service	All services	All services
City development service	Property service	Planning service	Citywide services		



## **Performance against our priorities**

Below we summarise some of our key achievements against each of the priorities within our corporate plan

### **Making Norwich a prosperous city**

- Lead the development of a City Deal with partners that will deliver huge economic and social benefits for greater Norwich including 13,000 additional jobs and 3,000 new homes and a further 6,000 constructions jobs.
- Secured a £3.7million grant to improve cycling in Norwich.
- 62% of people saying that debt issues had become manageable following accessing our money advice services against a target of 53%.
- Significantly improved performance in relation to processing benefits applications achieving an average of 19.4 days against a target of 21 days – a 63 % improvement.
- Helped hundreds of households to reduce their energy prices through our successful energy switching service and launched our new 'Cosy City' green deal service including securing with Broadland and South Norfolk Councils just under £1.5 million of additional funding to further support the rollout of the green deal in Great Norwich.

### **Making Norwich a city of character and culture**

- Very high satisfaction levels with the council's culture and leisure provision with 97% satisfied against a target of 70%.
- Improving performance in relation to the average number of weeks taken to process planning applications. 91% of minor and other applications were processed within 8 weeks against a target of 85% whilst 100% of applicable major applications were processed within the 13 week limit against a target of 80%.

### **Making Norwich a city with decent housing for all**

- Prevented 462 individuals/ families from becoming homeless against target of 220.
- Carried out a major empty homes review resulting in over 142 long term empty properties in Norwich confirmed as occupied within a few months against a target of 15.
- Re-let times for council housing averaging 14 days - a 70% improvement from 3 years ago.

### **Making Norwich a safe and clean city**

- 74% of surveyed residents expressed satisfaction with our waste collection services compared with our target of 70%.
- 79% of surveyed residents reported feeling safe against our target of 70%

### **Ensuring value for money services**

- Overall customer satisfaction with the council consistently above 90 per cent with our very latest survey showing our highest ever satisfaction rate of just under 97%.
- Developed a new carbon management programme and won a national ESTA award for energy management for our previous carbon reduction work.
- Achieved over £2.5 million of general fund revenue savings over the last year against a target of £2 million and put in place a package of £3million for 14/15 without a significant impact on frontline services. These were in addition to very significant savings delivered over the last five years.

## External recognition of our performance and efficiency

The council initially received external verification of our improvement and efficiency work and our changing pace blueprint (operating model) for the future through a successful peer challenge in March 2012, supported by the LGA. The peer challenge team said:

*“There is little doubt that Norwich City Council has been on an impressive journey of improvement over recent years. The organisation is rightly proud of that.*

*The pride, passion and desire to succeed for the people of Norwich are clearly evident and will be a key asset as you move forward.*

*A range of notable service improvements, better outcomes and budget savings can be evidenced as a result of the journey you have been on. The housing service has improved vastly and there have been notable improvements in other services such as waste recycling*

*Partners are beginning to recognise how far the council has come. You now have a reputation as an organisation who delivers on promises.*

*You are now an organisation that others are signposted to and a place that others visit and learn from.*

*We think the philosophy and principles of your proposed new operating model are relevant, appropriate and realistic given the political priorities, challenges and context in Norwich.”*

This external recognition continued in March 2013 when the council:

- Won the Gold Award for ‘Delivering through efficiency’ in the Improvement and Efficiency Awards 2013 in recognition of the significant savings we have delivered while continuing to improve performance.
- Was highly commended in the Local Government Chronicle awards 2013 where we came second in the Most Improved Council of the Year Category.

In March 2014 the council received even further external recognition through winning the following two prestigious national awards:

- Gold Award for overall ‘Council of the Year; in the iESE Improvement and Efficiency Awards 2014.
- Local Government Chronicle (LGC) Award for ‘Most Improved Council’ 2014.

Cllr Paul Bettison, chair of iESE, said: ‘I’d like to offer my congratulations to Norwich City Council. A truly outstanding local authority, it has grown from a once poor performer to one that now boasts savings proportionally higher than many much larger authorities. Following a whole culture and systems change across the organisation, its innovative solutions and thinking ‘outside of the box’ has earned high credibility with both residents and businesses”.

LGC judges said: “Our winner in the Most Improved Council category had formed a strong partnership with a wide range of stakeholders and showed a compelling narrative of leadership improvement that has left it able to punch well above its weight. Congratulations to Norwich City Council.”

In April 2014 the council found out it had also been formally commended by the judges in the MJ’s overall award of ‘Best Achieving Council’ 2014.

## Future plans for 2014/15

Below we summarise some of our key plans and work programmes for 2014/15 against each of the priorities within our corporate plan

## **Prosperous City**

- To continue to implement our City Deal for Greater Norwich to deliver increased economic growth through infrastructure, skills and enterprise initiatives.
- To continue to implement our Norwich economic strategy to tackle the city's economic development challenges and opportunities and support growth and prosperity.
- To deliver the council's programme of growth and investment priorities including new housing at Bowthorpe Threescore, Goldsmith Street and Mountergate West and a new Rose Lane multi-storey car park.
- To support private sector led regeneration including development on the Deal Ground, Utilities site and at St Annes Wharf.
- To implement our Cycle City Ambition programme.
- To continue to tackle sub-standard private sector housing through a range of activities.
- To implement our new action plan for reducing inequalities and promoting wellbeing.
- To continue to implement our successful affordable warmth strategy including our recently launched 'Cosy City' green deal service.
- To ensure our successful work with LGSS to improve our revenue and benefits service is maintained and built upon further.

## **Making Norwich a city of character and culture**

- To implement the joint core strategy setting out the long-term vision and objectives for the Greater Norwich area, including strategic policies for steering and shaping development.
- To implement our recently agreed heritage investment strategy for the City.
- To develop a new open spaces strategy.
- To develop a new cultural strategy.
- To implement the walking project.

## **Making Norwich a city with decent housing for all**

- To continue to implement the Norwich housing strategy to achieve our outcomes and priorities for housing in the City.
- To continue our programme of developing new affordable housing with the aim to achieve 78 new homes being built on council owned land during the year.
- To continue to bring homes up to the 'Norwich standard' through our investment programme.
- To develop and publish a new sub-regional homelessness strategy.

## Safe and clean city

- To ensure we maximise the opportunities provided by the new materials recycling facility launching in October 2014 to improve our recycling services.
- To continue our programme of food hygiene inspections to improve food safety in the City and achieve our target of 90% compliant inspections.
- To continue to implement our neighbourhood agreements and review their operation to improve services in our communities.
- To continue our work with the police and other partners on community safety and reducing anti social behaviour in Norwich.
- To continue to implement the Norwich area transport strategy improvements to improve road safety and transport infrastructure.
- To develop a new environmental strategy for 2015 onwards.

## Ensuring value for money services

- To develop a new corporate plan from 2015 onwards informed by public consultation and to refresh our changing pace blueprint (target operating model).
- To continue our transformation programme, guided by the council's changing pace blueprint (operating model), to generate income, meet our savings targets and continue to improve services wherever possible
- To continue to improve the efficiency of the council's customer access channels including providing more self service options.
- To implement the council's new carbon management programme and reduce our carbon footprint further.
- To continue to implement our equalities strategy to advance equality of opportunity, eliminate discrimination and promote good relations in the City.

## 3. Statement of Accounts

Each year Norwich City Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute. These accounts relate to the year ended 31 March 2014. This foreword intends to give a general guide to the significant matters reported in the statements.

The Statements of Accounts for 2013/14 have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14'. This sets out the principles and practices of accounting required to prepare accounts that present a true and fair view the financial position and transactions of a local Council. This code is based on International Financial Reporting Standards (IFRS).

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies. Those charged with governance consider that this is a reasonable assumption and the council is a going concern.

The accounts contain a series of statements, summarising financial activity during the year and setting out the Council's assets and liabilities at the end of the Council's financial year on 31 March 2014, as follows:

- **Statement of Responsibilities for the Statement of Accounts** which sets out the respective responsibilities of the Council and the Chief Finance Officer for the accounts.
- **Movement in Reserves Statement** showing the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
- **Comprehensive Income and Expenditure Statement (CIES)** which 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.
- **The Balance Sheet** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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'.
- **Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **The Housing Revenue Account (HRA)** which summarises the income and expenditure in respect of the provision of local Council housing.
- **The Collection Fund Revenue Account** which shows the total level of income received by the Council from Non-Domestic Rates and Council Tax and how this has been distributed to all the authorities it has been collected for, including the Council.
- **The Annual Governance Statement** which recognises records and publishes Norwich City Council's governance arrangements.

#### 4. Significant Features of the Accounts

##### *Collection Fund*

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

Until 1 April 2013 cash collected from NNDR payers by billing authorities (net of the cost of collection allowance) belonged to the government and the amount not paid to the government at the balance sheet date was included

as a creditor. Similarly, if cash paid to the government exceeded the cash collected from NNDR payers (net of the billing authority's cost of collection allowance), the excess was included in the Balance Sheet as a debtor.

On 1 April 2013 the Business Rates Retention Scheme (BRRS) was introduced. Under BRRS, cash collected by the billing authority from NNDR debtors belongs proportionately to the government, the billing authority and the major precepting authority. There will be a debtor or creditor position between the billing authority, the government and the major preceptor to be recognised at the end of each year as the net cash paid to the government and the major preceptor during the year will not exactly match its share of the cash collected from NNDR payers.

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for the year is the accrued income. The difference between the income included in the CIES and the amount required by regulation to be credited to the General fund is taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement (MiRS).

The cash flow statement only includes in revenue activities cash flows relating to its own share of NNDR collected. The difference between the government and the preceptors' share of the net cash collected from NNDR payers and the net cash paid to them is included as a net movement in other liquid resources.

There are a number of reliefs available to NNDR payers. The government funds mandatory reliefs in full (except for Small Business Rate relief, which it funds 50%) via s31 grant to each authority. The s31 grant included in the CIES for the year is the accrued amount, the difference between the income included in the CIES and that received from the government will result in a debtor or creditor position between the billing authority and the government to be recognised at the end of each year.

To ensure that BRRS is equitable, the government has calculated for each authority a Funding Baseline (the amount required to fund its business) and a Business Rate Baseline (the collectable NNDR). The difference between the two will result in an individual authority either paying a tariff to, or receiving top-up from the government. In a two tier authority the County Council will be in a top-up position and the billing authority in a tariff position. The tariff or top-up is reflected in the authority's individual CIES i.e. it does not go through the Collection Fund.

The authority is required to calculate whether it is in a levy or safety net position at year end. If the authority's income from NNDR and the s31 grant less the tariff paid is greater than the funding baseline then a levy is payable according to the levy formula, with the percentage of levy capped at 50%. If the authority's income from NNDR and the s31 grant less the tariff paid is less than 92.5% of the funding baseline then the authority is entitled to a safety net payment. Any levy/ safety net amounts are accrued and included in the CIES and in creditors/debtors as appropriate in the Balance Sheet.

The introduction of the BRRS has resulted in the risk of non-payment of NNDR or movement in rateable value to shift in of 50% from the government to local authorities. In a two tier authority, the risk is borne 40% by the billing authority and 10% by the precepting authority.

As this is a change in legislation there is no requirement for the restatement of prior year figures.



## 5. Overview of service provision

The expenditure and income relating to each of the Council's activities during the year were as follows:

<b>Service Expenditure &amp; Income</b>	<b>£'000</b>	<b>%</b>
Housing (Non-Council)	74,424	48.02%
Housing (Council)	38,591	24.90%
Central Services to the Public	6,383	4.12%
Environmental & Regulatory Services	10,608	6.84%
Cultural and Related Services	11,870	7.66%
Highways, Roads & Transport	5,534	3.57%
Corporate & Democratic Services	3,879	2.50%
Planning Services	3,708	2.39%
Local Authority Housing - HRA Self Financing debt	-	0.00%
Local Authority Housing - revaluation on Dwellings	-	0.00%
<b>Subtotal Expenditure</b>	<b>154,997</b>	<b>100.00%</b>
Service Income	162,616	100.09%
Non-Distributed amounts	(144)	-0.09%
<b>Subtotal Income</b>	<b>162,472</b>	<b>100.00%</b>
<b>Net Service Expenditure &amp; Income</b>	<b>(7,475)</b>	

## 6. Net Cost of Services – actual cost compared to budgeted

The net expenditure and income for the Council's services compared to the budget were as follows:

<b>Service Group</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Housing (Council)	(19,472)	(34,857)	(15,385)
Housing (Non-Council)	2,583	3,965	1,382
Cultural and Related Services	7,389	10,426	3,037
Environmental & Regulatory Services	8,961	7,953	(1,008)
Planning Services	2,388	2,569	181
Central Services to the Public	5,255	3,756	(1,499)
Highways, Roads & Transport Services	(1,722)	(2,750)	(1,028)
Corporate & Democratic Services	4,503	1,322	(3,181)
Non-Distributed amounts	-	144	144
<b>Net Cost of Services</b>	<b>9,885</b>	<b>(7,472)</b>	<b>(17,357)</b>
<b>Other Sercop</b>			
Other Operating Expenditure	(457)	1,357	1,814
Financing & Investment Income & Expenditure	7,751	13,470	5,719
Taxation & Non-Specific Grant Income	(24,242)	(27,844)	(3,602)
<b>Total Other Sercop</b>	<b>(16,948)</b>	<b>(13,017)</b>	<b>3,931</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(7,063)</b>	<b>(20,489)</b>	<b>(13,426)</b>

The council does not budget for some items that are accounting adjustments such as depreciation and revaluation gains and losses. Consequently any charges made for these will result in variances between actual expenditure and budgeted expenditure. For the General Fund these charges are reversed out in the Movement in Reserves and therefore have no impact on Council Tax.

The major variances against budget are explained below in £000s:

#### Housing (Council)

This includes income and expenditure relating to the Council's own social rented housing.

Unbudgetted impairment reversed out under "MIRS Reversing Items £12.560

#### Cultural and Related Services

This includes income and expenditure relating to street sweeping and waste collection, parks and open spaces and food safety. Major variances include:

Depreciation and Impairment on Operational Assets (£753k) Integrated Waste Management Cleansing Contract (£221)

#### Central Services to the Public

This includes income and expenditure relating to Council tax & benefit administration.

Government Grant income of £1,330 was received under Central Services to the Public category for 2013-14. The budget sat within the separate Taxation & Non Specific Grant Income Category.

#### Corporate & Democratic Services

This includes income and expenditure relating to the corporate management & democratic accountability to the Council. Major variances include:

Contribution from deferred reserves (£1,587); Shared Service Refund (£574)

#### Planning & Regulatory Services

This includes planning, economic development, public health and licencing activities of the Council.

There are no significant underlying variances

#### Highways, Roads and Transport

The main reason for the large variances between budget and actual is due to Capital & premises expenditure of £398, Recharges £207, extra income due to parking, raised tariff and mild winter £395

#### Other Operating Income

Unbudgetted items reversed in MIRs £1,222 and depreciation £486

#### Financing and Investment Income & Expenditure

Pension interest cost and expected return reversed in MIRs £6,088, increase in interest earned on holding higher than budgeted investments throughout the year £(427)

#### Taxation and Non-Specific Grant Income

Unbudgetted items reversed in MIRs £(3,551)



## 7. Significance of any pensions liability disclosed

Details of the Council's pension liability calculated under IAS19 are shown at note 44 of the core financial statements

Effectively the pension scheme is in deficit by £134.9m compared with what is needed to pay the pensions of the current scheme members and the effect is to reduce the overall net worth of the Council by that amount. This valuation is a snapshot in time which assumes that all the employees of the Council who are scheme members, retired at the date of the valuation and are entitled to their pension based on their service at that date.

Statutory arrangements are in place for funding the deficit, which will be by increased employer contributions over the remaining working life of the employees.

## 8. Current Borrowing facilities & capital borrowing

Longer term borrowing to finance capital transactions is normally undertaken through the Public Works Loan Board, a division of the UK Debt Management Office.

The Council has not undertaken any new borrowing in 2013/14.

Long Term Borrowing is disclosed and analysed in note 16.

## 9. Sustainability reporting

The Council is committed to addressing environmental issues. Further details can be obtained from our Environmental Strategy 2011 – 2014

<http://www.norwich.gov.uk/Environment/Ecolssues/Documents/EnvironmentalStrategy.pdf>

Our environmental statement provides an insight into the breadth and depth of what we do as an organisation and charts the progress we are making in reducing the environmental impacts of our city and the services we provide.

We realise how important it is that the council leads by example and we continue to strive to make changes to our procedures and across our estate in order to reduce our own carbon footprint. The first phase of the Council's Carbon Management Plan is now complete and we are pleased to have achieved a total reduction of 29% in our carbon dioxide emissions for this phase. We are currently in the process of progressing the next Carbon Management Plan. Our energy continues to be sourced via a renewable energy tariff.

As landlords we continue to upgrade our housing stock, implementing a range of energy saving measures across thousands of city homes. We are currently working on taking forward the Green Deal arrangements.

Across the city we continue to work hard to manage new developments, maintain a free flow of traffic and deliver services such as recycling and waste collection in a way that balances the needs of those living, working and shopping in the city with the need to preserve its historic character.

The council continues to face significant financial challenges. Making sure we use natural resources wisely, emitting less CO<sub>2</sub> and recycling as much as possible, all present us with fantastic opportunities to make financial savings as well as protect our environment. We have to exploit these efficiencies to their full potential.

### Energy Consumption

- Continued annual reporting on CO<sub>2</sub> emissions
- 29% reduction of energy consumption at the end of the first 5 year phase of the carbon management plan (CMP)
- Server virtualisation at City Hall

- Boiler valve insulation at City Hall and St Andrew's Hall
- Installation of a 36kw photo voltaic array on the roof of City Hall
- Improved energy display certificate ratings
- Successful 'One Small Steps' staff behaviour change campaign
- Production of phase 2 of the carbon management plan

## **Transport:**

**Why is this important?** Vehicles are a very significant contributor to the national carbon footprint. Therefore our transport plans set out to cater for all the transport needs of a vibrant and growing regional centre. They include all modes of transport, and aim to tackle existing problems and prevent new ones.

## **Actions:**

Maximise the performance of the city's highway network to support the city's economy and further growth and the delivery of additional homes and jobs.

Provide high quality routes for cyclists and improved facilities for pedestrians.

Improve the performance of bus services in the city through the delivery of the bus rapid transport (BTR) network.

Maintain traffic flow on the highway network.

Manage air quality and reduce carbon emissions associated with transport.

## **Results:**

- Successful bid for Department of Transport funding and began implementation of the first main element of the Greater Norwich Pedalway network to link the Norwich Research Park with Heartsease and eventually to Rackheath via the city centre.
- Planning of a major new bus and cycle priority infrastructure, forming part of the Dereham Road bus rapid transit (BTR) corridor along Grapes Hill and Chapelfield North with an intention to implement in 2014/15.
- Implementation of new pedestrian crossings.
- Improved bus stop facilities as part of the Better Bus Area programme.
- Successfully bid for Department of Health funding to support walking.
- Introduction of telemetry to all pool cars in order to better track fuel consumption.
- Introduction of pool bikes for staff meetings.
- Introduction of a salary sacrifice 'cycle to work' scheme for staff, enabling them to more economically purchase bicycles for travel to and from work, via a government tax break.

## **Procurement**

**Why is this important?** Procurement has been highlighted as an important factor in delivering Norwich City Council's priorities of 'value for money services' and 'prosperous city'. Effective procurement will lead to buying goods, works and services in an ethical and sustainable way, therefore optimising our use of resources, providing value for money and contributing to the provision of good quality services for the citizens of Norwich.

**Results:**

- 100 per cent of the authority's electricity is sourced via a renewable energy tariff.
- The sustainability pre-tender checklist has been expanded in the pre-qualification questionnaire (PQQ) and the business quality questionnaire (BQQ) to include a greater number of social, economic and environmental factors.
- The *Business relationship and contract management strategy and toolkit* has been implemented for high value and critical contracts and includes the requirement to monitor contractor's environmental management system (EMS) and carbon emissions.
- Water for council committee rooms continued to be locally sourced.
- Arranging for disposal of 9.7 tonnes of redundant ICT equipment through the iESE/ICTR social enterprise ICT refurbishment programme. This will ensure that the majority of the equipment is refurbished, sold and used again to perform ICT and the remainder is recycled. Any proceeds will be used to support a 'Raspberry Pi' ICT project in Norwich schools.

**Waste and recycling**

**Why is this important?** Everyone produces waste, and while it cannot be eliminated, we can reduce its environmental impact by following the mantra – reduce, reuse, recycle. The council has a duty to collect waste from its citizens and ensure that every property has the opportunity to access appropriate recycling services.

**Actions:**

To deliver a recyclables and residual waste collection service for Norwich that is high performing and recognised by the residents of and visitors to the city as both efficient and effective.

To tackle the amount of household waste produced, breaking the link between economic growth and increased waste.

**Results:**

- Continually achieving a good recycling performance – the best-performing authority in Norfolk for mixed dry recycling.
- Continually achieving a good performance on waste minimisation – the best performing authority in Norfolk for the amount of waste produced per household.
- Expanding the weekly food waste collection service to include collections from communal food waste facilities in many hard to reach areas.
- Providing food waste recycling to 19 schools.
- Expansion of mixed dry recycling services to the majority of the council's own housing stock – including tower blocks.
- The introduction of an energy efficient waste fleet operating on energy efficient zonal collection rounds.

- Using Geographic Information Systems (GIS) and In-Cab monitoring to be able to map the most efficient and economical route.
- Continued media campaigns on waste reduction and recycling.
- Roll-out new mixed recycling services in line with the new Materials Recycling Facility contract.
- Implement recycling of WEEE, bulky items and used cooking oil.
- Prioritise the promotion of waste reduction initiatives.
- Continue to provide doorstep waste and recycling support to residents.
- Continue to develop student-specific waste and recycling campaigns.

### **Built environment and planning:**

**Why is this important?** The way in which developments are regulated, planned and built, and the way in which resources are used will have a significant impact on their sustainability. By planning how we build things we can save emissions, reduce waste and use resources more efficiently and effectively. By planning where we building things we can ensure that housing, employment and services are located to minimise the need to travel and to promote public transport use.

#### **Results:**

- Good progress has been made on the *Joint Core Strategy* for the North East Growth Triangle which was adopted in January 2014.
- Developing detailed local plan environmental policies, including policies to protect and enhance biodiversity and green infrastructure. The Norwich Development Management Policies document is being examined by a government inspector and is scheduled for adoption in September 2014.
- Working on plans to identify sites for 3,000 additional homes in sustainable locations with easy access to jobs, services and facilities. The Norwich Site Allocations document is also being examined by a government inspector, with adoption scheduled for September 2014.
- We have worked with Norfolk County Council and other partners to produce a *Surface Water Management Plan* for the Norwich urban area – identifying areas at risk of flooding from heavy rainfall and potential mitigation measures. This has informed the identification of critical drainage areas in the Local Plan.
- Continued promotion of brownfield locations for building development.
- Continued improvement of procedures for managing funding from development for infrastructure improvements. A Community Infrastructure Levy was introduced in July 2013.
- Taking forward the *Making room* project to promote walking, cycling and public transport in the city centre. Permission was granted in 2013 for the scheme, and implementation is due to proceed shortly.
- The success of the Cycle City Ambition Grant bid to secure funding for an ambitious programme of cycle enhancements in the city.

### **Natural environment:**

**Why is this important?** The city of Norwich has a high proportion of green space, much of which is important for wildlife as well as offering places where people can relax and unwind. The city council either directly manages, or influences policy for these areas. Good management of the natural environment

enables Norwich to remain rich in biodiversity, while providing our citizens with quality spaces for recreational enjoyment.

#### **Actions:**

To maintain and enhance the environment of Norwich, promoting its community, recreational, health and wellbeing and ecological benefits.

Maintain and enhance green spaces for people and wildlife.

#### **Results:**

##### **Volunteers**

- Volunteers contributed a recorded 11,214 hours to environmental projects and conservation work in the city's natural areas, parks, open spaces and allotments during 2013.
- A new friends group was set up for Woodlands Park, a County Wildlife Site woodland on Dereham road.

#### **Biodiversity – general**

- Along with Norfolk Wildlife Trust, Norwich City Council helped the Hawk and Owl Trust to launch the 'Baling for Biodiversity' project. This project aims to bring neglected and overgrown areas back into good management, and to offer a more cost-effective way of managing grasslands and marshes for wildlife. 'Baling for Biodiversity' was highly commended at the 2013 Community Biodiversity Awards.
- A programme to remove invasive Japanese knotweed began on the Marriott's Way with the support of the Norfolk Non-native Species Initiative. Control measures for Japanese knotweed and other invasive weed were undertaken at additional sites in the city.
- Work at the Heronry and Violet Grove Local Nature Reserve brought 91 per cent of the County Wildlife Sites (CWS) owned by Norwich City Council, into positive conservation management (pcm).
- Ten natural areas were entered into Higher Level Stewardship. This is a government-funded scheme that provides capital grants and annual payments for land managed in ways that benefit its biodiversity. The funding, which lasts for ten years, will pay for work to maintain and improve the value of the sites for wildlife.

#### **Pollution:**

**Why is this important?** Pollution lowers environmental quality and affects our health and quality of life.

**Action:** To maintain the street scene and all public spaces so that danger, pollution and noise are minimised.

#### **Results:**

- Reductions in pollution levels in parts of the air quality management area.
- Boundaries of air quality management areas redefined into one larger area, principally defined by the inner ring road, allowing a more holistic approach to action planning.
- Infrastructure changes to address traffic congestion areas.
- Achieving the remediation of many contaminated sites through the planning regime.

#### **Leadership:**

**Why is this important?** The council can make a real difference through working on service promotion to business and the public or by the provision of information.

**Action:**

To both lead by example, and work in partnership, to lessen our carbon footprint and deliver services in a more sustainable way.

To raise the profile of environmental issues and opportunities across the city and encourage residents and businesses to reduce their environmental impact.

**Results:**

- Completion of phase one of the carbon management plan.
- Completion of the council's first Home Energy Conservation Act (HECA) report to central government.
- A number of environmental articles published.
- Updated website for home energy information, carbon footprint reporting and general information on the environment and/or sustainable living.
- Eco awards for businesses, schools and community groups.
- Internal and external behaviour change campaign called One Small Step.
- Introduction of electric vehicles to our fleet.
- Affordable Warmth strategy launched.
- Signed up to the Climate Local Commitment.
- Launched Green Deal programme. Cosy City.

**For further information please refer to the ECO Issues section of our web site.**

## Independent auditor's report to the members of Norwich City Council

### Opinion on the Authority's financial statements

We have audited the financial statements of Norwich City Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 47, the Housing Revenue Account Income and Expenditure Statement, the Movement in Reserves (Housing Revenue Account), and the related notes 1 to 14, the Collection Fund Revenue Account and the related notes 1 to 3. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Norwich City Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Financial Statements set out on page 19, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the Audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for the year ended 31 March 2014 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Norwich City Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

### Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the year ended 31 March 2014 for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Matters on which I report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

### Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Norwich City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.



## Certificate

We certify that we have completed the audit of the accounts of Norwich City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Date:

for and on behalf of Ernst & Young LLP, Appointed Auditor  
400 Capability Green, Luton, Bedfordshire LU1 3LU, United Kingdom

UNAUDITED

## Statement of Responsibilities for the Statement of Accounts

### 1. The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Norwich City Council that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts;

### 2. The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

### 3. Certificate of Chief Finance Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of Norwich City Council as at 31 March 2014 and its income and expenditure for the year then ended.

Signed:

Date:

Caroline Ryba MA(CANTAB), FCA

Chief Finance Officer

## Certificate of Adoption of the Statement of Accounts

Signed:

Date:

Stephen Little – Chair of Audit Committee  
Signed on behalf of Norwich City Council

# Annual Governance Statement 2013/14

## 1. Scope of responsibility

Norwich City Council 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. Norwich City Council also has a 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 economy, efficiency and effectiveness.

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

Norwich City Council has approved and adopted a code of governance which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. The code forms appendix 19 of the council's constitution which is on the council website at [www.norwich.gov.uk](http://www.norwich.gov.uk). The code will be updated in part of a fundamental review of the council's constitution.

This statement explains how Norwich City Council has complied with the principles of the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

In April 2012 the council transferred the ICT and finance functions to LGSS, a public sector partnership between Northamptonshire and Cambridgeshire county councils. The arrangement is covered by a service level agreement.

Under the arrangement, some of the roles which the annual governance statement refers to are now carried out by officers from LGSS, as follows:

An appropriately qualified and experienced finance officer at LGSS is the council's chief finance officer and s151 officer.

The LGSS head of audit and risk is responsible for internal audit and the fraud team and reports to audit committee.

## 2. The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Norwich City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Norwich City Council for the year ended 31 March 2014 and up to the date of the approval of the statement of accounts.

### 3. The governance framework

The council's code of governance recognises that effective governance is achieved through the following core principles:

- Focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The following is a brief description of the key elements of the systems and processes that comprise the council's governance arrangements:

- Identifying and communicating the council's vision of its purpose and intended outcomes for citizens and service users:

The council has a clear vision of what it is trying to achieve, as set out in its corporate plan 2012-15, which forms the council's overarching policy framework.

The changing pace council blueprint (operating model) has been developed as a guide for how Norwich City Council designs services and structures to deliver the vision and priorities within its corporate plan in a way that proactively addresses the financial pressures and changing policy and legislative environment it faces.

The Norwich Locality Board was established with its key objectives to promote collaborative and new ways of working, and identify opportunities for cost savings and efficiencies through joint service redesign, shared provision and better co-ordination of public service delivery. Membership of the board includes representatives from the county council, police, probation, and representatives of the voluntary and business sectors.

Details of all the above, together with any committee reports referred to in this statement, can be found on the council website at [www.norwich.gov.uk](http://www.norwich.gov.uk).

- Reviewing the council's vision and its implications for the council's governance arrangements:

The corporate plan sets out the city council's strategic direction including its vision, mission and priorities. A new corporate plan 2012-15 was approved by council on 21 February 2012.

Each year the corporate plan is reviewed in line with the medium term financial strategy and in parallel to the development of the budget for the following financial year, to ensure the necessary resources are in place for its delivery. The latest review was reported to council at the budget meeting on 18 February 2014.

The delivery of the corporate priorities is managed through service plans for each service area and monitored through the council's performance management and reporting system.

Service plans were reviewed for 2013-14 in line with the changes to the corporate plan priorities and in accordance with the development of the budget for 2013-14 to ensure the necessary resources are in place for their delivery.

The corporate plan 2012-15 also links closely to the council's risk management strategy and corporate risk register. The council has a comprehensive approach to risk management which ensures all strategic risks are appropriately identified, managed and mitigated against.

- translating the vision into objectives for the authority and its partnerships

The council's five priorities are to make Norwich a safe and clean city; a prosperous city; a city with decent housing for all; a city of character and culture; and to provide value for money services.

The corporate plan is underpinned by a range of strategic and operational plans, which set out in more detail how the council's vision and priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver.

- Measuring the quality of services for users, ensuring they are delivered in accordance with the council's objectives and ensuring that they represent the best use of resources and value for money:

Performance management in the council is based on corporate plan priorities supported by a strategic management framework. The plan has a number of priorities and key performance measures and the service and team planning process is designed to explicitly reflect these priorities. The corporate plan is underpinned by service plans which set out how the top priorities will be delivered, and by operational delivery plans which set out practical steps and performance measures for all teams. Portfolio holders have been brought into the service planning process, and are required to sign off service plans with the relevant service managers.

The council uses an electronic performance management system which supports the performance management regime by holding high level indicators, risks and actions used to deliver the corporate plan and supporting plans for 2012-15. Each service has a high level dashboard charting progress against their service plan priorities. Dashboards showing performance for each cabinet portfolio are also produced for portfolio holders. This approach is used to strengthen performance reporting processes to the cabinet, scrutiny, corporate leadership team and all managers. Performance is reported monthly to portfolio holders, quarterly to cabinet and twice-yearly to scrutiny.

The council is a member of HouseMark, which is the main benchmarking organisation for social housing. Norwich is a major subscriber and also a member of housemark clubs dealing with welfare reform and ASB issues comparing and shaping good practice. The council is also a founder / board member of ARCH (Association of Retained Council Housing) which promotes council housing and shares good practice through the exchange of ideas and seminars.

A summary of the overall performance of the council in 2013-14 is included in the explanatory forward to the statement of accounts for the year ending 31 March 2014.

- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the council and partnership arrangements:

The council's constitution sets out how the council operates, and contains separate articles and appendices covering executive, non-executive, scrutiny and officer functions. In addition, there are separate appendices covering the scheme of delegations to officers, the protocol for member/officer working arrangements, and protocols for the chief finance officer and monitoring officer.

There is also an agreed protocol between the leader and chief executive officer covering their working arrangements following the appointment of a new leader.

The council has a corporate governance framework for working in partnerships, with significant partnerships and joint ventures such as those with LGSS and NPS Norwich being covered by service level agreements.

- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff:

Under the Localism Act 2011 the new standards regime, including the members' code of conduct, was adopted by council on 19 June 2012.

There is a separate code of conduct for employees (updated in February 2014) which is supported by HR policies and procedures. New employees are given a copy of the code of conduct and other key policies, and there are regular reminders regarding compliance with the policies. Employees are required to confirm

that they have read the code of conduct and other key policies; if they do not their access to IT systems can be revoked.

- Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.

The council's decision making framework is set out in the council's constitution including an effective scheme of delegation. The council's constitution is kept under continuous review in line with best practice, with a clear review plan, supported by a corporate governance group involving the executive head of strategy, people and democracy, monitoring officer, chief finance officer (section 151 officer), executive head of business relationship management and; and a cross party constitution working party. Where major changes are proposed by the corporate governance group these are considered by the constitution working party before being recommended to council for approval.

Decision making arrangements in partnerships are guided by the council's comprehensive corporate governance framework and toolkit for partnership working which ensures that effective governance and risk management arrangements are in place. In line with this all key partnerships have been identified and are included in the council's partnership register. The governance arrangements for key partnerships are kept under regular review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships.

The council has a data quality policy that sets out the council's approach for maintaining data quality and this includes arrangements for data quality reviews which are carried out each year.

- Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The council has a risk management policy and a risk management strategy, which have been approved by cabinet and are available to all staff via citynet (the council's intranet). The council's corporate risk register is the result of continued review by managers, corporate leadership team and audit committee of the key risks that may have an impact on achieving the council's objectives. Each risk shows the owner and the key controls in place to minimise any impact on the council and its provision of services to stakeholders. Individual projects and partnerships are also subject to risk assessments.

- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The council has an anti-fraud and corruption strategy which is available on its intranet and website, and which all staff are required to confirm they have read. The strategy was reviewed by corporate leadership team in April 2013 and is currently being verified against other council policies. There is a separate housing and council tax reduction anti-fraud strategy which is also available on the council website.

Under the partnership and delegation agreement, LGSS provides a dedicated fraud team to investigate all alleged frauds perpetrated against the council. The team includes a qualified financial investigator who has the power to initiate recovery proceedings under the Proceeds of Crime Act.

The council fully participates in the Audit Commission's regular national fraud initiatives (NFI) and regularly reports the results to audit committee.

- Ensuring effective management of change and transformation.

Change and transformation within the council is managed through the council's transformation programme guided by its changing pace blueprint (operating model) to ensure the council meets its savings targets while continuing to improve services wherever possible. This approach is supported by a range of tools such as the council's organisational change toolkit to ensure staffing changes are carried out effectively, and its project management toolkit to ensure the effective delivery of projects. The transformation programme is kept under regular review by the corporate leadership team and business management group (involving all the heads of service) with regular briefings for the leader and portfolio holders and major change proposals being formally approved by Cabinet and Council as appropriate. There is also a cross party working group

which discusses and informs change options on a cross-party basis prior to them reaching the formal proposal stage.

The council has received significant external recognition for its approach to managing change, transformation and organisational improvement.

Recently the council won the Gold Award for 'Council of the Year' in the Improvement and Efficiency Awards 2014 and the 'Most Improved Council Award' in the Local Government Chronicle (LGC) Awards 2014.

- Ensuring the council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*.

The role of the chief finance officer (CFO) and the finance function are sourced through a partnership and delegation agreement with LGSS, a public sector shared services organisation. The governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) are embedded within the agreement and performance against these requirements is regularly monitored to ensure compliance. The council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance.

- Ensuring the council's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*.

In line with the partnership and delegation agreement, the internal audit for 2013-14 was provided by LGSS internal audit and is led by a professionally qualified head of internal audit in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010) and the Code of Practice for Internal Audit in Local Government.

- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.

The monitoring officer is a statutory appointment under section 5 of the Local Government and Housing Act 1989. The current responsibilities of the monitoring officer's and the deputy monitoring officer's roles rest with nominated officers at nplaw, the council's shared legal service. They undertake to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions.

It is important that members and officers work together to promote good governance within the council. The monitoring officer plays a key role in this and it is vital therefore, that members and officers work with the monitoring officer to enable them to discharge their statutory responsibilities and other duties (as set out in article 12 of the council's constitution).

There are working arrangements and understandings in place between the monitoring officer, members and the corporate leadership team which are designed to ensure the effective discharge of the council's business and functions. These arrangements are detailed in the *monitoring officer and governance protocol*, which currently forms appendix 9B of the council's constitution reviewed in February 2014).

- Ensuring effective arrangements are in place for the discharge of the head of paid service function.

The role of head of paid service is defined in the local government and housing act 1989. In Norwich City Council it is assigned to the chief executive as set out in appendix 8 of the constitution and all necessary powers are delegated to her to fulfil the statutory role. Appendix 17 of the constitution requires the head of paid service to determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers.

The head of paid service, despite having all the necessary authority to take delegated staffing decisions, has chosen to exercise her discretion on a number of occasions and has reported to cabinet on changes to the senior managed structure or on significant changes to the organisation's structure as an aid to transparency. These proposals are discussed at the corporate leadership team and proposed to cabinet. All



cabinet papers are circulated to all members. The council's senior management structure is set out in appendix 17 of the constitution and publicised on the council's web site.

The council is also required to provide the head of paid service with staff, accommodation and other resources sufficient to enable the performance of the function. In Norwich city council, the annual budget proposed to council by cabinet, prepared by officers, seeks to align the provision of council resources with the delivery of the corporate plan. In this manner, the head of paid service is ensuring that the council is fulfilling its duty. During the year, any proposals that are made to significantly alter the manner of service delivery, to reduce or enhance a service, sets out the staffing and resource implications for that proposal. This is standardised in committee report formats to ensure that all relevant matters are considered when proposals are made. All cabinet papers are subject to scrutiny.

A review (or appraisal) of the chief executive's performance is undertaken each year. The process is managed by an independent individual and takes account of the views of the Leader, cabinet and each opposition leader about how the chief executive has discharged all of her functions in relation to the role. There are also informal opportunities throughout the year for the adequacy of the chief executives performance to be discussed e.g. at weekly leader meetings and monthly meetings of group leaders.

- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*:

The council has an audit committee with terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference were reviewed in March 2014 in line with the latest CIPFA guidance and can be found in article 17 of the council's constitution.

- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:

The monitoring officer is responsible for advising whether decisions of the cabinet are in accordance with the policy and budget framework.

In relation to an executive function, the monitoring officer and chief finance officer had responsibility in 2013-14 for ensuring that all proposals, decisions and actions incurring expenditure were lawful.

Corporate policies and strategies, which are subject to regular review, are available on the council intranet. Employees are required to confirm that they have read key policies relating to conduct, security and certain personnel matters.

Managers within the council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations. Each year heads of service are asked to conduct a self-assessment of the systems of internal control within their services and highlight actions intended to address any areas for improvement.

- Whistleblowing and for receiving and investigating complaints from the public.

The council has a whistleblowing policy which is accessible via the intranet and council website. It is one of the key policies which staff are required to read and confirm via the workforce system. A summary report on allegations and findings is presented to audit committee annually. For the public there is also a complaints procedure which can be accessed via the council website, plus an online form for reporting all types of suspected fraud.

- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:

The cross-party councillors' development group sets the strategic and policy direction for all aspects of councillor development which includes:



- promoting the development of members
- developing, monitoring and evaluating the councillors training and development programme
- supporting and encouraging councillors in maintaining the charter for member development, including personal development planning.

A full programme of training and development has been agreed by the group including a monthly schedule of both training sessions and briefings.

Managers have a portfolio of learning and development available to them which is designed to develop their skills and to support achievement of the organisation's priorities. The Changing PACE values provide the overarching framework for development and include behaviours expected from all employees. There is an employee performance review which provides individual and team objectives and through which learning and development needs for all employees and managers are identified. A corporate learning and development plan is created to support employees in line with current and future needs.

- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

The council is part of *Your Voice*, a partnership of local organisations which enables anyone to sign up and have their say on services through consultations, surveys, focus groups and workshops, to name a few.

The council's *Customer first* guidance for staff is intended to ensure that everything the council produces and sends out is easy for everyone to understand. It is supported by the *Communications handbook* which helps staff to deal with communications issues.

Residents are informed about the council's activities at all times. This is done through Citizen – the quarterly magazine for residents – work with the local media, council website, social media and other channels. Council tenants also receive their own magazine, TLC, focusing on issues affecting them.

Tenants have a range of ways to be involved and these are detailed on the tenant involvement page of the council website. There is a clear framework with formal group structures for tenants and leaseholders, including seven active tenant and resident associations.

In addition, a range of other options allows tenants to be involved at a level that suits them. These consist of the 1,200 tenant and leaseholder TalkBack panel used for surveys and focus groups, tenant inspectors, involvement in estate walkabouts and mystery shoppers. Proactive work by the tenant involvement team means that events and road shows are regularly held to encourage more tenants to be involved or simply give their views on services they receive.

Any public consultations that are planned for the year are included in service plans. All consultations are co-ordinated by the council's consultation group, which meets quarterly and is chaired by the head of communications and culture.

Information on current and closed consultations, including reports and minutes, is available on the council website.

- Enhancing the accountability for service delivery and effectiveness of other public service providers (in England this includes powers granted to local authorities under the Health and Social Care Act 2012 and the Police Reform and Social Responsibility Act 2011).

The council's scrutiny committee through its work programme regularly carries out work that involves reviewing the performance and effectiveness of other public service providers as well as the council. For example, during 2013-14 it looked at health and wellbeing in the city through the progress of the Healthy Norwich programme with involvement from the NHS Norwich clinical commissioning group. A member of the council's scrutiny committee is also a member of the Norfolk health scrutiny committee and will provide regular updates on their work to the council's scrutiny committee.

The council's Leader is also a member of the Norfolk Health and Wellbeing Board and inputs into the progression of the Norfolk Health and Wellbeing Strategy.

The Norwich Locality Board also has a role in overseeing the delivery of health outcomes in the city as part of the Healthy Norwich programme and there is a progress update on this at each meeting,

The council's portfolio holder with responsibility for community safety is a member of the police and crime panel, and a member of the council's scrutiny committee is a member of the Norfolk community safety scrutiny committee and will provide regular updates on their work to the council's scrutiny committee. The council's chief executive also chairs the Norfolk Community Safety Partnership.

The council's Locality Board involving key public service providers and other key partners in the city also looks at areas of concern for the city eg the effects of national policy change or changes in approach from local service providers and opportunities for joint service redesign, shared provision and better co-ordination of public service delivery. Membership of the board includes representatives from the county council, police, probation, and representatives of the voluntary and business sectors.

- Incorporating good governance arrangements in respect of partnerships and other joint working and reflecting these in the council's overall governance arrangements:

The council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value.

All key partnerships have been identified and are included in the partnership register. A corporate governance framework and toolkit has been developed for use by all key partnerships, to ensure that effective governance and risk management arrangements are in place.

The governance arrangements for key partnerships are kept under review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships.

- Risk management and business continuity:

The council's risk management policy and risk management strategy were updated in December 2013 and are available to all staff via the intranet.

Key corporate risks that may impact on the council's priorities have been identified and included in the corporate risk register, which is kept under review and updated as necessary by the corporate leadership team and reported to audit committee and cabinet.

Service risks are included in service plans and are reviewed by departmental management teams. Any risks that are considered to be of a corporate nature are escalated to the corporate leadership team for possible inclusion in the corporate risk register.

The council has implemented a performance management system which includes risk management, which enables corporate and service risks to be recorded and monitored by management.

The council has a corporate business continuity plan for the effective management of business continuity issues, in order to ensure the continued delivery of services. Both business continuity and the management of major contracts are included in the corporate risk register. An updated business continuity policy and framework was approved by Cabinet on 25 June 2014.

#### 4. Review of effectiveness

Norwich City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the council who have responsibility for the development and maintenance of

the governance environment, the LGSS head of audit and risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The following is a brief description of the roles and processes that have been applied in evaluating the effectiveness of the governance framework:

### **The council and cabinet**

In February 2012 the council approved the new corporate plan 2012-2015, which is reviewed each year in line with the medium term financial strategy and in parallel to the development of the budget for the following year to ensure the necessary resources are in place for its delivery.

The cabinet approves the medium term financial strategy which provides the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.

During 2013-14 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council's savings requirements.

Quarterly performance monitoring reports are presented to scrutiny committee and cabinet – cabinet also receives budget monitoring reports.

Performance monitoring reports during 2013-14 covered achievement against the council's detailed priority actions and performance measures detailed in the corporate plan 2012-15.

The council's constitution working party recommends to cabinet and council any changes to the constitution. A fundamental review of the constitution continued in 2013-14, overseen by the corporate governance group which is chaired by the executive head of strategy, people and democracy. There is a documented plan covering all articles and appendices - major updates during 2013-14 related to:

- audit committee terms of reference
- financial regulations
- council motions
- council and committee procedure rules
- appointment to statutory posts and other changes to responsibilities within the constitution, and updated monitoring officer protocol in line with these changes

### **The scrutiny committee**

The overview and scrutiny function is exercised by the scrutiny committee. Procedure rules and terms of reference include the general remit to maintain an overview of the discharge of the council's executive functions and the right to review council policies. The statutory annual report on the work of scrutiny committee in 2013-14 was presented to scrutiny committee on 20 March 2014 and will be presented to council 22 July 2014.

### **The audit committee**

The council has an audit committee with terms of reference which cover internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts.

The committee receives reports on corporate risks, the work of internal audit, including the LGSS head of internal audit's annual report, and external audit reports and letters. It also reviews and approves the annual governance statement.

### **The standards committee and monitoring officer**

The council has a standards committee with terms of reference to promote and maintain high standards of conduct by members and co-opted members of the council and to assist members and co-opted members to

observe the council's code of conduct. Members receive regular reports, including an annual report on the governance areas that are the responsibility of the council's monitoring officer.

The standards committee is supported by the monitoring officer, whose duties include the promotion of ethics and standards across the council, maintaining the constitution, and ensuring compliance with relevant laws, regulations and policies. The monitoring officer is a statutory appointment, and the current responsibilities of this role rest with the nominated officer from npLaw.

The monitoring officer's annual report supports the assurance statements included in the annual governance statement. It provides a review of the monitoring officer's work as part of the council's governance arrangements and system of internal control. The annual report of the monitoring officer for 2012-13 was presented to council in November 2013; the report for 2013-14 will be presented to council in November 2014.

#### Chief finance officer

The chief finance officer is a statutory appointment, and during 2013-14 the responsibilities of this role were sourced through the agreement with LGSS. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council as member of the corporate leadership team, ensuring that expenditure is lawful and within resources, advising on systems of internal control, and supporting the audit committee.

Under the partnership and delegation agreement the council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance.

#### Internal audit

Internal audit is an assurance function that provides an independent and objective opinion to the council on the control environment. The objectives of internal audit have been set out in terms of reference which have been approved by the audit committee.

Under the partnership and delegation agreement, for 2013-14 the internal audit function was provided by LGSS.

The LGSS head of internal audit's annual report to the audit committee includes an opinion on the overall adequacy and effectiveness of the council's internal control environment.

The LGSS head of internal audit's annual report will be presented to audit committee in July 2014; the audit opinion concludes that there was substantial / moderate assurance on the council's internal control environment for 2013-14.

#### Corporate governance group

This is an internal officer group chaired by the executive head of strategy, people and democracy which is responsible for reviewing all aspects of the council's governance arrangements. Membership of the group includes the chief finance officer, monitoring officer and executive head of business relationship management. The group usually meets quarterly.

#### Other explicit review/assurance mechanisms

Under the government's new local public audit regime the Audit Commission awarded contracts for work previously carried out by the Commission's own audit practice. As a result Ernst & Young (now EY) became the appointed external auditor from 1 September 2012.

EY's audit results report (ISA260) for 2012-13 was presented to audit committee on 24 September 2013. The annual audit letter 2012-13 was presented to audit committee on 19 November 2013. The annual report on the certification of claims and returns 2012-13 was presented to audit committee on 11 March 2014.

For 2012-13 EY issued unqualified audit opinions on the financial statements and value for money conclusion. There were no significant issues other than the ongoing control weaknesses regarding property, plant and equipment accounting records (fixed assets register) which have already been reported to audit committee.

The council's continued improvement was recognised by two prestigious awards in 2013-14:

In the first, the council won gold for Council of the Year in this year's iESE Improvement and Efficiency Awards.

A week later the council was named 'Most Improved Council' in the Local Government Chronicle Awards.

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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## 5. Significant governance issues

The following is an outline of the significant issues arising from the review of effectiveness and the actions taken or proposed to deal with them (committee reports where mentioned, and minutes, can be found at [www.norwich.gov.uk](http://www.norwich.gov.uk)):

### Review of the council's constitution

As already mentioned, a full review of the council's constitution is in progress. Amendments are considered by the constitution working party, which recommends any changes to full council for approval. The constitution is available on the council's website.

### EY's annual audit letter 2012-13

EY's annual audit letter was presented to audit committee on 19 November 2013. EY issued an unqualified audit opinion on the financial statements and an unqualified value for money conclusion.

Most of the significant risks listed under key findings were satisfactorily concluded, the only unresolved issue relating to the accuracy of the fixed asset register. This should be resolved when the current financial IT system is replaced in 2014-15.

### Internal audit assurance reviews

An internal audit review of accounts receivable/sundry debtors resulted in a limited assurance opinion. A draft report with recommendations was issued, but due to the restructuring within LGSS exchequer services the response was delayed and is still outstanding. This has been escalated for management's attention.

A review of permit parking and other controlled stationery resulted in limited assurance – stock was held securely, but controls over issuing were weak. Recommendations were agreed, some of which are complete, with the remainder due to be implemented by June 2014.

A review of the garden waste scheme resulted in no assurance. The review was requested because of apparent discrepancies between bins paid for and those emptied. Control weaknesses were found across most areas; however recommendations were implemented prior to the main billing run in February 2014.

A follow up of the audit of the Norman Centre found that most of the recommendations had not been implemented, partly due to the manager covering for staff shortages and taking paternity leave. The auditor worked with the manager to agree revised actions and deadlines, which were detailed in a follow up report issued to the leisure and sports development officer

### Progress on the action plan from the previous governance statement

Actions taken to address the significant issues from the 2012-13 governance statement are substantially complete. Further details are as follows:

#### Review of the council's constitution

Progress on updating the council's constitution continued during 2013-14. The plan was to complete this by the end of 2013-14, but this was delayed, partly due to the deletion of the post of head of law and governance, which was responsible for co-ordinating the exercise. In practice the constitution will be kept under constant review so going forward it is not practical to state a completion date.

In conjunction with the review of the constitution, updated financial regulations were approved by council in November 2013.

#### Audit Commission annual governance report 2011-12

Issues raised in the annual governance report have now been addressed, with the exception of the control weaknesses relating to the fixed assets register. This is linked to the ongoing project to upgrade or replace the current financial IT system, options for which will be reported to cabinet on 25 June 2014.

#### Internal audit assurance reviews

Previously reported issues relating to the care and repair service and contract management in citywide services were satisfactorily addressed during 2013-14.

However, an audit of accounts receivable resulted in a limited assurance opinion, and a formal response from management to the draft report is still awaited.

Progress on significant findings from internal audit reviews is regularly reported to audit committee, most recently to the meeting on 11 March 2014.

#### **6. Statement by Leader of the Council and Chief Executive**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Brenda Arthur  
Leader of the Council

Laura McGillivray  
Chief Executive

Date:



## Movement in Reserves Statement

	General Fund Balance £'000	Earmarked General Fund Balance Reserves £'000	Housing Revenue Account £'000	Earmarked H.R.A. Balance Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2013</b>	5,195	2,655	27,788	5	15,227	5	1,563	52,438	434,674	487,112
<u>Movement in reserves during 2013/14</u>										
Surplus/ (deficit) on provision of services	(4,243)	-	24,733	-	-	-	-	20,490	-	20,490
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	7,738	7,738
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(4,243)</b>	<b>-</b>	<b>24,733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,490</b>	<b>7,738</b>	<b>28,228</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	7,298	-	(27,393)	-	4,494	(5)	2,352	(13,254)	13,254	-
<b>Net Increase/ Decrease before Transfers to Earmarked Reserves</b>	<b>3,055</b>	<b>-</b>	<b>(2,660)</b>	<b>-</b>	<b>4,494</b>	<b>(5)</b>	<b>2,352</b>	<b>7,236</b>	<b>20,992</b>	<b>28,228</b>
Transfers to/from Earmarked Reserves (note 8)	63	(52)	1	(1)	-	-	(11)	-	-	-
Transfers between reserves	-	-	-	-	102	-	-	102	(102)	-
Other Adjustments	-	-	-	-	-	-	-	-	-	-
<b>Increase/Decrease in 2013/14</b>	<b>3,118</b>	<b>(52)</b>	<b>(2,659)</b>	<b>(1)</b>	<b>4,596</b>	<b>(5)</b>	<b>2,341</b>	<b>7,338</b>	<b>20,890</b>	<b>28,228</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>8,313</b>	<b>2,603</b>	<b>25,129</b>	<b>4</b>	<b>19,823</b>	<b>-</b>	<b>3,904</b>	<b>59,776</b>	<b>455,564</b>	<b>515,340</b>

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	Earmarked H.R.A. Balance Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2012</b>	<b>3,803</b>	<b>2,552</b>	<b>14,724</b>	<b>18</b>	<b>12,596</b>	<b>11,174</b>	<b>1,931</b>	<b>46,798</b>	<b>462,824</b>	<b>509,622</b>
<u>Movement in reserves during 2012/13</u>										
Surplus/ (deficit) on provision of services	(11,809)	-	6,894	-	-	-	-	(4,916)	-	(4,916)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(17,635)	(17,635)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(11,809)</b>	<b>-</b>	<b>6,894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,916)</b>	<b>(17,635)</b>	<b>(22,551)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	13,099	-	6,193	-	2,655	(11,169)	(368)	10,411	(10,411)	-
<b>Net Increase/ Decrease before Transfers to Earmarked Reserves</b>	<b>1,290</b>	<b>-</b>	<b>13,087</b>	<b>-</b>	<b>2,655</b>	<b>(11,169)</b>	<b>(368)</b>	<b>5,495</b>	<b>(28,046)</b>	<b>(22,551)</b>
Transfers to/from Earmarked Reserves (note 8)	102	(102)	14	(14)	-	-	-	-	-	-
Transfers between reserves		165	(37)	-	(25)	-	-	103	(103)	-
Other Adjustments		42	-	-	1	-	-	43	-	43
<b>Increase/Decrease in 2012/13</b>	<b>1,393</b>	<b>104</b>	<b>13,064</b>	<b>(14)</b>	<b>2,631</b>	<b>(11,169)</b>	<b>(368)</b>	<b>5,641</b>	<b>(28,149)</b>	<b>(22,508)</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>5,195</b>	<b>2,655</b>	<b>27,788</b>	<b>4</b>	<b>15,227</b>	<b>5</b>	<b>1,563</b>	<b>52,438</b>	<b>434,674</b>	<b>487,112</b>

## Comprehensive Income and Expenditure Statement

		2013/14			2012/13		
	Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central Services to the Public		6,383	(2,627)	3,756	21,538	(17,491)	4,047
Cultural and Related Services		11,870	(1,444)	10,426	10,367	(1,559)	8,808
Environmental and Regulatory Planning Services		10,608	(2,655)	7,953	11,240	(2,508)	8,732
Highways, Roads & Transport Services		3,708	-	2,569	3,469	(1,251)	2,218
		5,534	(8,284)	(2,750)	9,740	(7,798)	1,942
Local Council Housing (HRA)	5	38,591	(73,448)	(34,857)	55,915	(70,706)	(14,791)
Other Housing Services		74,424	(70,460)	3,965	73,386	(68,952)	4,434
Corporate & Democratic Core		3,879	(2,557)	1,322	3,295	(606)	2,689
Non-Distributed Costs	5	144		144	255		255
<b>Cost of Services</b>		<b>155,143</b>	<b>(162,616)</b>	<b>(7,473)</b>	<b>189,205</b>	<b>(170,871)</b>	<b>18,334</b>
Other Operating Expenditure	9			1,357			(1,461)
Financing and Investment Income and Expenditure	10			13,470			12,772
Taxation and Non-Specific Grant Income	11			(27,844)			(24,730)
<b>(Surplus) / Deficit on Provision of Services</b>				<b>(20,490)</b>			<b>4,915</b>
(Surplus) / deficit on revaluation of non-current assets	12			(2,036)			(3,675)
(Surplus) / deficit on revaluation of available for sale financial assets							
Actuarial (gains) / losses on pension assets / liabilities	42			(5,702)			21,310
Other adjustments							
<b>Other Comprehensive (Income) and Expenditure</b>				<b>(7,738)</b>			<b>17,635</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>(28,228)</b>			<b>22,550</b>

## Balance Sheet

	Notes	31-Mar-14	31-Mar-13	31-Mar-12
		£'000	£'000	£'000
Property, Plant & Equipment	12	764,048	746,715	754,070
Heritage Assets	13	20,643	19,965	19,951
Investment Properties	14	35,549	36,228	37,262
Intangible Assets	15	910	838	694
Long term Investments	17	3,843	16,814	17,442
Long Term Debtors	18	9,153	8,236	9,754
<b>Long Term Assets</b>		<b>834,146</b>	<b>828,796</b>	<b>839,173</b>
Short Term Investments	19	42,430	28,200	37,688
Assets Held for Sale	20	1,392	1,880	2,198
Short term Debtors	21	10,677	12,584	12,244
Stock	23	23	28	34
Cash and Cash Equivalents	22	20,016	6,358	22,224
<b>Current Assets</b>		<b>74,538</b>	<b>49,050</b>	<b>74,388</b>
Short Term Borrowing		(1,300)	(1,300)	(19,731)
Short Term Creditors	23	(25,534)	(21,119)	(35,637)
Capital Grants Receipts in Advance Short Term		(2,240)	(1,060)	(790)
<b>Current Liabilities</b>		<b>(29,074)</b>	<b>(23,479)</b>	<b>(56,158)</b>
Long Term Creditors	24	(3,725)	(3,926)	(3,969)
Long term Borrowing		(224,782)	(224,783)	(224,983)
Other Long Term Liabilities		(134,923)	(136,230)	(116,159)
Provision	25	(346)	-	-
Capital Grants Receipts in Advance Long Term		(493)	(2,314)	(2,669)
<b>Long Term Liabilities</b>		<b>(364,269)</b>	<b>(367,253)</b>	<b>(347,780)</b>
<b>Net Assets</b>		<b>515,341</b>	<b>487,114</b>	<b>509,623</b>
Usable Reserves	26	59,776	52,438	46,798
Unusable Reserves	27	455,564	434,674	462,824
<b>Total Reserves</b>		<b>515,340</b>	<b>487,113</b>	<b>509,622</b>

## Cash Flow Statement

	Notes	2013/14 £'000	2012/13 £'000
Net surplus or (deficit) on provision of services		20,490	(4,916)
Adjustments to net surplus or deficit on provision of services for non-cash movements	28	28,102	23,664
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(10,514)	(8,847)
<b>Net cash flows from Operating Activities</b>		<b>38,078</b>	<b>9,901</b>
Investing Activities	29	(23,964)	(9,398)
Financing Activities	30	(456)	(16,370)
<b>Net Increase or (decrease) in cash and cash equivalents</b>		<b>13,658</b>	<b>(15,867)</b>
Cash and cash equivalents at the beginning of the reporting period	22	6,357	22,224
Variance to be investigated		-	
<b>Cash and cash equivalents at the end of the reporting period</b>	22	<b>20,016</b>	<b>6,357</b>

# Notes to the Accounts

## 1. Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. 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 & 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 Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### Agency services

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

### Cash & 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 within 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 Council's cash management.

### Prior Period Adjustments, Changes in Accounting Policies & Estimates & Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively

(unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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 Council is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, this provision known as the Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. No MRP is currently charged on HRA debt, as the debt acquired in relation to the HRA as it is outside the scope of this regime.

### **Debtors and Creditors**

The accounts of the Council are maintained on an accruals basis in accordance with the Code. This ensures that provision has been made for known outstanding debtors and creditors, estimated amounts being used where actual figures are not available. The exceptions to this principle are public utility bills, which are accounted for on a payments basis, i.e. four quarters or 12 months being charged in each year. This policy is applied consistently each year and therefore does not have a material effect on the year's accounts.

Rental income from the Council's housing stock is accounted for on the basis of a full year, i.e. 365 or 366 days as appropriate.

### **Employee Benefits**

#### Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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



### Post Employment Benefits

Employees of the Council are members of The Local Government Pensions Scheme, administered by Norfolk County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

### The Local Government Pension Scheme

Membership of the Local Government Pension Scheme is available to employees of the Council, the scheme is accounted for as a defined benefits scheme:

The liabilities of the Norfolk pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).

The assets of Norfolk pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited Statements to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Norfolk pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve

thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

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

#### **Events After the Balance Sheet Date**

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

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

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

#### **Exceptional Items**

'When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expense Statement or in the notes to the account.

#### **Financial Instruments**

##### Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

##### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Loans & Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to individuals for decent homes and for home improvements at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) 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. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from individuals, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the

impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Fair Value of the equity shares in Norwich Airport cannot be measured reliably therefore the instrument is carried at cost.

### **Government Grants & Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. 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 and 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 reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **Community Infrastructure Levy**

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

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

### **Investment Property**

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 on a five year rolling programme according to market conditions at the year-end. Carrying values are reviewed annually to ascertain if materially different from market values for those assets not valued in year. 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 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.

### **Jointly Controlled Operations & Jointly Controlled Assets**

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

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### **Group Accounts**

The Code requires local authorities to consider all their interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council has gone through a process in line with the Code guidance flowcharts to demonstrate that the relevant provisions do not apply and that the Council has fully complied with the 2014 Code Group Accounts' requirements in its 2013/2014 Statement of Accounts.

### **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 Council as Lessee

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the



asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution 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.

### **Operating Leases**

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

### **The Council as Lessor**

#### **Finance Leases**

Where the Council 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 Council'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 (long-term debtor) 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 debtor (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 is 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 received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. 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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

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

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

### **Intangible Assets**

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

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

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

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

### **Property, Plant & 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. The de minimis level for accounting for expenditure as capital is £5,000

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure



Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as 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 (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value 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 an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

#### Componentisation

The 2013/14 CIPFA Code of Practice on Local Authority Accounting states that each part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item shall be depreciated separately, applied from 1 April 2010 onwards. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In adopting the Code, the Authority has developed the following Componentisation Policy using the approach set out in LAAP bulletin 86:

‘- Assets within PP&E, excluding Council dwellings with a carrying value of £1m and below will be disregarded for componentisation as the impact upon the reported cost of service is not considered material.

‘- Assets, excluding Council dwellings, that are above the £1m de-minimis threshold will be componentised where the cost of the component:  
is significant in relation to the overall total cost of the asset and  
has a different useful life and/or method of depreciation to the main asset.

This policy excludes land assets which are already identified separately.

Council dwellings are not individually componentised. The valuation of dwellings is based on a beacon approach using the assumption that the beacon property is fully upgraded. Each property in that beacon has a reduction in value, as a percentage, for each component that is not upgraded.

#### 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 an 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.

### Depreciation

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

Depreciation is calculated on the following bases:

- dwellings – from 1<sup>st</sup> April 2012 depreciation is calculated based on the useful life of the individual components of the dwelling. Prior to 1<sup>st</sup> April 2012 the Major Repairs Allowance was used as a reasonable estimate for depreciation of dwellings.
- other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment assets 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.

### Disposals & Non-Current Assets Held for Sale

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 previous losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the 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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### **Heritage Assets**

Heritage assets are assets with historic, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge & culture.

### **Museums collections**

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

The Council's heritage assets are relatively static, and significant acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and subsequently at valuation where available.

Material disposals are rare. However, any disposals are accounted for in accordance with the Council's accounting policies on property, plant and equipment. The proceeds of disposals, if any, are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### **Heritage Buildings**

There are a number of buildings within the city which are considered to be of significant historical value.

Where the buildings have an operational use, as offices or museums for instance, they are classified as operational assets and are depreciated and valued on a rolling five year program.

Four of the buildings are considered to be heritage assets and in the category of National Treasures. The March 2009 Report of Kingston University London, on behalf of RICS and HM Treasury, recommended that a category of asset defined as National Treasures be created. These are assets which are incapable of meaningful valuation, in that there is no recognised method of traditional valuation which gives any degree of accuracy. Therefore these assets are held at nil value.

### **Civic Plate & Regalia**

The Council owns a large collection of Civic Plate and Regalia which date back to the 19<sup>th</sup> century. This collection is stored, managed and cared for on behalf of the Council by NMAS in line with County Council and National Museums standards. Valuation and insurance of the collection is the responsibility of the Council. The collection of Civic Plate and Regalia is reported in the Balance Sheet at market value. Individual items in the collection are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement. The Civic Plate and Regalia collection are deemed to have indeterminate lives and a high residual value; hence the Council do not consider it appropriate to charge depreciation.

### **Paintings**

The Council owns a collection of paintings which are stored, managed insured, valued and cared for on behalf of the Council by NMAS in line with County Council and National Museums standards. The collection of paintings is reported in the Balance Sheet at insurance value. Individual items in the collection are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income

and Expenditure Statement. The collection of paintings is deemed to have indeterminate lives and a high residual value; hence the Trustees do not consider it appropriate to charge depreciation.

Following the 1974 Local Government reorganisation the budgets for income and expenditure relating to paintings, were vired to Norfolk County Council, who run NMA. Therefore any expenditure which, in the Trustees' view, is required to preserve or clearly prevent further deterioration of individual collection items is recognised in the Income and Expenditure account of Norfolk County Council.

### **Sculptures and Bronzes**

The Council owns 25 sculptures and bronzes which situated in external locations around the city. Due to the external location the items are not insurable. The Sculptures and Bronzes are reported in the Balance Sheet at insurance value and are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement.

### **Statues, Architectural Ornamentation, Plaques, Fountains etc**

The Council owns 60 of the above which are situated in external locations around the city. Due to the external location the items are not insurable. The assets are reported in the Balance Sheet at insurance value and are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement

### **Provisions, Contingent Liabilities**

#### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

#### Contingent Liabilities

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

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

### **Reserves**

The Council 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 or 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 and employee benefits, and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

### **The Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to nondomestic rates and the Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside.

#### **Council Tax**

The council tax included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund is taken to the Collection Fund adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund balance.

Cash collected by the billing authority from council tax debtors belongs proportionately to the billing authority and the major precepting authorities. There will be a debtor or creditor position between the billing authority and each major preceptor to be recognised at the end of each year as the net cash paid to each major preceptor during the year will not exactly match its share of the cash collected from Council Taxpayers.

The cash flow statement only includes in revenue activities cash flows relating to its own share of Council Tax collected. The difference between the government and the preceptors' share of the net cash collected from Council Tax payers and the net cash paid to them is included as a net movement in other liquid resources.

#### **National Non-Domestic Rates**

Cash collected by the billing authority from National non-domestic rates (NNDR) debtors belongs proportionately to the government, the billing authority and the major precepting authority. There will be a debtor or creditor position between the billing authority and each major preceptor to be recognised at the end of each year as the net cash paid to each major preceptor during the year will not exactly match its share of the cash collected from Council Taxpayers.

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for the year is the accrued income. The difference between the income included in the CIES and the amount required by regulation to be credited to the General fund is taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement (MiRS).

The cash flow statement only includes in revenue activities cash flows relating to its own share of NNDR collected. The difference between the government and the preceptors' share of the net cash collected from NNDR payers and the net cash paid to them is included as a net movement in other liquid resources.

There are a number of NNDR reliefs available to NNDR payers which are mandatory, the government funds these reliefs in full (except for Small Business Rate relief which it funds 50%) via s31 grant to each authority. The s31 grant included in the CIES for the year is the accrued amount, the difference between the income included in the CIES and that received from the government will result in a debtor or creditor position between the billing authority and the government to be recognised at the end of each year.

To ensure that BRRS is equitable when compared to the previous system of NNDR, the government has calculated the Funding Baseline which each authority needs to fund its business as well as a Business Rate



Baseline which relates to the collectable NNDR, the difference between the two will either result in an individual authority paying a tariff to, or receiving top-up from the government. In a two tier authority the County Council will be in a top-up position and the billing authority in a tariff position. The tariff or top-up is reflected in the authority's individual CIES i.e. does not go through the Collection Fund.

The authority is required to calculate whether it is in a levy or safety net position at year end. If the authority's income from NNDR and the s31 grant less the tariff paid is greater than the funding baseline then a levy is payable according to the levy formula, the percentage of levy is capped at 50%. If the authority's income from NNDR and the s31 grant less the tariff paid is less than 92.5% of the funding baseline then the authority is entitled to a safety net payment. Any levy/ safety net amounts are accrued and included in the CIES and in creditors/debtors as appropriate in the Balance Sheet.

## **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.

## **2. Accounting Standards that have been issued but have not been adopted**

### **IFRS 10 Consolidated Financial Statements**

This new standard was issued on 12 May 2011 by the International Accounting Standards Board and is applicable to annual reporting periods beginning on or after 1 January 2014. The new standard outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

### **IFRS 11 Joint Arrangements**

This new standard was issued on 12 May 2011 by the International Accounting Standards Board and is applicable to annual reporting periods beginning on or after 1 January 2014. The new standard outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractual agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly).

### **IFRS 12 Disclosure of Interests in Other Entities**

This new standard was issued on 12 May 2011 by the International Accounting Standards Board and is applicable to annual reporting periods beginning on or after 1 January 2014. The new standard is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives.

### **IFRS 13 Fair Value Measurement**

This new standard was issued on 12 May 2011 by the International Accounting Standards Board and is applicable to annual reporting periods beginning on or after 1 January 2014. The new standard

- a) defines fair value;
- b) sets out in a single IFRS a framework for measuring fair value; and
- c) requires disclosures about fair value measurements.

IFRS 13 is applicable to annual reporting periods beginning on or after 1 January 2012. Application is required prospectively as of the beginning of the annual reporting period in which the IFRS is initially applied. Comparative information need not be disclosed for periods before initial application.

### **IAS 27 Separate Financial Statements**

This revised standard was issued on 12 May 2011 by the International Accounting Standards Board and is applicable to annual reporting periods beginning on or after 1 January 2014. The revised standard outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for

either at cost or in accordance with [IAS 39 Financial Instruments: Recognition and Measurement](#) or [IFRS 9 Financial Instruments](#). The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements.

## **IAS 28 Investments in Associates and Joint Ventures**

This revised standard was issued on 12 May 2011 by the International Accounting Standards Board and is applicable to annual reporting periods beginning on or after 1 January 2014.. The revised standard outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those policies).

## **IAS 32 Financial Instruments Presentation**

This revised standard was issued on 16 December 2011 by the International Accounting Standards Board and is applicable to annual reporting periods beginning on or after 1 January 2014. The revised standard outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provide guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset.

### **3. Critical Judgments in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

- There is a high degree of uncertainty about future funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Note 16 Financial Instruments details the authority's Investment Strategy and approach to managing risk. None of the authority's investments are impaired;
- The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and assets are recognised or derecognised (as appropriate) as Property, Plant and Equipment in the Council's Balance Sheet
- The Council has reviewed all property assets in accordance with the policy for Investment Properties and classified as appropriate
- The Council has reviewed all property assets in accordance with the policy for Assets Held for Sale and reclassified as appropriate

The preparation of financial statements also requires management to exercise judgement in applying the council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant are disclosed below:

#### **Property, plant and equipment**

In determining the useful economic life of property, plant and equipment, judgement needs to be exercised in estimating the length of time that assets will be operational. Judgements are also required regarding the classification of specialist/non-specialist assets and in determining residual values.

Valuers also make a range of judgements when determining the values of assets held at fair value.

The significant assumptions applied in estimating the fair values are:

- For income producing properties, the Valuers adopted an investment approach where they applied a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice they construct their valuations adopting hardcore methodology where the reversions are



generated from regular short-term uplifts of market rent. They would normally apply a term and reversion approach where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation;

- The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in the “the Red Book”. Where circumstances dictate that it is necessary to utilise a different rental value in the capital valuation, the valuers will generally set out the reasons for this in their report;
- Vacant buildings, in addition to the above methodology, may also be valued and analysed on a comparison method with other capital value transactions where applicable; and
- Owner-occupied properties are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

### **Investment Properties**

IAS 40 *Investment properties* (“IAS 40”) requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. To comply with IAS 40, judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value with movements in the fair value being recorded in the income statement this could have a significant effect on the reported surplus or deficit of the Council

### **Post Retirement Benefits**

Pensions liability – the 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. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The assumptions made and sensitivity analyses are provided in note 44

### **Group boundaries**

The group boundaries have been estimated using the criteria associated with the Code of Practice. In line with the Code, the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality

## **4. Assumptions made about future and other major sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Business Rates	Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2012-13 earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals .	Should the outstanding appeals be successful, the amount owed to businesses may be more than estimated, in which case the proportionate share of this would require an increase to the provision. However there may be appeals that are not successful or they maybe successful but the amount owed to businesses be less than estimated, which would result in a reduction in the appeals provision
Property, Plant and Equipment £764.0m	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. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.276m for every year that useful lives had to be reduced
Pensions Liability £134.9m	Estimation of the net liability to pay pensions depends on a number of complex judgments 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 Council with expert advice about the assumptions to be applied.	The sensitivities resulting in an impact on the Council's finances are disclosed in Note 44
Arrears	At 31 March 2014, the Council had a balance of sundry debtors for £1.323m. A review of significant balances suggested that an impairment of doubtful debts of ranging from 10% to 100% (£1.012m) 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, an increase in the amount of the impairment for doubtful debt would be required.
Housing Stock	The housing stock is not individually componentised, for valuation purposes a beacon approach is used with the assumption that the beacon property is fully upgraded. Each property in that beacon is then reduced by percentages for each component that is not upgraded.	The percentages used to reduce the value may not reflect the true depreciated value of the individual components.  The valuation of housing stock may be under or overstated
Housing Stock	The housing stock is not individually componentised, for depreciation purposes council dwellings have their individual components identified as to date of upgrade and using the asset life as advised by the council's valuers, the depreciation associated with each properties components is calculated.	The use of standard lives to calculate components and assumption of full depreciation on components not upgraded may not be valid.  The depreciation of council dwellings may be under or overstated

## 5. Material Items of Income and Expense

There were no material items of income and expenditure in the current year

## 6. Events after the Balance Sheet Date

The unaudited Statement of Accounts were authorised for issue on 30 June 2014. This is the date up to which events after the balance sheet date have been considered.

## 7. Adjustments between Accounting Basis and Funding Basis under regulations

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

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

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year— however, the balance is not available to be applied to funding HRA services.

### Housing Revenue Account Balance

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

### Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve. The MRR is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRR that has yet to be applied at the year-end.

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
2013/14							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non-current assets	(3,790)	(14,659)	-	-	-	(18,449)	18,449
Excess dep'n over HRA MRA	-	-	-	-	-	-	-
Revaluation Losses on Property, Plant and Equipment	(2,238)	15,176	-	-	-	12,938	(12,938)
Movement in Market Value of Investment Properties	(317)	-	-	-	-	(317)	317
Capital Grants and Contributions Applied	1,006	161	-	-	-	1,167	(1,167)
Movement in Donated Assets Account	306	-	-	-	-	306	(306)
Revenue expenditure funded from capital under statute	(1,748)	-	-	-	-	(1,748)	1,748
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,039)	(8,470)	-	-	-	(9,509)	9,509
<u>Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement</u>							
Statutory provision for the financing of capital investment	1,033	72	-	-	-	1,105	(1,105)
Capital expenditure charged against the General Fund and HRA balances	-	15,923	-	-	-	15,923	(15,923)
<b>Adjustments involving the Capital Grants Unapplied Account</b>							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,116	394	-	-	(3,510)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account			-	-	1,158	1,158	(1,158)

<b>Adjustments involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,103	8,119	(9,222)	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	3,541	-	-	3,541	(3,541)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(28)	(227)	255	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(935)	-	935	-	-	-	-
Transfers from Deferred Capital Receipts reserve	-	-	-	-	-	-	-
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(17)	-	17	-	-	-	-
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	(20)	-	-	(20)	20
<b>Adjustments involving the Major Repairs Reserve</b>							
Reversal of Major Repairs Allowance credited to the HRA	-	11,891	-	(11,891)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	11,896	-	11,896	(11,896)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(62)	139	-	-	-	77	(77)
<b>Adjustments involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,039)	(2,431)	-	-	-	(10,470)	10,470
Employer's pension contributions and direct payments to pensioners payable in the year	4,776	1,305	-	-	-	6,081	(6,081)

<b>Adjustments involving the Collection Fund Adjustment Account</b>							
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	(426)	-	-	-	-	(426)	426
<b>Total Adjustments</b>	(7,299)	27,393	(4,494)	5	(2,352)	13,253	(13,253)

2012/13 comparative figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non-current assets	(6,303)	(14,475)				(20,778)	20,778
Excess dep'n over HRA MRA		-	-	-			
Revaluation Losses on Property, Plant and Equipment	(6,725)	(8,809)				(15,534)	15,534
Movement in Market Value of Investment Properties	(343)	170				(173)	173
Capital Grants and Contributions Applied	1,098	25				1,123	(1,123)
Movement in Donated Assets Account						-	-
Revenue expenditure funded from capital under statute	(1,033)	(9)				(1,042)	1,042
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(724)	(4,633)				(5,357)	5,357
HRA Self Financing Debt		-				-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement</u>	-	-	-	-	-	-	-
Statutory provision for the financing of capital investment	(425)	67				(358)	358
Capital expenditure charged against the General Fund and HRA balances	1	1,327				1,328	(1,328)
<b>Adjustments involving the Capital Grants Unapplied Account</b>	-	-	-	-	-	-	-
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	123	469			(592)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account					960	960	(960)
<b>Adjustments involving the Capital Receipts Reserve:</b>	-	-	-	-	-	-	-
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,047	6,664	(7,711)			-	-
Use of Capital Receipts Reserve to finance new capital expenditure			4,031			4,031	(4,031)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(16)	(170)	186	-		-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(838)		838			-	-
Transfers from Deferred Capital Receipts reserve	-					-	-



<b>Adjustments involving the Deferred Capital Receipts Reserve</b>	-	-	-	-	-	-	-
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-		(16)			(16)	16
Transfer to the Capital receipts Reserve upon receipt of cash	(16)		16			-	-
<b>Adjustment involving the Major Repairs Reserve</b>	-	-	-	-	-	-	-
Reversal of Major Repairs Allowance credited to the HRA		12,384		(12,384)		-	-
Use of Major Repairs Reserve to finance new capital expenditure				23,553		23,553	(23,553)
	-	-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account</b>	-	-	-	-	-	-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	89	395				484	(484)
<b>Adjustments involving the Pensions Reserve</b>	-	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,664)	(2,358)	-			(7,022)	7,022
Employer's pension contributions and direct payments to pensioners payable in the year	5,508	2,759				8,267	(8,267)
<b>Adjustments involving the Collection Fund Adjustment Account</b>	-	-	-	-	-	-	-
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	121					121	(121)
<b>Total Adjustments</b>	<b>(13,100)</b>	<b>(6,194)</b>	<b>(2,656)</b>	<b>11,169</b>	<b>368</b>	<b>(10,413)</b>	<b>10,413</b>

The Minimum Revenue Provision disclosed in the above table for 2012/13 is a credit amount, as opposed to the debit amount that would be expected. The MRP for the 2012/13 is a debit of £1.04m. The credit amount relates to a cumulative adjustment in relation to the calculation of the General fund and HRA Capital Financing Requirement, the value of the credit is £1,440,549.

## 8. Transfers to/from Earmarked and Other Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14 and 2012/13.

The following sets out a description of the reserves;

### Insurance reserve

The Insurance Reserve was established to cover the excesses carried in respect of claims under various insurance policies, particularly public and employers' liability, subject to periodic review of the appropriate level at which any 'stop-loss' arrangements apply.

The Council only insures housing stock three storeys and above in height, sheltered and listed accommodation, and only for limited perils (fire, lightening, explosion and storm). The risk has been identified and assessed and it has been decided that the most cost effective way to manage risk is for the Council to self-insure losses via the Housing Revenue Account.

An evaluation of the balance on the Insurance Reserve has been undertaken and the amount set aside to cover the uninsured risks at 31 March 2014 is based on the assessed liability.

Included within this balance is an amount to cover potential liabilities following the trigger of the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement. The initial levy payment has been requested and the Council has made a part payment of this, the balance is expected to be paid in 2014/15.

MMI was formed as a limited company by guarantee in 1903 and by 1974 some 90% of local authorities were insured by the company. Due to dramatic increases in claims, coincidental with a fall in the property market and poor investment environment, along with its inability to raise capital because of its mutual status, MMI's net assets fell below the minimum regulatory solvency requirement and the company went into run-off in September 1992.

After the imposition of the levy, the Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. The Council will now face a liability of 15% of all future claims payments relating to the period it was insured by MMI, an allowance is also made for this, with the balance, of £15k.

### Building Control Reserve

This represents the accumulated surplus on fee-earning building control operations.

### Revenue Grants Unapplied Reserves

This reserve is the balance of revenue grant income received that has no conditions applied to it, but where the grant has yet to be applied and there are restrictions as to how the monies are to be applied. This ensures that amounts are set aside from the General Fund and the Housing Revenue Account balances to provide financing to meet the requirements of the grant. The amounts set aside will be transferred back to meet General Fund and Housing Revenue Account expenditure in future years, the transfer being accounted for in the Movement in Reserves Statement within the transfers to/or from Earmarked reserves line.

	Balance at 1 April 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>							
Insurance Reserve	730	(552)	422	600	(334)	214	480
Building Control Reserve	65	-	-	65	-	19	84
Revenue Grants Unapplied Reserve GF	1,756	(65)	299	1,990	(48)	97	2,039
Revenue Grants Unapplied Reserve HRA	18	(13)	-	5	(1)	-	4
<b>Total</b>	<b>2,569</b>	<b>(630)</b>	<b>721</b>	<b>2,660</b>	<b>(383)</b>	<b>330</b>	<b>2,607</b>

Transfers between other reserves of £101,859 in the Movement in Reserves Statement comprise of Decent Home Loans & Home Improvement Loans repayments £100,577 (2012/13 £94,875), Housing Act Advance repayments of £1,282 (2012/13 nil) and deferred loan repayment of £nil (2012/13 £8,300). Repayment of discount £nil (2012/13 £36,581) and transfer of grants to earmarked reserve £nil (2012/13 £165,000)

## 9. Other Operating Expenditure

	2013/14	2012/13
	£'000	£'000
Payments to the Government Housing Capital Receipts Pool	935	838
(Gains)/Losses on the disposal of non-current assets	287	(2,378)
Provision Market	135	78
<b>Total</b>	<b>1,357</b>	<b>(1,462)</b>

The deficit of £134,872 (12/13 £78,252) on trading of the provision market is not allocated back to services but included in other operating expenditure above

## 10. Financing and Investment Income and Expenditure

	£'000	£'000
Interest payable and similar charges	9,907	11,139
Pension interest cost and expected return on pension assets	6,088	3,901
Interest Receivable and similar income	(1,336)	(1,709)
Income and expenditure in relation to investment properties and changes in their fair value	(1,473)	(657)
Other investment income	11	(15)
Impairment of Soft Loans	273	113
<b>Total</b>	<b>13,470</b>	<b>12,772</b>

## 11. Taxation and Non-Specific Grant Income

	£'000	£'000
Council tax income	(7,641)	(9,418)
Non domestic rates distribution	-	(11,245)
Non domestic rates income and expenditure	(29,604)	-
Non-ring fenced government grants	(10,560)	(2,352)
Capital grants and contributions	(4,983)	(1,715)
Business Rates - Tariff & Levy	24,944	-
<b>Total</b>	<b>(27,844)</b>	<b>(24,730)</b>

## 12. Property, Plant and Equipment

### Movements on Balances

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
Movements in 2013/14	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2013	607,512	129,308	25,546	2,683	10,770	780	2,407	779,005
Additions	26,323	507	760	71	186	19	2,493	30,358
Revaluation increases / (decreases) recognised in the Revaluation Reserve	8	(3,996)	-	-	-	-	-	(3,988)
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(8,775)	(3,285)	-	-	-	-	-	(12,060)
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	10,863	754	-	-	-	-	-	11,617
Derecognition – Disposals	(6,172)	-	(46)	-	-	-	-	(6,218)
Derecognition - Other	(1,230)	-	-	-	-	-	-	(1,230)
Assets Reclassified (to) / from Held for Sale	(912)	293	-	-	-	-	-	(619)
Other Movements in Cost or Valuation	2,171	(80)	-	22	-	145	(2,171)	87
<b>At 31 March 2014</b>	<b>629,788</b>	<b>123,501</b>	<b>26,260</b>	<b>2,776</b>	<b>10,956</b>	<b>944</b>	<b>2,729</b>	<b>796,952</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2013	(1,510)	(9,030)	(20,454)	(925)	(43)	(329)	-	(32,291)
Depreciation charge	(11,892)	(3,356)	(902)	(68)	(7)	(4)	-	(16,229)
Depreciation written out to the Surplus/Deficit on Provision of Services	11,891	123	-	-	-	3	-	12,017
Depreciation write-back on revaluation to Revaluation Reserve	1	5,369	-	-	-	-	-	5,370
Impairment losses / (reversals) recognised in CIES	(1,477)	62	-	-	-	(411)	-	(1,826)
Impairment losses / (reversals) recognised in RR	-	-	-	-	-	-	-	-
Derecognition – Disposals	9	-	46	-	-	-	-	55
Derecognition - Other	-	2	-	(2)	-	-	-	-
<b>At 31 March 2014</b>	<b>(2,978)</b>	<b>(6,830)</b>	<b>(21,310)</b>	<b>(995)</b>	<b>(50)</b>	<b>(741)</b>	<b>-</b>	<b>(32,904)</b>
<b>Net Book Value</b>								
<b>At 31 March 2014</b>	<b>626,810</b>	<b>116,671</b>	<b>4,950</b>	<b>1,781</b>	<b>10,906</b>	<b>203</b>	<b>2,729</b>	<b>764,048</b>
<b>At 31 March 2013</b>	<b>606,002</b>	<b>120,278</b>	<b>5,092</b>	<b>1,759</b>	<b>10,726</b>	<b>451</b>	<b>2,407</b>	<b>746,715</b>

<b>Comparative Movements in 2012/13</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2012	620,939	124,642	24,138	2,608	13,316	213	2,352	<b>788,208</b>
Additions	23,806	2,355	470	76	153	-	2,407	<b>29,267</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(730)	858	-	-	-	29	-	<b>157</b>
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(27,108)	(14,499)	-	-	-	-	-	<b>(41,607)</b>
Prior year revaluation decrease reversals recognised in the Surplus / (Deficit) on the Provision of Services	4,236	2,724	-	-	-	-	-	<b>6,960</b>
Derecognition – Disposals	(3,772)	-	(337)	-	-	-	-	<b>(4,109)</b>
Derecognition - Other Assets Reclassified (to) / from Held for sale	(798)	(205)	-	-	-	538	-	<b>(465)</b>
Other Movements in Cost or Valuation	(9,062)	13,432	1,275	-	(2,700)	-	(2,352)	<b>593</b>
<b>At 31 March 2013</b>	<b>607,511</b>	<b>129,307</b>	<b>25,546</b>	<b>2,684</b>	<b>10,769</b>	<b>780</b>	<b>2,407</b>	<b>779,004</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2012	(2,344)	(9,241)	(19,188)	(861)	(2,503)	(3)	-	<b>(34,140)</b>
Depreciation charge	(12,228)	(3,650)	(1,232)	(64)	(7)	(3)	-	<b>(17,184)</b>
Depreciation written out to the Surplus/Deficit on Provision of Services	11,242	4,821	8	-	1,462	-	-	<b>17,533</b>
Impairment losses / (reversals) recognised in the Surplus/Deficit on Provision of Services	832	(1,654)	-	-	-	-	-	<b>(822)</b>
Impairment losses / (reversals) recognised in Revaluation Reserve	989	1,321	-	-	-	-	-	<b>2,310</b>
Derecognition – Disposals	-	-	337	-	-	-	-	<b>337</b>
Derecognition - Other	-	(626)	(379)	-	1,005	(323)	-	<b>(323)</b>
<b>At 31 March 2013</b>	<b>(1,509)</b>	<b>(9,029)</b>	<b>(20,454)</b>	<b>(925)</b>	<b>(43)</b>	<b>(329)</b>	<b>-</b>	<b>(32,289)</b>
<b>Net Book Value</b>								
<b>At 31 March 2013</b>	<b>606,002</b>	<b>120,278</b>	<b>5,092</b>	<b>1,759</b>	<b>10,726</b>	<b>451</b>	<b>2,407</b>	<b>746,715</b>
<b>At 31 March 2012</b>	<b>618,596</b>	<b>115,401</b>	<b>4,951</b>	<b>1,747</b>	<b>10,811</b>	<b>210</b>	<b>2,352</b>	<b>754,068</b>

The Council operates a 5-year rolling programme of revaluations in relation to land and buildings except for revaluation of Housing Revenue Account Assets which is carried out on an annual basis. The assets are valued by our external valuers NPS Norwich Ltd.

Current year valuations were carried out by:  
Gillian Knox MRICS (NPS Norwich Ltd)  
Deborah O'Shea MRICS (NPS Norwich Ltd)  
Grant Brewer MRICS (NPS Norwich Ltd)  
Bob Arnett FRICS (NPS Norwich Ltd)

## **HRA Dwellings**

The date of valuation is 31 March 2014

The valuers undertook a desktop revaluation following a full valuation undertaken as at 31<sup>st</sup> March 2011 by The District Valuer which was supplied to them. The valuations were undertaken in accordance with the RICS Valuation – Professional Standards 2012 as published by the Royal Institution of Chartered Surveyors.

For each operational asset, that is, those held, occupied and used by the Council in the direct delivery of services for which the Council has either a statutory or a discretionary responsibility, a Fair Value Existing Use Value (EUV) has been provided, except in the case of housing stock where Existing Use Value for Social Housing is appropriate (EUV-SH). EUV-SH assumes the property is let for its existing use as social housing.

EUV-SH valuations are arrived at by means of a beacon approach. The beacons are valued on the additional assumptions that there is no potential residential redevelopment of the site or intensification of use. They are then adjusted by a regional adjustment factor, in this case for the Eastern region at 61%, to arrive at EUV-SH to reflect the fact that sitting tenants enjoy rents lower than market rents and tenants' rights including Right to Buy

Any reference to Existing Use Value is not recognised under International Financial Reporting Standards and the use of Existing Use Value (Social Housing) is a departure from International Accounting Standards. This departure is in accordance with current CIPFA and DCLG guidance

Under paragraph 4.1.2.40 of the Code, if an item of property comprises two or more significant components with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual lives.

Due to the onerous amount of work that would be involved in componentising all the council dwellings, this has not been done. However for valuation purposes, the property used as the beacon in each beacon type, are fully upgraded. For all other dwellings in the beacon; a percentage reduction is made for each component that has not been upgraded. The percentage reduction is that advised by the Council's valuers.

The valuations are made on the following assumptions:

- That no high alumina cement, asbestos, or other deleterious material was used in the construction of any property and that none has been subsequently incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown.
- That the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal.
- That inspection of those parts which have not been inspected would not cause us to alter our opinion of value.
- That the land and properties are not contaminated, nor adversely affected by radon.
- That no allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.

At the end of 2012/13 an exercise was undertaken regarding the use of HRA garages. From this it was concluded that the majority of garage stock was being used as operational assets rather than connected to HRA

properties and therefore the garages were reclassified from Council Dwellings to Other Land and Buildings, the value of this reclassification is £11,453,580.

## HRA Non-Dwellings

The date of valuation is 31 March 2014

The valuers undertook a desktop revaluation following a full valuation undertaken as at 31<sup>st</sup> March 2011 by The District Valuer which was supplied to them. The valuations were undertaken in accordance with the RICS Valuation – Professional Standards 2012 as published by the Royal Institution of Chartered Surveyors.

Apart from infrastructure, community and assets under construction, the basis of value for all assets is Fair Value. Fair value may be either the Existing Use Value, Market Value or Depreciated replacement Cost depending on the property type and classification.

EUV is used only for valuing property that is owner-occupied. Market value is used to value property held for investment purposes or properties held for sale.

## General Fund Assets

The date of valuation is 1 April 2013

The Council 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. Valuations are carried out by the Council's external valuers, NPS Norwich Ltd, in accordance with the methodologies and bases for estimation set out by the Royal Institution of Chartered surveyors.

Apart from infrastructure, community and assets under construction, the basis of value for all assets is Fair Value. Fair value may be either the Existing Use Value, Market Value or Depreciated replacement Cost depending on the property type and classification.

EUV is used only for valuing property that is owner-occupied. Market value is used to value property held for investment purposes or properties held for sale.

VALUATION CYCLE	Council dwellings	Other Land & Buildings	Community assets	Infrastructure	Vehicles, Plant, & Equipment	AUC	Surplus properties	Total PPE
Valued at historical cost	-	-	10,906	1,780	4,951	2,728	-	20,365
Valued at current value	-	-	-	-	-	-	-	-
2013-14	626,806	53,998	-	-	-	-	-	680,804
2012-13	4	37,843	-	-	-	-	143	37,990
2011-12	-	888	-	-	-	-	-	888
2010-11	-	20,986	-	-	-	-	-	20,986
2009-10	-	2,955	-	-	-	-	60	3,015
<b>Total</b>	<b>626,810</b>	<b>116,670</b>	<b>10,906</b>	<b>1,780</b>	<b>4,951</b>	<b>2,728</b>	<b>203</b>	<b>764,048</b>

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 50–70 years
- Other Land and Buildings – 30–50 years
- Vehicles, Plant, Furniture & Equipment – 25% of carrying amount
- Infrastructure – 25 years



### 13. Heritage Assets

Reconciliation of the carrying value of the Heritage Assets held by the Council

	Civic Plate & Regalia	Paintings	Sculptures & Bronzes	Statues, Fountain etc	Buildings	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
<b>Valuation</b>						
1st April 2012	7,407	4,675	2,226	2,281	3,362	19,951
Additions	-	-	-	6	17	23
Disposals	(18)	-	-	-	-	(18)
Revaluations	-	-	8	-	-	8
<b>31st March 2013</b>	<b>7,389</b>	<b>4,675</b>	<b>2,235</b>	<b>2,287</b>	<b>3,379</b>	<b>19,965</b>
<b>Valuation</b>						
1st April 2013	7,389	4,675	2,235	2,287	3,379	19,965
Additions	-	-	-	-	26	26
Disposals	(2)	-	-	-	-	(2)
Revaluations	654	-	-	-	-	654
<b>31st March 2014</b>	<b>8,041</b>	<b>4,675</b>	<b>2,235</b>	<b>2,287</b>	<b>3,405</b>	<b>20,643</b>

The Council's external valuer (Christopher Hartop) carried out a full valuation of the collection of civic plate and regalia as at 31 January 2014. The valuations were based on commercial markets, including recent transaction information from auctions where similar types of silverware are regularly being purchased.

There are five particularly significant exhibits within the collection which are:

- The Reade Salt - A rare and important Elizabeth I silver-gilt standing or drum salt (William Cobbold I 1568), valued by our external valuers as £2.5m
- The Howard Ewer and Basin - An early 17th century silver-gilt ewer and basin or rosewater dish (1617), valued by our external valuers as £2.0m
- The Blennerhasset Cups - A rare pair of Elizabeth I silver-gilt font cups (1561), valued by our external valuers as £0.9m
- The Peterson Cup - A rare Elizabeth I silver-gilt font cup (William Cobbold I 1575), valued by our external valuers as £0.6m
- James I silver-gilt flagons - A rare pair of James I silver-gilt flagons (1618), valued by our external valuers as £0.6m

At any time approximately 50 per cent of the collection of regalia and civic plate are on display in Shirehall museum, 34 percent in the Castle Museum and 15 per cent in public meeting rooms at City Hall.

The Council's external valuer (Bonhams Fine Art Valuers and Auctioneers) carried out a full valuation of the collection of paintings, sculptures, bronzes, statues, plaques, fountains, memorials etc as at 31 March 2012.

A particularly significant exhibit within the collection is the portrait of Sir Harbord Harbord by Gainsborough. The portrait has been valued by an external valuer at £2.5m

At any time approximately 17 per cent of the collection of paintings are on display in the Castle Museum, 19 per cent in Blackfriars Hall, 10 per cent in public meeting rooms at City Hall, 9 percent in St Andrews Hall and 5 per cent in Strangers Hall. The remaining items are held in storage but access is permitted to scholars and others for research purposes.

## 14. Investment Properties

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

	2013/14	2012/13
	£000	£000
Rental income from investment property	(2,551)	(3,771)
Direct operating expenses arising from investment property	1,079	3,114
<b>Total</b>	<b>(1,472)</b>	<b>(657)</b>

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

The Council operates a 5-year rolling programme of revaluations except for revaluation of Housing Revenue Account Assets which is carried out on an annual basis. Of the fair value of investment property, as measured or disclosed in the financial statements, £6.3m (2012/13 £18.1m) is based on a valuation by an independent valuer who holds a recognised and relevant qualification and has recent experience in the location and category of the investment property being valued. The Council considers the difference between the market and carrying value, in respect of the remainder of its investment property portfolio, is not material.

Fixed assets are valued in accordance with the Statement of Accounting Policies and the Practice Statements and Guidance Notes set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

VALUATION CYCLE	Investment properties
Valued at historical cost	-
Valued at current value	
2013-14	8,847
2012-13	353
2011-12	10,056
2010-11	5,197
2009-10	11,096
<b>Total</b>	<b>35,549</b>

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

	2013/14	2012/13
	£000	£000
Balance at start of the year	36,228	37,261
Additions:		
Purchases	732	195
Disposals	(1,007)	(461)
Net gains / (losses) from fair value adjustments	(317)	(173)
Transfers (to) / from Property, Plant & Equipment	(87)	(594)
<b>Balance at end of year</b>	<b>35,549</b>	<b>36,228</b>

## 15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased software and licenses. The software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

There is one item of capitalised software that is materially significant to the financial statements. This is the Customer Contact telephony software Answerlink 3g, its carrying value at 31 March 2014 is £448,848 (31 March 2012 £538,618) with a remaining amortisation period of 6 years.

The carrying amount of intangible assets is amortised on a straight-line basis. Of the amortisation of £149,645 charged to revenue in 2013/14, £89,770 was charged in respect of the telephony system to the Customer Contact cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The remaining £59,876 related to software and £50,868 was charged to the Housing Revenue Account, £9,008 to General Fund.

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

	2013/14	2012/13
	£000	£000
<b>Balance at the start of the year</b>		
• Net carrying amount	838	694
• Additions	221	245
Amortisation for the period	(150)	(101)
<b>Net Carrying amounts at the end of the year</b>	<b>909</b>	<b>838</b>
Comprising:		
• Gross carrying amount	1,171	950
• Accumulated amortisation	(262)	(112)
	<b>909</b>	<b>838</b>

## 16. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	£000	£000	£000	£000
Financial Liabilities (principle amount)	224,490	224,490	-	-
Accrued interest	-	-	1,300	1,300
Other accounting adjustments	292	293	-	-
Financial liabilities at amortised cost	224,782	224,783	1,300	1,300
<b>Total Borrowings</b>	<b>224,782</b>	<b>224,783</b>	<b>1,300</b>	<b>1,300</b>
Finance lease liabilities	1,355	1,431	76	72
PFI	-	-	-	-
<b>Other long term liabilities</b>	<b>1,355</b>	<b>1,431</b>	<b>76</b>	<b>72</b>
Financial liabilities carried at contract amount	-	-	19,574	18,673
<b>Total creditors</b>	<b>226,137</b>	<b>226,214</b>	<b>20,950</b>	<b>20,045</b>
Loans and receivables	3,000	15,500	51,000	28,000
Accrued interest	-	471	182	200
Total Loans and receivables (principle amount)	3,000	15,971	51,182	28,200
Unquoted equity investment at cost	824	824	-	-
Loans & receivables at amortised costs	3,824	16,795	51,182	28,200
NPT,HIL & DHL	2,679	2,654	-	-
Finance Leases	1,446	1,451	29	17
<b>Total Investments</b>	<b>7,949</b>	<b>20,901</b>	<b>51,211</b>	<b>28,217</b>
Financial assets carried at contract amounts	-	-	7,903	9,467
<b>Total Debtors</b>	<b>7,949</b>	<b>20,901</b>	<b>59,114</b>	<b>37,684</b>
<b>Soft Loans Provided</b>	<b>3,219</b>	<b>3,189</b>		

Financial assets carried at contract amount exclude statutory amounts, for example Council Tax Payers and Trade Creditors exclude receipts in advance as these are not classified as financial instruments.

The movement of £(12.5)m in long term and £23.0m in short term loans and receivables is due to increased money available to invest as a result of asset sales and retention of social housing rents.

The Council has made a number of loans to residents in respect of decent home loans at less than market rates (soft loans). There are a number of small loans making up the balance owing of £3.219m. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) 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. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the residents, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed soft loans information is as follows:

<b>Decent Home Loans</b>	<b>31-Mar-14</b>	<b>31-Mar-13</b>
	<b>£000</b>	<b>£000</b>
Opening Balance	2,636	2,697
New loans granted	-	16
Fair value adjustment	17	13
Loans repaid	(101)	(90)
Debts written off	(3)	-
<b>Balance carried forward</b>	<b>2,549</b>	<b>2,636</b>
<b>Nominal value carried forward</b>	<b>3,085</b>	<b>3,189</b>

<b>Home Improvement Loans</b>	<b>31-Mar-14</b>	<b>31-Mar-13</b>
Opening Balance	56	-
New loans granted	63	73
Fair value adjustment	(11)	(12)
Loans repaid	-	(5)
<b>Balance carried forward</b>	<b>108</b>	<b>56</b>
<b>Nominal value carried forward</b>	<b>131</b>	<b>67</b>

#### **Valuation Assumptions**

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing (5 per cent) and adding an allowance for the risk that the loan might not be repaid, in this case a zero rate. The loans are held as a land charge on the properties.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2013/14			
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Liabilities at Fair Value through Profit & Loss	Total
	£000	£000	£000	£000
Interest expense	9,907	-	-	9,907
Reductions in fair value	-	-	-	-
<b>Total expenses in Surplus or Deficit on the Provision of Services</b>	9,907	-	-	9,907
Interest Income	-	(1,336)	-	(1,336)
Increases in fair value	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(1,336)	-	(1,336)
<b>Net gain/(loss) for the year</b>	9,907	(1,336)	-	8,571
	2012/13			
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Liabilities at Fair Value through Profit & Loss	Total
	£000	£000	£000	£000
Interest expense	11,139	-	-	11,139
Reductions in fair value	-	-	(11)	(11)
<b>Total expenses in Surplus or Deficit on the Provision of Services</b>	11,139	-	(11)	11,128
Interest Income	-	(1,709)	-	(1,709)
Increases in fair value	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(1,709)	-	(1,709)
<b>Net gain/(loss) for the year</b>	11,139	(1,709)	(11)	9,419

The fair value of trade and other receivables is taken to be the invoiced, billed amount or cost, less any bad debt provision. The fair values calculated are as follows:

#### Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value has been 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 interest rates at 31 March 2014 of 7.63% for loans from the PWLB, 4.5% as an effective interest rate for a stepped loan, 5.97% and 6.03% for money market loans
- 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 Code of Practice requires the fair value of each class of financial asset and liability to be disclosed to enable it to be compared to its carrying amount.

The purpose of the valuation is to allow the user to evaluate quantitatively the council's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the council's risk exposure arising as a result of these transactions.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about market in which they are

dealing and willing to buy/sell at an appropriate price with no other motive in their negotiations other than to secure a fair price.

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of liabilities calculated are as follows:

	31-Mar-14		31-Mar-13	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities	245,731	274,938	244,828	297,074
Long term creditors	1,355	1,355	1,431	1,431
<b>Total Liabilities</b>	<b>247,086</b>	<b>276,292</b>	<b>246,259</b>	<b>298,505</b>

The fair value is greater than the carrying amount because the Councils' portfolio of loans includes a number of fixed rate loans, where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Long Term Borrowing is analysed as follows:						
	Debt at 31-Mar-13 £000	Loans Raised £000	Loans Repaid £000	Loans Reclassified as Short Term £000	Fair Value discount unwind £000	Debt at 31-Mar-14 £000
PWLB	218,917	-	-	-	-	218,917
UK Banks	5,292	-	-	-	(2)	5,290
Other Financial Intermediaries	462	-	-	-	-	462
Local Government	1	-	-	-	-	1
Household Sector	111	-	-	-	-	111
European Investment Bank	-	-	-	-	-	-
<b>Total</b>	<b>224,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>224,781</b>

The fair values of assets calculated are as follows:		31-Mar-14		31-Mar-13	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans & Receivables		62,727	63,006	55,187	55,617
Long Term Debtors		4,136	4,136	4,676	4,123
<b>Total Assets</b>		<b>66,863</b>	<b>67,142</b>	<b>59,863</b>	<b>59,740</b>



The differences are attributable to fixed interest instruments receivable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of loans and receivables.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

### **Nature & Extent of Risks Arising from Financial Instruments**

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
- re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- 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.

### **Overall procedures for managing risk**

The Council's overall risk management programme focuses on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum for exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at annually to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 20 March 2012 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2013/14 was set at £267.6m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £247.6m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

The Council approved an amendment to the 2013/14 Treasury Management Strategy on 25<sup>th</sup> July 2012. The amendments related to the counterparties criteria for investments as advised by Sector, the council's treasury management advisors.

These policies are implemented by a central treasury team. The Council maintains 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 through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

## Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council'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, in accordance with the Fitch, Moody's and Standard and Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criterion is applied. Details of the Investment Strategy can be found on the Council's website, the key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A, Support C and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.
- UK institutions provided with support from the UK Government;
- Building societies with assets in excess of £250m

The full Investment Strategy for 2013/14 was approved by Full Council on 19 February 2013 and is available on the Council's website.

Commercial Tenants are assessed, taking into account their financial position, past experience via trade and bank references, if these are not available then rent deposits may be requested or a guarantor required. Heads of Terms state rent liability and commitments in accordance with parameters set by Norwich City Council.

Norwich City Council has debentures, unquoted equity investments and loans to related parties where there is no observable market or historical experience of default and has assessed the credit risk as nil.

The following analysis summarises the Council's maximum exposure to credit risk.

	Amount	Historical experience of default	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	£000	£000
	31 March 2014	31 March 2014	31 March 2014	31 March 2013
Customers	1322	12%	159	224

No breaches of the Council's counterparty criteria occurred 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 generally allow credit for its customers, such that £1.204m of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2014	31 March 2013
	£000	£000
Less than three months	520	99
Three to six months	118	191
Six months to one year	322	208
More than one year	244	736
<b>Total</b>	<b>1,204</b>	<b>1,234</b>

The Council initiates a legal charge on property where clients cannot afford to pay immediately. The total debt where there are legal charges at 31 March 2014 was £231,198 (31 March 2013 £247,465).

### Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	2013/14 £000	2012/13 £000
Repayable between:		
Less than one year	41,500	28,000
Between 1 & 2 years	3,000	12,500
Between 2 & 3 years	-	3,000
	<b>44,500</b>	<b>43,500</b>

### Refinancing & Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved Council in the Treasury Management Strategy):

	Approved Minimum Limit	Approved Maximum Limit	Actual 31 March 2014 £000	Actual 31 March 2013 £000
Less than 1 year	0%	10%	1,300	1,300
Between 1 & 2 years	0%	10%	5,060	-
Between 2 & 5 years	0%	30%	17,750	17,810
Between 5 & 10 years	0%	50%	59,459	9,698
More than 10 years	0%	95%	141,940	196,900
			<b>225,509</b>	<b>225,708</b>
Perpetually irredeemable Loan Stock	0%	10%	573	573
			<b>226,082</b>	<b>226,281</b>

## Market risk

### Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

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

£000s

Increase in interest payable on variable rate borrowings (all Norwich City Council borrowing is at fixed rate)	-
Increase in interest receivable on variable rate investments	727
Impact on Surplus or Deficit on Provision of Services	727
Increase in Government grant receivable for financing costs	-
Share of overall impact debited to the HRA	-
Decrease in fair value of fixed rate investment assets	-
Impact on Comprehensive Income & expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	21,802

The impact of a 1% fall in interest rates on interest receivable would be £(579) – where the fall of 1% would take the interest lower than zero, this effect has been taken as zero. The impact of a 1% fall in interest rates on the fair value of fixed rate borrowing liabilities would be as above, but with the movement being reversed.

### Indemnity

In February 2014 the Council advanced £1m to Lloyds Banking Group as part of the Local Authority Mortgage Scheme (LAMS). LAMS is aimed at first time buyers within the district and the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period, at which point the advance will be returned to the Council plus an amount of interest. As at 31 March 2014, the total commitment against the £1m indemnity is £nil, as no completions have taken place. There have been no defaults requiring a call on this indemnity to date.

### Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

However it does have shareholdings to the value of £0.8m in Norwich Airport. Whilst these holding are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

### Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies at the balance sheet date. It therefore has no exposure to loss arising from movements in exchange rates.

## 17. Long Term Investments

	2013/14	2012/13
	£000	£000
Banks	0	12,954
Local Authorities	3,000	3017
Norwich Airport Ltd	824	824
Other Related Companies	18	18
	<b>3,842</b>	<b>16,813</b>

### **Banks and Local Authorities**

Investments of £3m that are for periods longer than one year are included as long term investments on the balance sheet. These will mature in September 2015.

### **Norwich Airport Ltd**

As part of a Public Private Partnership Agreement, 80.1% of the shares held in Norwich Airport Ltd (NAL) by Norfolk County Council and Norwich City Council were sold in March 2004 to Omniport Ltd., thereby taking NAL out of local Council control. The remaining shares are held by the City Council (6%), the County Council (9%) and a jointly owned Local Authority company, Legislator 1656 (4.9%).

A second jointly owned Local Authority company - Legislator 1657, a wholly owned subsidiary of Legislator 1656 - holds some land associated with the airport which was excluded from the sale to Omniport. The City Council holds 40% of Legislator 1656, with Norfolk County Council holding the other 60%, effectively giving the City Council a further holding of 2% in NAL. The sale valued Norwich Airport Ltd at £13.7m (previously £15.3m) and the investment value shown in the Balance Sheet represents the Council's 6% direct holding in the company. The shares of Norwich Airport Ltd are carried in the accounts at cost. Consideration has been given to measuring the fair value of Norwich Airport Ltd from Norwich City Councils percentage shareholding from the Airports balance sheet for 2011 and draft balance sheet for 2012. These calculations gave a fair value higher than that of the carrying value at cost but were subjective and could not reliably measure fair value. An impairment review was undertaken in accordance with the Code which states that 'where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).' Norwich City Council have assessed that there has been no impairment of the asset as a potential purchaser has shown an interest in purchasing NCC airport holding, although no price has yet been established. Norwich City Council has an interest in Legislator Companies 1656 and 1657 which has been assessed as immaterial for the purpose of Group Accounts.

### **Norwich Preservation Trust Ltd**

The long-term investment of £18,270 consists of loans made to the Trust.

## 18. Long Term Debtors

	2013/14			2012/13
	Debtors	Provision for Bad Debt	Net Debtors	Net Debtors
	£000	£000	£000	£000
Advances for House Purchase: Council Houses Sold	5	-	5	7
Housing Act Advances	-	-	-	-
Norfolk County Council Transferred Debt	881	-	881	943
Deferred Capital Receipt Sale of Airport Shares	400	-	400	400
Deferred Capital Receipt – Livestock Market	553	-	553	516
Decent Home Loans	2,550	-	2,550	2,636
Finance Lease > 1 year	1,446	-	1,446	1,451
Home Improvement Loans	108	-	108	67
Local Authority Mortgage Scheme	1,000	-	1,000	-
Housing Benefit Overpayments	4,261	(2,818)	1,443	1,232
Shared Equity	173	-	173	-
SALIX	226	-	226	215
Legal	231	-	231	247
Other Long Term Debtors	137	-	137	521
	<b>11,971</b>	<b>(2,818)</b>	<b>9,153</b>	<b>8,235</b>

Long Term Debtors consist of:

- Advances for House Purchase - This capital account shows the monies still outstanding and due to the Council in respect of Housing Advances made to private individuals.
- Transferred Debt - This debt represents the value of assets transferred to other Public Bodies. The value of these assets was determined by the amount of related outstanding loan at the time of transfer.
- Deferred Capital Receipts Sales of Airport Shares - 80.1% of the shares held in Norwich Airport Ltd. by Norfolk County Council and Norwich City Council were sold in March 2004 to Omniport Ltd. £1m of the total sale price is payable after 15 years or, should Omniport sell its interest before then, at the time of the sale. The City Council's share of this deferred capital receipt is £400,000.
- Deferred Capital Receipts Livestock Market –the Livestock Market was sold in July 2010, the purchaser withheld £800,000 relating to the area of the cattle market as this is leased back to the Council. The monies have to be paid over in 10 years time or sooner if the cattle market is resited. The monies due are treated as a soft loan and discounted

## 19. Short Term Investments

Short term investments represent temporary lending of surplus monies to other local authorities and major financial institutions. The amounts invested at 31 March were as follows:

	2013/14	2012/13
	£000	£000
Banks	35,410	19,146
Building Societies	7,020	6,035
Local Authority	-	3,019
<b>Total Short Term Investments</b>	<b>42,430</b>	<b>28,200</b>



## 20. Assets Held for Sale

	Current		Non-current	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	<b>1,880</b>	<b>2,198</b>	-	-
Assets newly classified as held for sale:				
Property, Plant & Equipment	1,129	465	-	-
Assets declassified as held for sale:				
Property, Plant & Equipment	(510)	323	-	-
Revaluations in Revaluation Reserve	-	1,351	-	-
Revaluations in Provision of Service	-	(1,351)	-	-
Impairment losses	-	-	-	-
Additions	-	-	-	-
Assets sold	(1,107)	(1,106)	-	-
Other movements	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>1,392</b>	<b>1,880</b>	-	-

## 21. Short Term Debtors

	2013/14	2012/13
	£000	£000
Central Government Bodies	2,589	7,310
Other entities & individuals	6,971	4,550
Other Local Authorities	1,017	725
National Health Bodies	100	-
<b>Total</b>	<b>10,677</b>	<b>12,585</b>

## 22. Cash & Cash Equivalents

	2013/14	2012/13
	£000	£000
Cash held by Council	24	31
Bank current accounts	492	227
Short term deposits with banks	10,000	6,100
Short term deposits with building societies	9,500	-
Short term deposits with Debt Management Office	-	-
Short term deposits with local authorities	-	-
<b>Total Cash &amp; Cash Equivalents</b>	<b>20,016</b>	<b>6,358</b>

### 23. Short Term Creditors

	2013/14	2012/13
	£000	£000
Central Government Bodies	1,060	1,122
Other Local Authorities	9,559	4,537
Other entities & individuals	14,905	15,461
National Health Bodies	10	-
<b>Total Short Term Creditors</b>	<b>25,534</b>	<b>21,120</b>

### 24. Long Term Creditors

	2013/14	2012/13
	£000	£000
Developer Contributions	1,951	2,048
Lease Liability	1,355	1,430
Rent Prepayments	350	400
SALIX	70	48
<b>Total Long Term Creditors</b>	<b>3,726</b>	<b>3,926</b>

### 25. Provisions

	2013/14	2012/13
	£000	£000
Balance at 1 April 2013	-	-
Additional provisions	346	-
<b>Balance at 31 March 2014</b>	<b>346</b>	<b>-</b>

The additional provision represents that for NNDR appeals required following the introduction of Business Rates Retention on 1 April 2013.

### 26. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement

### 27. Unusable Reserves

	2013/14	2012/13
	£000	£000
Revaluation Reserve	48,023	46,769
Capital Adjustment Account	541,563	522,872
Financial Instruments Adjustments Account	(1,166)	(1,243)
Deferred Capital Receipts	2,119	2,139
Pensions Reserve	(134,895)	(136,209)
Collection Fund Adjustment Account	(79)	347
<b>Total Unusable Reserves</b>	<b>455,565</b>	<b>434,675</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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 at which the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2013/14		2012/13
	£000	£000	£000
<b>Balance at 1 April</b>		<b>46,769</b>	<b>42,261</b>
Upward revaluation of assets	2,036		3,675
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	-		-
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>		<b>2,036</b>	<b>3,675</b>
Difference between fair value depreciation & historical cost depreciation	(1,020)		(565)
Other amount written off to Capital Adjustment Account	-		1,527
Accumulated gains on assets sold or scrapped	(225)		(149)
<b>Amount written off to the Capital Adjustment Account</b>		<b>(1,245)</b>	<b>813</b>
Other movements		464	20
<b>Balance at 31 March</b>		<b>48,024</b>	<b>46,769</b>

### 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 Council 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 Council.

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

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

	2013/14		2012/13
	£000	£000	£000
<b>Balance at 1 April</b>		522,872	<b>536,047</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(18,449)		(20,777)
Revaluation losses on Property, Plant & Equipment	12,939		(15,535)
Revenue expenditure funded from capital under statute	(1,748)		(1,042)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(9,509)		(5,357)
Difference between historic cost & carrying value depreciation	1,020		565
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(15,747)</b>	<b>(42,146)</b>
Adjusting amounts written out of the Revaluation Reserve		225	(1,378)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(15,522)</b>	<b>(43,524)</b>
<b>Capital financing applied in the year:</b>			
Use of the Capital Receipts Reserve to finance new capital Expenditure	3,541		4,031
Use of the Major Repairs Reserve to finance new capital expenditure	11,896		23,553
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,166		1,123
Application of grants to capital financing from the Capital Grants Unapplied Account	1,158		960
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	1,105		(358)
Capital expenditure charged against the General Fund & HRA balances	15,923		1,327
		<b>34,789</b>	<b>30,636</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(317)	(173)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		306	-
HRA Self Financing Debt		-	-
Other		(565)	(115)
<b>Balance at 31 March</b>		<b>541,563</b>	<b>522,871</b>

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council tax. In the Council's case, this

period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund over the next 15 years.

	2013/14	2012/13
	£000	£000
<u>Financial Instruments Adjustment Account</u>		
<b>Balance at 1 April</b>	<b>1,243</b>	<b>1,728</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(77)	(485)
	<b>1,166</b>	<b>1,243</b>
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-
<b>Balance at 31 March</b>	<b>1,166</b>	<b>1,243</b>

#### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2013/14	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>2,139</b>	<b>2,163</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(20)	(24)
<b>Balance at 31 March</b>	<b>2,119</b>	<b>2,139</b>

#### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2013/14	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>(136,209)</b>	<b>(116,144)</b>
Actuarial gains or (losses) on pensions assets & liabilities	5,702	(21,310)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(10,470)	(7,022)
Employer's pensions contributions & direct payments to pensioners payable in the year	4,950	4,903
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	1,132	3,364
Other		-
<b>Balance at 31 March</b>	<b>(134,895)</b>	<b>(136,209)</b>

#### Collection Fund Adjustment Account

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

	2013/14	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>347</b>	<b>225</b>
Amount by which Council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	80	122
Amount by which NNDR income credited to the Comprehensive Income & Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(506)	-
<b>Balance at 31 March</b>	<b>(79)</b>	<b>347</b>

## 28. Cash Flow Statement – Operating Activities

The adjustment to surplus or deficit on the provision of services for noncash movements is comprised of:

	2013/14	2012/13
	£000	£000
Depreciation	16,379	17,285
Impairment and revaluations	(9,747)	19,136
Reductions in fair value of Non-PWLB concessionary loans	-	-
Reductions in the fair value of soft loans (non Subsidiary) made in the year	134	112
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	(129)	(126)
Adjustments for effective interest rates	-	-
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	897	933
Increase/(decrease) in Interest Creditors	6	(10,431)
Increase/(decrease) in Creditors	5,451	(5,686)
(Increase)/Decrease in Interest Debtors	(259)	(385)
(Increase)/Decrease in Debtors	804	(1,464)
(Increase)/Decrease in Inventories	5	6
(Decrease)/increase in Pension Liability	4,389	(1,245)
Contributions to Provisions	346	-
Carrying amount of non-current assets sold	9,509	5,357
Loans relating to deferred capital receipts	-	-
Carrying amount of short and long term investments sold	-	-
Movement in Investment Property values	317	173
	<b>28,102</b>	<b>23,665</b>

The adjustment for items in the net surplus or deficit on the provision of services that are investing and financing activities is comprised of:

	2013/14	2012/13
	£000	£000
		(restated)
Capital grants credited to surplus or deficit on the provision of services	(1,292)	(1,133)
Proceeds from sale of short and long term investments	-	-
Proceeds from the sale of property, plant and equipment and investment properties	(9,222)	(7,714)
	<b>(10,514)</b>	<b>(8,847)</b>

The cash flows for operating activities include the following items:

	2013/14	2012/13
	£000	£000
Interest received	(605)	(1,196)
Interest paid	9,915	11,139
	<b>9,310</b>	<b>9,943</b>



## 29. Cash Flow Statement – Investing Activities

	2013/14	2012/13
	£000	£000
Purchase of property, plant & equipment, investment property & intangible assets	(32,276)	(29,603)
Other Capital Payments	(1,000)	-
Purchase of short term & long-term investments	(88,860)	(63,000)
Other payments for investing activities	(64)	(490)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	9,222	7,714
Other Capital Cash Receipts	503	1,432
Capital grants received	651	1,048
Proceeds from short term & long-term investments	87,860	73,501
<b>Net cash flows from investing activities</b>	<b>(23,964)</b>	<b>(9,398)</b>

## 30. Cash Flow Statement – Financing Activities

	2013/14	2012/13
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts	(84)	(9,167)
Repayments of short- & long-term borrowing	-	(8,000)
HRA Self Financing payments to Government	-	-
Other receipts /(payments) for financing activities	(372)	797
<b>Net cash flows from financing activities</b>	<b>(456)</b>	<b>(16,370)</b>

## 31. Amounts Reported for Resource Allocation Disclosure

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. 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, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's directorates for the year is as follows:

Directorate Income & Expenditure 2013/14	Chief Executive	Business Relationship Management	Customers, Communication & Culture	Strategy, People & Democracy	Operations	Housing Revenue	Not Reported	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(150)	(1,725)	(815)	(25)	(18,614)	(72,106)	-	(93,435)
Income from Council Tax / Business rates	-	(12,301)	-	-	-	-	-	(12,301)
Government Grants	(2,640)	(76,074)	(122)	(196)	(4,590)	(1,102)	-	(84,724)
<b>Total Income</b>	<b>(2,790)</b>	<b>(90,100)</b>	<b>(937)</b>	<b>(221)</b>	<b>(23,204)</b>	<b>(73,208)</b>	-	<b>(190,460)</b>
Employment expenses	(590)	1,441	3,639	1,824	51	5,541	-	11,906
Operational Expenses	1,733	69,797	4,419	936	29,054	64,503	-	170,442
Support Service recharges	640	(983)	(2,849)	(2,241)	7,264	5,822	-	7,653
<b>Total Expenditure</b>	<b>1,783</b>	<b>70,255</b>	<b>5,209</b>	<b>519</b>	<b>36,369</b>	<b>75,866</b>	-	<b>190,001</b>
<b>Net (Income) / Expenditure</b>	<b>(1,007)</b>	<b>(19,845)</b>	<b>4,272</b>	<b>298</b>	<b>13,165</b>	<b>2,658</b>	-	<b>(459)</b>

Directorate Income & Expenditure 2012/13	Chief Executive	Business Relationship Management	Customers, Communication & Culture	Strategy, People & Democracy	Operations	Housing Revenue	Not Reported	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(203)	(1,522)	(795)	(145)	(17,819)	(70,245)	-	(90,729)
Government Grants	(1,895)	(94,044)	(100)	(133)	(1,751)	(420)	-	(98,343)
<b>Total Income</b>	<b>(2,098)</b>	<b>(95,566)</b>	<b>(895)</b>	<b>(278)</b>	<b>(19,570)</b>	<b>(70,665)</b>	-	<b>(189,072)</b>
Employment expenses	1,966	1,577	2,967	2,682	601	4,604	-	14,397
Operational Expenses	161	81,176	(10,240)	803	35,781	48,844	-	156,525
Support Service recharges	950	(558)	(2,423)	(2,906)	4,476	4,153	-	3,692
<b>Total Expenditure</b>	<b>3,077</b>	<b>82,195</b>	<b>(9,696)</b>	<b>579</b>	<b>40,858</b>	<b>57,601</b>	-	<b>174,614</b>
<b>Net (Income) / Expenditure</b>	<b>979</b>	<b>(13,371)</b>	<b>(10,591)</b>	<b>301</b>	<b>21,288</b>	<b>(13,064)</b>	-	<b>(14,458)</b>

# **Reconciliation of Directorate Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement**

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

						<b>2013/14</b>	<b>2012/13</b>
						<b>£000</b>	<b>£000</b>
Net expenditure in the Directorate Analysis						(460)	(14,457)
Net expenditure of services & support services not included in the Analysis						(7,013)	32,792
Amounts in the Comprehensive Income & Expenditure Statement not reported to						-	-
Allocation of Recharges						-	-
Expenditure Statement						(7,013)	32,792
<b>Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>						<b>(7,473)</b>	<b>18,335</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate 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.

2013/14	Directorate Analysis	Net Expenditure of services and support services not included in the Analysis	Amounts not reported to management for decision making		Reallocation analysis	Cost of Services	Corporate Amounts	Total
	£000		£000		£000	£000	£000	£000
Fees, charges & other service income	(93,437)	3,085	-	-	-	(90,352)	(3,085)	(93,437)
Surplus or deficit on associates & joint ventures	-	-	-	-	-	-	-	-
Interest & investment income	-	-	-	-	(12,428)	(12,428)	-	(12,428)
Income from Council Tax	(12,301)	12,301	-	-	-	-	(12,301)	(12,301)
Government Grants & contributions	(84,724)	15,543	-	-	-	(69,181)	(15,543)	(84,724)
<b>Total Income</b>	<b>(190,462)</b>	<b>30,929</b>	<b>-</b>	<b>(12,428)</b>	<b>(171,961)</b>	<b>(30,929)</b>	<b>(202,890)</b>	
Employment expenses	11,907	88	-	-	-	11,995	(88)	11,907
Other service charges	170,482	(37,909)	-	-	(23,149)	109,424	17,878	127,302
Support Service recharges	7,613	(121)	-	-	-	7,492	121	7,613
Depreciation, amortisation & impairment	-	-	-	-	6,797	6,797	-	6,797
Interest Payments	-	-	-	-	27,361	27,361	-	27,361
Precepts & Levies	-	-	-	-	197	197	-	197
Payments to Housing Capital Receipts Pool	-	-	-	-	935	935	-	935
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	287	287	-	287
Other Operating Income	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>190,002</b>	<b>(37,942)</b>	<b>-</b>	<b>12,428</b>	<b>164,488</b>	<b>17,911</b>	<b>182,399</b>	
<b>(Surplus) / deficit on the provision of services</b>	<b>(460)</b>	<b>(7,013)</b>	<b>-</b>	<b>-</b>	<b>(7,473)</b>	<b>(13,018)</b>	<b>(20,491)</b>	

2012/13 Comparatives	Directorate Analysis	Net Expenditure of services and support services not included in the Analysis	Amounts not reported to management for decision making		Reallocation analysis	Cost of Services	Corporate Amounts	Total
	£000	£000	£000		£000	£000	£000	£000
Fees, charges & other service income	(90,729)	3,225	-	-	(87,504)	(3,225)		(90,729)
Surplus or deficit on associates & joint ventures	-	-	-	-	-	-		-
Interest & investment income	-	-	-	(13,903)	(13,903)	-		(13,903)
Income from Council tax	-	-	-	(9,418)	(9,418)	-		(9,418)
Government Grants & contributions	(98,343)	15,312	-	(8)	(83,039)	(15,312)		(98,351)
<b>Total Income</b>	<b>(189,072)</b>	<b>18,537</b>	<b>-</b>	<b>(23,329)</b>	<b>(193,864)</b>	<b>(18,537)</b>		<b>(212,401)</b>
Employment expenses	14,397	164	-	-	14,561	(164)		14,397
Other service charges	156,526	14,177	-	(39,118)	131,585	5,196		136,781
Support Service recharges	3,692	(85)	-	-	3,607	85		3,692
Depreciation, amortisation & impairment	-	-	-	36,460	36,460	-		36,460
Interest Payments	-	-	-	27,348	27,348	-		27,348
Precepts & Levies	-	-	-	179	179	-		179
Payments to Housing Capital Receipts Pool	-	-	-	838	838	-		838
Gain or Loss on Disposal of Non-current Assets	-	-	-	(2,378)	(2,378)	-		(2,378)
<b>Total Expenditure</b>	<b>174,615</b>	<b>14,255</b>	<b>-</b>	<b>23,329</b>	<b>212,200</b>	<b>5,117</b>		<b>217,317</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>(14,457)</b>	<b>32,791</b>	<b>-</b>	<b>-</b>	<b>18,336</b>	<b>(13,420)</b>		<b>4,916</b>

## 32. Trading Operations

The Council manages various trading operations, financial results for which were as follows:

	2013/14			2012/13
	Expenditure	Income	(Surplus) / Deficit	(Surplus) / Deficit
	£000	£000	£000	£000
Car Parks	2,455	(6,093)	(3,638)	2,432
Industrial Estates	252	(613)	(361)	(325)
Corporate Estates	533	(2,945)	(2,412)	561
Civic Halls	505	(190)	315	465
Markets	821	(718)	103	26
Yacht Station	8	(5)	3	115
<b>Net (Surplus) / Deficit</b>	<b>4,574</b>	<b>(10,564)</b>	<b>(5,990)</b>	<b>3,274</b>

Other than for Markets, the income and expenditure of the remaining Trading Operations for 2013/14 and 2012/13 have been consolidated within the Net Cost of Services in accordance with SerCOP. Income and expenditure of the markets are within Other Operating Expenditure.

Reported Car Parks expenditure has decreased by £4.7m, and Corporate Estates by £2.5m, mainly due to revaluation and impairment charges which are reversed out on the Movement in Reserves Statement. In addition to this there has been income of £1.1m for a one-off settlement at St. Andrews Car Park, increased parking income of £0.25m, and income of £0.5m from early surrender of a property lease.

## 33. Associates

Norwich City Council has two associate companies, NPS Norwich Limited and NorwichNorse Environmental Limited. The results of these associates have not been incorporated in the Council's accounts on the grounds of immateriality; therefore results of the associates are detailed in the table below.

	NPS Norwich Ltd		Norwich/Norse Environmental Ltd	
	2013/14	2012/13	2013/14	2012/13
<b>Profit &amp; Loss Account</b>				
Operating Profit	106	35	89	-
Interest Receivable	3	1	-	-
Profit on Ordinary Activities before Corporation Tax	109	36	89	-
Corporation Tax	-	(9)	(22)	-
Retained Profit for the financial year	109	27	67	-
Balance Sheet				
Profit & Loss reserve	136	27	67	-

### 34. Agency Services

The City Council is a member of four Joint Committees – Norfolk Joint Museums and Archaeology Committee, Norfolk Joint Records Committee, Norfolk Highways Joint Committee and CNC Building Control Consultancy Joint Committee (Building Control Partnership).

The Norwich Highways Joint Committee oversees the operation of the Highways Agency Agreement providing the services for highways, traffic management and on-street car parking. The Council acts as agent for the County in relation to the work governed by the Joint Committee. The amounts of income and expenditure for 2013/14 and 2012/13 are as follows:-

<b>Highways</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Expenditure	1,084	996
Income	(1,035)	(1,030)
(Surplus) paid over to Norfolk County Council/ Deficit reimbursed to Norwich City Council	<b>49</b>	<b>(34)</b>
<b>On-Street Car parking</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Expenditure	1,163	1,129
Income	(1,292)	(1,187)
(Surplus) paid over to Norfolk County Council	<b>(129)</b>	<b>(58)</b>

The non-agency elements of the Norwich Highways Joint Committee are not material.

The Council's interest in the Norfolk Joint Museums and Archaeology Committee, the Norfolk Joint Records Committee and the CNC Building Control Consultancy Joint Committee (Building Control Partnership) are not material.

On 1<sup>st</sup> November 2012 Norwich Business Improvement District was launched. A Business Improvement District (BID) is a defined area within which businesses pay an additional tax or fee in order to fund projects within the district's boundaries. The council acts as agent for Norwich BID by billing and collecting the additional tax.

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Billed	650	656
Collected	524	631
Paid over to Norwich BID	378	394

### 35. Members' Allowances

The total of members' allowances paid in the year was £334,053 (2012/13 £281,671) in accordance with the Members' Allowance Scheme as set out in Appendix 16 of the Council's Constitution.



### 36. Officers Remuneration

Post Holder	Salary (incl Fees & allowances) £	Expenses £	2013/14	Total Remuneration (excl Pension contributions) £	Pension Contributions £	Total Remuneration (incl Pension contributions) £
			Compensation for loss of office £			
Chief Executive Officer	129,911	-	-	129,911	18,806	148,717
Director of Regeneration & Development	104,133	-	-	104,133	13,725	117,858
Head of Communications & Cultural Services	78,338	-	-	78,338	11,359	89,697
Head of Strategy & Programme Management	71,810	-	-	71,810	10,412	82,222
Exec Head of Service Business Relationship Mgr.	71,810	-	-	71,810	10,412	82,222
Head of Law and Guidance +	40,502	-	11,899	52,401	6,939	59,340
	<b>496,504</b>	<b>-</b>	<b>11,899</b>	<b>508,403</b>	<b>71,653</b>	<b>580,056</b>

+ Head of Law and Guidance – Left Norwich City Council in January 2014 due to redundancy

			2012/13			
Post Holder	Salary (incl Fees & allowances)	Expenses	Compensation for loss of office	Total Remuneration (excl Pension contributions)	Pension Contributions	Total Remuneration (incl Pension contributions)
	£	£	£	£	£	£
Chief Executive Officer	130,066	-		130,066	18,806	148,872
Deputy Chief Executive	32,825	-	115,819	148,644	4,760	153,404
Director of Regeneration & Development *	94,919	-		94,919	13,725	108,644
Head of Communications & Cultural Services	78,338	-		78,338	11,359	89,697
Chief Finance Officer	23,820	-	54,536	78,356	2,961	81,317
Head of Strategy & Programme Management	67,354	-		67,354	9,766	77,120
Exec Head of Service Business Relationship Mgr.	40,158	-		40,158	5,798	45,956
Guidance	47,003	-		47,003	9,385	56,388
	<b>514,483</b>	-	<b>170,355</b>	<b>684,838</b>	<b>76,560</b>	<b>761,398</b>

\* Deputy Chief Executive – Left Norwich City Council 05/08/12 due to redundancy

\*\* Head of Finance - Left Norwich City Council 04/07/12 due to redundancy

Senior officer's remuneration disclosed on the tables above is included in the bandings in the table below.

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band	2013/14	2012/13
£50,000 to £54,999	6	5
£55,000 to £59,999	1	2
£60,000 to £64,999	6	7
£65,000 to £69,999	0	2
£70,000 to £74,999	2	0
£75,000 to £79,999	1	1
£80,000 to £89,999	0	0
£90,000 to £94,999	1	1
£100,000 to £104,999	0	0
£115,000 to £119,999	0	0
£125,000 to £129,999	1	1
£155,000 to £ 159,999	0	0
	<b>18</b>	<b>19</b>

The number of exit packages with total cost per band and total of the compulsory and other redundancies are set out in the table below:-

2013/14				
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000	-	2	2	13,025
£20,001 - £40,000	-	-	-	0
£40,001 - £60,000	-	-	-	0
£60,001 - £80,000	-	-	-	0
£80,001 - £100,000	-	-	-	0
£100,001 - £150,000	-	-	-	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>13,025</b>

2012/13				
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000		2	2	15,818
£20,001 - £40,000		2	2	45,864
£40,001 - £60,000		1	1	54,536
£60,001 - £80,000				
£80,001 - £100,000				
£100,001 - £150,000		1	1	115,819
<b>Total</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>232,037</b>

### 37. 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.

In 2013/14 and 2012/13 the following fees were payable by the Council to our external auditors.

	2013/14	2012/13
	£000	£000
		restated
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	106	148
Fees payable to the Audit Commission in respect of statutory inspection	-	-
Fees payable to the Audit Commission for the certification of grant claims & returns	50	50
Fee payable to the Audit Commission in respect of other services provided	12	-
<b>Total</b>	<b>168</b>	<b>198</b>
Rebate on scale fees	-	(24)
<b>Net Cost</b>	<b>168</b>	<b>174</b>

The fees for other services payable in 2013/14 relate to the auditor's consideration of correspondence from the public and formal objections, and is charged in addition to the scale fee.

### 38. Grants Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	2013/14	2012/13
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
NNDR Dedistribution	-	(11,245)
Revenue Support Grant	(7,861)	(218)
Local Strategic Partnership - Second Homes	(84)	(67)
Local Services Support Grant	-	(337)
New Homes Bonus	(1,658)	(1,093)
Council Tax Freeze	-	(232)
NNDR Administration Grant	-	(270)
Small Business Rate Relief Grant	(564)	-
Other Grants (Non Capital)	(393)	(135)
<b>Sub-Total inc NNDR (GGNS flag)</b>	<b>(10,560)</b>	<b>(2,352)</b>
<b>Capital Grants &amp; Contributions</b>		
DfT Cycle Ambition Grant	(1,112)	-
Home and Communities Agency	(248)	(25)
Community Infrastructure Levy	(71)	-
St Andrews MSCP Settlement	(1,100)	-
Capital Grant Income (from Government bodies)	(1,178)	(535)
Capital Grants & contribution income (from non Government)	(907)	(861)
<b>Sub Total</b>	<b>(4,616)</b>	<b>(1,421)</b>
<b>Capital Grants &amp; Contributions(REFCUS expenditure)</b>		
Sustrans	(32)	(255)
Capital Grants & contribution income (from non Government)	(29)	(39)
<b>Sub Total</b>	<b>(61)</b>	<b>(294)</b>
Donated Assets	(306)	-
<b>Sub Total</b>	<b>(306)</b>	<b>-</b>
<b>Total</b>	<b>(15,543)</b>	<b>(15,312)</b>
<b>Credited to Services</b>		
Rent Allowance Subsidy	(28,481)	(27,973)
Rent Rebate Subsidy	(36,654)	(36,408)
Discretionary Housing Payments	(222)	(39)
Council Tax Benefit	72	(15,039)
HRA Self Financing	-	-
Housing Benefit Administration Grant	(1,294)	(1,419)
Norwich Connect PFI Income	(1,429)	(1,429)
Improvement East	-	-
Home and Communities Agency	(84)	(232)
New Deal for Communities	-	2
BLF	(99)	(107)
Supporting People	(567)	-
Other Revenue Grants & Contributions (from Government)	(404)	(648)
Other Non Govt revenue grants and contributions	(19)	253
<b>Sub Total</b>	<b>(69,181)</b>	<b>(83,039)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Home and Communities Agency Capital Grant	(1,648)	(574)
Disabled Facilities Grant	-	(70)
Developers Contributions (S.106)	(592)	(415)
<b>Total</b>	<b>(2,240)</b>	<b>(1,059)</b>
<b>Grants Receipts in Advance (Revenue Grants)</b>		
Home and Communities Agency	(119)	(86)
Other Government Grants & Contributions	(632)	(42)
Other Non Government Grants & Contributions	(260)	(184)
LEGI Re Guildhall	(50)	(50)
SALIX	(43)	(57)
Developers Contributions (S.106)	(170)	(155)
<b>Total</b>	<b>(1,274)</b>	<b>(574)</b>
<b>LONG TERM LIABILITIES</b>		
<b>Grants Receipts in Advance (Capital Grants)</b>		
Home and Communities Agency	-	(1,429)
Other Government Grants & Contributions	(28)	(120)
Developers Contributions (S.106)	(413)	(760)
Other Non-Government Grants & Contributions	(52)	(5)
Disabled Facilities Grant	-	-
<b>Total</b>	<b>(493)</b>	<b>(2,314)</b>
<b>Grants Receipts in Advance (Revenue Grants)</b>		
Local Enterprise Growth Initiative re Guildhall	(350)	(400)
SALIX	(70)	(48)
Developers Contributions (S.106)	(1,951)	(2,048)
<b>Total</b>	<b>(2,371)</b>	<b>(2,496)</b>

### 39. Capital Expenditure & Capital Financing

			2013/14 £000	2012/13 £000
Opening Capital Financing Requirement 1st April (restated)			237,864	237,737
Property, Plant & Equipment			27,866	26,859
Assets under Construction			2,493	2,407
Investment Property			732	195
Assets Held for Sale			-	-
Heritage Assets			26	23
Housing Revenue Self Financing			-	-
Intangible Assets			221	244
Decent Home Loans granted net of repaid			-	(6)
Local Authority Mortgage Scheme			1,000	-
Revenue Expenditure Funded from Capital Under Statute			1,748	1,042
			<b>271,950</b>	<b>268,501</b>
<b>Sources of Finance</b>				
Capital Receipts			(3,542)	(4,031)
Government Grants & Other Contributions			(2,724)	(2,083)
Housing Revenue Account Major Repairs Allowance			(11,896)	(23,553)
Revenue Contributions & Minimum Revenue Provision *			(17,028)	(970)
			<b>236,760</b>	<b>237,864</b>
Increase in underlying need to borrow (supported by government fin assistance)			-	-
Increase (decrease) in underlying need to borrow (unsupported by government fin assistance)			(1,105)	127
Assets acquired under finance leases				
Assets acquired under PFI/PPP contracts				
<b>Increase (decrease) in Capital financing Requirement</b>			<b>(1,105)</b>	<b>127</b>

Each local Council has a borrowing limit determined by the level of debt which it can afford. The system is governed by CIPFA's 'Prudential Code for Capital Finance in Local Authorities' and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

\* The Minimum Revenue Provision 2013/14 is £1,052m (2012/13 £1.026m) and this represents a provision against the Council's underlying debt that has been acquired to finance capital expenditure.



## 40. Leases

### Council as Lessee

#### Operating Leases

The Council leases cars and equipment to facilitate provision of services. It also leases privately owned properties to provide a decent, affordable housing alternative to those facing homelessness.

The Council's future minimum lease payments due under non-cancellable lease in future years are:

	31-Mar-14		31-Mar-13	
	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings
	£000	£000	£000	£000
<b>Future Rental Liabilities</b>				
Not later than one year	163	1,712	131	1,581
Later than one year & not later than five years	296	2,432	210	2,297
<b>Total</b>	<b>459</b>	<b>4,144</b>	<b>341</b>	<b>3,878</b>

The expenditure charged to the Housing Revenue Account, Cultural, Environmental, Regulatory and Planning Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2,411,298 (2012/13: £2,386,452)

	2013/14	2012/13
	£000	£000
Minimum lease payments		
Contingent Rents		
Sublease payments receivable	2,322	2,288
<b>Total</b>	<b>2,322</b>	<b>2,288</b>

#### Finance Leases

The council has acquired communal aeries for its dwellings under a finance lease, these assets are disclosed as Property, Plant and Equipment in the Balance Sheet under Vehicles, Plant and Equipment at the net amount of £1,205,395 (2012/2013 £1,298,115)

The Council 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 Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

	2013/14	2012/13
	£000	£000
<b>Finance Lease Liabilities</b>		
Current	76	72
Non-Current	1,355	1,430
Financing Costs payable in future years	829	919
<b>Minimum Lease Payments</b>	<b>2,260</b>	<b>2,421</b>

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

	2013/14 £000	2012/13 £000
<b>Future Rental Liabilities</b>		
No later than one year	161	161
Later than one year & not later than 5 years	646	646
Over 5 years	1,291	1,452
<b>Total</b>	<b>2,098</b>	<b>2,259</b>

## Council as Lessor

### Operating Leases

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

- The provision of community services such as sports facilities, tourism services and community centres
- economic development purposes to provide suitable affordable accommodation for local businesses

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

	2013/14 £000	2012/13 £000
<b>Tenants Future Rental Liabilities</b>		
Not later than one year	3,367	3,201
Later than one year & not later than five years	11,028	10,620
Over five years	66,255	71,826
<b>Total</b>	<b>80,650</b>	<b>85,647</b>

In addition to the above, there are 145 (2012/13 186) properties where the rent is in perpetuity that amounts annually to £223,167 (2012/13 £243,737) per annum.

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.

### Finance Leases

- The Council leases out twenty one properties on a finance lease.

The Council has gross investments in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments are the payments over the lease term that the lessee is or can be required to make, excluding contingent rent. The gross investment is made up of the following amounts

	2013/14 £000	2012/13 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	29	17
Non-current	1,333	1,339
Unearned finance income	2,263	2,316
Unguaranteed residual value of property	112	112
<b>Gross investment in the leases</b>	<b>3,737</b>	<b>3,784</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	£000	£000	£000	£000
<b>Future Rental Liabilities</b>				
Not later than one year	51	46	20	18
Later than one year & not later than five years	238	233	82	79
Later than five years	3,449	3,505	1,509	1,571
<b>Total</b>	<b>3,738</b>	<b>3,784</b>	<b>1,611</b>	<b>1,668</b>

#### 41. Impairment Losses

During the year the Council carried out adaptations at a cost of £1,052,557 (2012/13 £672,984) to a number of council dwellings under Disabled Facilities legislation. No individual adaptation was significant in value. As advised by our valuer these adaptations added no value to the dwellings, therefore this expenditure was impaired as shown in note 12 (combined with the impairments detailed below).

The Council carried out works to the bin stores for the council dwellings of £681,945 (2012/13 £949,581). As advised by our valuer these works added no value to the dwellings, therefore this expenditure was impaired as shown in note 12 (combined with the impairments detailed below and above).

The Council also impaired the cost of works to flats within blocks for which the lease has been sold £439,710, lift installations £145,226, enhancement to HRA estates £257,380, District Heating schemes £90,072, work benefitting dwellings subsequently sold or the area surrounding dwellings sold under Right to Buy legislation £8,041.

The Council has impaired a number of surplus assets in Argyle Street and Morley Street to nil value as a decision has been taken to demolish the buildings due to adverse ground conditions. The value of this is £410,865 (2012/13 £34,300).

#### 42. Termination Benefits

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £13,025 (2012/13 £232,037). This was payable to 2 (6 in 2012/13) officers who were made redundant as part of the Council's rationalisation of the Service and includes amounts payable in respect of early retirement to the pension fund.

#### 43. Other Long Term Liabilities

The Council has other long term liabilities as detailed in the table below

	2013/14	2012/13
	£000	£000
Pension Fund Liability	134,895	136,209
Other	27	21
	<b>134,922</b>	<b>136,230</b>

## 44. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered 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.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The LGPS pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Norfolk County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee which includes the Interim Head of Finance of Norfolk County Council.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### Transactions relating to Retirement Benefits

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

		2013/14		2012/13
		£000		£000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<i>Cost of Services</i>				
Current service cost		4,298		3,017
(Gain)/loss from settlements		84		104
Past service cost		-		-
<i>Financing and Investment Income and expenditure</i>				
Net Interest expense		6,088		3,901
<b>Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>		<b>10,470</b>		<b>7,022</b>
<i>Other post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Return on plan assets (excluding the amount included in the net interest expense)		17,236		-
Actuarial (Gains) and Losses arising on changes in demographic assumptions		6,180		38,700
Actuarial (Gains) and Losses arising on changes in financial assumptions		(3,647)		(17,390)
Other experience		(25,471)		-
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>		<b>4,768</b>		<b>28,332</b>
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code and HRA balances for pensions in the year		(10,470)		(7,022)
<b>Employers' contributions payable to the scheme</b>		<b>6,081</b>		<b>8,267</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is a loss of £118.503m (31 March 2013 loss of £121.205m)

#### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

		2013/14		2012/13
		£000		£000
Present Value of defined benefit obligation		(371,991)		(386,236)
Fair Value of plan assets		237,076		250,029
<b>Net Liability arising from defined benefit obligation</b>		<b>(134,915)</b>		<b>(136,207)</b>

	2013/14	2012/13
<b>Reconciliation of present value of the scheme liabilities:</b>		
	<b>£000</b>	<b>£000</b>
At 1 April	(386,236)	(339,086)
Current service Cost	(4,298)	(3,017)
Interest Cost	(17,180)	(16,095)
Contributions by Members	(1,215)	(1,090)
Remeasurement (gains)/Losses		
- actuarial gains/losses arising from changes in demographic assumptions	(6,180)	-
- actuarial gains/losses arising from changes in financial assumptions	3,647	(38,957)
- other	25,471	257
Benefits Paid	14,084	11,856
Losses/(Gains ) on curtailments	(84)	(104)
Liabilities Extinguished on Settlements		
Liabilities Assumed in a Business Combination	-	-
<b>At 31 March</b>	<b>(371,991)</b>	<b>(386,236)</b>

	2013/14	2012/13
<b>Reconciliation of fair value of the scheme assets</b>		
	<b>£000</b>	<b>£000</b>
At 1 April	250,029	222,941
Interest Income	11,092	12,194
Remeasurement Gain/(loss) the return on plan assets excluding amount included in net interest expense	(17,236)	17,390
Employer Contributions	4,854	7,066
Contributions by Members	1,215	1,090
Contributions in respect of unfunded benefits	1,206	1,204
Benefits Paid	(12,878)	(10,652)
Unfunded benefits paid	(1,206)	(1,204)
<b>At 31 March</b>	<b>237,076</b>	<b>250,029</b>

Local Government Pension Scheme assets comprised:

	2013/14				2012/13			
	Quoted Prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of total assets	Quoted Prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of total assets
Cash & Cash Equivalents		6,080	6,080	2.6%		5,399	5,399	2.2%
Equity Instruments								
<i>by industry type</i>								
Consumer	14,403		14,403	6.1%	15,187		15,187	6.1%
Manufacturing	13,210		13,210	5.6%	12,001		12,001	4.8%
Energy and Utilities	7,370		7,370	3.1%	8,842		8,842	3.5%
Financial institutions	14,767		14,767	6.2%	15,480		15,480	6.2%
Health and care	6,737		6,737	2.8%	6,589		6,589	2.6%
Information Technology	4,240		4,240	1.8%	4,759		4,759	1.9%
Other	10,527		10,527	4.4%	12,103		12,103	4.8%
Sub-total Equity Instruments	<b>71,253</b>		<b>71,253</b>		<b>74,961</b>		<b>74,961</b>	
Private equity		16,310	16,310	6.9%		18,286	18,286	7.3%
Bonds								
<i>by sector</i>								
Corporate	9,908		9,908	4.2%	11,232		11,232	4.5%
Other	837		837	0.4%	756		756	0.3%
Sub-total Bonds	<b>10,745</b>		<b>10,745</b>		<b>11,988</b>		<b>11,988</b>	
Property								
<i>by geographical location</i>								
UK property		23,625	23,625	10.0%		23,775	23,775	9.5%
Overseas property		3,516	3,516	1.5%		4,074	4,074	1.6%
Sub-total Property		<b>27,140</b>	<b>27,140</b>			<b>27,849</b>	<b>27,849</b>	
Investment Funds & Unit Trusts								
Equities	68,569		68,569	28.9%	75,187		75,187	30.1%
Bonds	36,877		36,877	15.6%	36,524		36,524	14.6%
Sub-total Investment Funds & Unit Trusts	<b>105,447</b>	-	<b>105,447</b>		<b>111,711</b>	-	<b>111,711</b>	
Derivatives								
Other	103		103	0.0%	(165)		(165)	-0.1%
<b>Total Assets</b>	<b>187,547</b>	<b>49,530</b>	<b>237,077</b>		<b>198,494</b>	<b>51,534</b>	<b>250,029</b>	



## Basis for Estimating Assets & 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. Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31 March 2013.

The principle assumptions used in their calculations have been:

Mortality Assumptions:		2013/14	2012/13
Longevity at 65 for current pensioners			
Men		22.1yrs	21.2yrs
Women		24.3yrs	23.4yrs
Longevity at 65 for future pensioners			
Men		24.5yrs	23.6yrs
Women		26.9yrs	25.8yrs
Rate of inflation		2.60%	2.80%
Rate of increase in salaries		3.40%	5.10%
Rate of increase in pensions		2.60%	2.80%
Rate for discounting scheme liabilities		4.10%	5.10%
Take up of option to convert annual pension into retirement lump			
Pre-April 2008 service		50%	50%
Post-April 2008 service		75%	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in Assumption £000
Longevity (increase of 1 year)	11,160
Rate of increase in salaries (increase by 0.5%)	5,620
Rate of increase in pensions (increase by 0.5%)	25,205
Rate for discounting scheme liabilities (decrease by 0.5%)	30,877

## Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contribution expected to be made to the scheme by the Council for the year to March 2015 is £4.641m

The weighted average duration of the defined benefit obligation for scheme members is 23.9 years, 2013/14.

#### 45. Contingent Assets and Liabilities

##### Contingent Liabilities

###### National Non-domestic Business Rates

The Council has included a provision of £346,329 for NNDR appeals outstanding at 31 March 2014 (as detailed in note 25). However businesses can still appeal against their Rateable Value on the 2010 Rating List until 31 March 2017, meaning there are a number of future financial years where the cost of successful appeals could impact on the financial statements of the Council. As the number and level of these future appeals cannot be estimated with any certainty, no further provision has been made in the accounts for these potential future appeals.

###### Insurance

Municipal Mutual Insurance Limited (MMI) an amount of £0.119m has been included in the accounts, within earmarked reserves, to cover known liabilities following the announcement on 13 November 2012, that the MMI Scheme of Arrangement has now been triggered (see note 8). This amount is based on the balance of the 15% levy following an interim payment made during 2013/14. It is possible that further levy's may be made by MMI in the future, the position will be reviewed at a regular basis to determine whether further funds should be earmarked.

##### Contingent Assets

###### **VAT**

###### **HM Revenue and Customs (HMRC) v Isle of Wight and others**

The above case has been appealed again following a judgement in October 2012. No final determination has yet been made as to whether the VAT liability for the provision of off-street car parking by local authorities should be VAT standard rated or classed as 'non-business' (and hence outside the scope of VAT). The Council has submitted, based on the possible final outcome of the case, claims for the repayment of £6.55m of VAT (net of fees) paid over to HMRC in relation to off-street car parking since the start of VAT in April 1973. As at 31 March 2014 this claim remained outstanding pending the outcome of a further VAT tribunal (with the date to be confirmed). The result of the tribunal will not be known until the winter of 2014 at the earliest. This tribunal will be looking at the question of possible distortion of competition if the provision of off-street parking by local authorities was not subject to VAT but that provided by the private sector was.

###### **Compound Interest**

There have been a number of recent developments in relation to the ability of taxpayers to claim 'compound', as opposed to 'simple', interest on monies repaid (or to be repaid) to them by HMRC. Compound interest can far exceed that of simple interest and the Council has been advised that claims for compound interest can, potentially, go back to 1973. In view of the significant value of VAT repayment claims already made by the Council, both in relation to that still outstanding (as above) and those already repaid by HMRC under 'Fleming', the Council has engaged a PWC to submit a claim for compound interest to the High Court. It is currently unclear when these claims will be determined.

#### 46. Related Parties

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

UK government has significant influence over the general operations of the council– it is responsible for providing the statutory framework within which the council operates, and prescribes the terms of many of the

transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 30 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 36, debtors are shown in Note 21 and creditors in Note 23.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2013/14 and 2012/13 is shown in Note 33. During 2013/14, works and services to the value of £59,693 (2012/13 £42,401) were commissioned from companies in which three members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition members approved £596,795 (2012/13 £626,654) and officer working parties a further £9,440 (2012/13 £8,999) as grants to voluntary organisations in which seven members had an interest. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at City Hall during office hours.

During 2013/14, grants totalling £38,696 was made to one organisation (2012/13 £44,800 to two organisations) in which a member of senior management had an interest. The member of senior management did not take part in any discussion, decision, or administration relating to the grants.

During 2013/14, works and services to the value of £700 (2012/13 £692) were commissioned from an entity in which one officer had an interest, the entity being Voluntary Norfolk (2012/13 Voluntary Norfolk £259 and Snellings £433). Contracts were entered into in full compliance with the council's standing orders.

Companies and joint ventures – the council has interests in:

- I. Two companies, Legislator 1656 and 1657 Ltd, which the Council has shares in and are related to developments at Norwich Airport.
- II. Norwich Norse Environmental
- III. NPS Norwich Ltd.

For all the above, the Council has officer and member representatives on the boards of these companies, and relevant information is disclosed in the notes to the accounts about such interests. No amounts of money have been paid to or from the Legislator companies during 2013/14. £6,050,901 (2012/13 £803,000) has been spent with Norwich Norse Environmental Ltd during 2013/14 and £3,787,698 (2012/13 £970,930) has been spent with NPS Norwich Ltd. Amounts due to NPS Norwich Ltd are £244,889 and Norwich Norse Environmental Ltd are £1,538,294. Amounts due from NPS Norwich Ltd are £3,064

Several councillors are appointed to represent the Council on various Strategic Partnership boards. During the year there have been a number of transactions with the Strategic Partnerships totalling £49,725 (2012/13 £55,924). There have also been a number of transactions on behalf of the strategic partnerships with the Highways Agency, disclosed in Note 32; and the Norwich and Homes & Communities Agency Strategic Partnership, with expenditure of £202,794 (2012/13 £232,040). These partnership activities are integrated into the council's usual budget setting and management processes.

#### 47. Heritage Assets: Five Year Summary of Transactions

	Civic Plate & Regalia	Paintings	Sculptures & Bronzes	Statues, Fountains	Buildings	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
<b>Valuation</b>						
1 April 2009	7,407	3,398	658	-	-	11,463
Revaluations	-	-	-	2,281	549	2,830
31 March 2010	7,407	3,398	658	2,281	549	14,293
1 April 2010	7,407	3,398	658	2,281	549	14,293
Reclassifications	-	-	-	-	949	949
Additions	-	-	65	-	1,677	1,742
Depreciation	-	-	-	-	(11)	(11)
Revaluations	-	-	-	-	34	34
31 March 2011	7,407	3,398	723	2,281	3,199	17,008
1 April 2011	7,407	3,398	723	2,281	3,199	17,008
Revaluations	-	1,276	1,503	-	163	2,942
31 March 2012	7,407	4,674	2,226	2,281	3,362	19,950
1 April 2012	7,407	4,674	2,226	2,281	3,362	19,951
Revaluations	-	-	8	-	-	8
Additions	-	-	-	6	17	23
Disposals	(18)	-	-	-	-	(18)
31 March 2013	7,389	4,674	2,234	2,287	3,379	19,964
1 April 2013	7,389	4,674	2,234	2,287	3,379	19,964
Revaluations	654	-	-	-	-	654
Additions	-	-	-	-	26	23
Disposals	(2)	-	-	-	-	(18)
31 March 2014	8,041	4,674	2,234	2,287	3,405	20,623

## Housing Revenue Account Income & Expenditure Statement

<b>Expenditure</b>			
Repairs & Maintenance		13,714	9,276
Supervision & Management		16,761	16,179
Rents, Rates, Taxes & Other Charges		6,344	6,443
Negative Subsidy payable to Secretary of State		-	8
Local Authority Housing - HRA Self Financing Debt		-	-
Depreciation & Impairment of Non-current Assets	HRA 6&7	15,672	14,475
Local Authority Housing - Revaluation loss (gain) on Dwellings		(15,068)	8,919
Debt Management Costs		66	67
Movement in Allowance for Bad Debts		306	22
<b>Total Expenditure</b>		<b>37,795</b>	<b>55,389</b>
<b>Income</b>			
Dwelling Rents		58,611	56,354
Non-dwelling Rents		2,093	2,321
Charges for Services & Facilities		3,231	3,405
Contributions towards expenditure		8,718	8,098
<b>Total Income</b>		<b>72,653</b>	<b>70,178</b>
<b>Net (Income)/Cost of HRA Services included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>(34,858)</b>	<b>(14,789)</b>
HRA services share of Corporate & Democratic Core		380	512
HRA share of the other amounts included in the whole Council Net Cost of Services but not allocated to specific services		-	-
<b>Net (Income)/Cost of HRA Services</b>		<b>(34,478)</b>	<b>(14,277)</b>
<b>HRA share of operating income &amp; expenditure included in the Comprehensive Income &amp; Expenditure Statement</b>			
Other Operating Expenditure		351	(2,054)
Financing & Investment Income & expenditure		9,948	9,934
Taxation & Non-Specific Grant Income		(555)	(495)
<b>(Surplus)/deficit for the year on HRA services</b>		<b>(24,734)</b>	<b>(6,892)</b>

## Movement in Reserves Statement (Housing Revenue Account)

	2013/14 £000	2012/13 £000
<b>Balance at 31 March 2010</b>	27,788	14,724
<u>Movement in reserves during Year</u>		
Surplus/ (deficit) on provision of services	24,734	6,892
Other Comprehensive Income & Expenditure	-	-
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>24,734</b>	<b>6,892</b>
Adjustments between accounting basis & funding basis under regulations (note 7 main accounts)	(27,393)	6,194
<b>Net Increase/ Decrease before Transfers to Earmarked Reserves</b>	<b>(2,659)</b>	<b>13,086</b>
Transfers to/from Earmarked Reserves (note 8 main accounts)	1	14
Transfers between reserves	-	(37)
Other Adjustments	-	-
<b>Increase/Decrease in Year</b>	<b>(2,658)</b>	<b>13,063</b>
<b>Balance at 31 March carried forward</b>	<b>25,130</b>	<b>27,787</b>

# Notes to Housing Revenue Account Income & Expenditure Statement

## 1. Other Operating Income

	2013/14	2012/13
	£000	£000
(Gains)/Losses on the disposal of non-current assets	351	(2,054)
<b>Total</b>	<b>351</b>	<b>(2,054)</b>

## 2. Financing and Investment Income and Expenditure

	£000	£000
Interest payable and similar charges	8,663	9,077
Pension interest cost and expected return on pension assets	1,608	1,158
Interest receivable and similar income	(324)	(133)
Income & expenditure in relation to investment properties and changes in their fair value	-	-
<b>Total</b>	<b>9,947</b>	<b>9,932</b>

## 3. Taxation and Non-Specific Grant Income

	£000	£000
Capital Grants and contributions	(555)	(495)
<b>Total</b>	<b>(555)</b>	<b>(495)</b>

## 4. Loan Charges

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £8,731,393 being charged to the HRA in 2013/14 (21012/13 £8,983,298).



## 5. HRA Council Dwellings

At 31 March 2014 there were 15,486 HRA Council dwellings, of which 987 were sheltered housing units.

	31-Mar-14	31-Mar-13
	<b>Total</b>	<b>Total</b>
Parlour houses	317	320
Non-parlour houses	5,381	5,448
Non-traditional houses	657	663
Bungalows	341	341
Cottage properties	244	262
Flats	6,629	6,685
Maisonettes	514	515
Flats in tower blocks	416	419
Sheltered/Good Neighbour housing units	987	987
	<b>15,486</b>	<b>15,640</b>
The changes in stock during the year can be summarised as follows		
<b>Stock as at 1 April</b>	<b>15,640</b>	<b>15,744</b>
Right to Buy sales	(145)	(90)
Other Dwelling Sales	(9)	(16)
Conversions	(1)	1
Demolitions	(2)	-
Transfer to Registered provider of Social Housing	-	-
New Dwellings in HRA	-	-
Re-purchase of former RTB Dwelling	3	1
<b>Stock as at 31 March</b>	<b>15,486</b>	<b>15,640</b>

## 6. Housing Valuation

	31-Mar-14	31-Mar-13
	£000	£000
		(restated)
Operational Assets:		
Council Dwellings (HRA)	626,806	605,998
Other Land & Buildings	22,952	24,073
Vehicle, Plant & Equipment	1,205	1,298
Infrastructure & Community Assets	2,197	2,197
Assets Under Construction	2,445	2,407
Surplus assets not held for sale	143	389
Investment Properties	-	1,510
<b>Sub Total</b>	<b>655,748</b>	<b>637,872</b>
Assets held for Sale - Non Current	-	-
Assets held for Sale - Current	392	370
<b>Sub Total</b>	<b>392</b>	<b>370</b>
Intangible Assets	203	254
<b>Sub Total</b>	<b>203</b>	<b>254</b>
<b>Total</b>	<b>656,343</b>	<b>638,496</b>

There is a remaining piece of housing land belonging to the General Fund whose value amounts to £0.004m (2012/13 £0.004m). This figure together with the above figure for HRA Council dwellings equate to the value for Council dwellings shown in note 12 to the Core Financial Statements £626.8m (2012/13 £606.0m).

As set out in the Statement of Accounting Policies, Council dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This value is less than the Vacant Possession Value to reflect the fact that Local Authority Housing is let at sub-market rents and, in broad terms, is arrived at after applying a regional adjustment factor of 61% (2012/13 61%). The difference between the two values therefore shows the economic cost of providing housing at less than market value.

The Vacant Possession Value of all HRA Dwellings as at 1 April 2013 was £1,574,732,330 (1 April 2012 £1,522,469,990)

## 7. Major Repairs Reserve

	2013/14 £000	2012/13 £000
Balance brought forward at 1 April	(4)	(11,173)
Depreciation charge for the year	(11,892)	(12,384)
Financing of capital expenditure for the year	11,896	23,553
Excess of depreciation over MRA	-	-
<b>Balance for the year</b>	<b>4</b>	<b>11,169</b>
<b>Balance Carried forward</b>	<b>-</b>	<b>(4)</b>

The financing of capital expenditure for the previous year relates to an overestimation of income receivable and the consequent under-use of Major Repairs Reserve to finance capital expenditure in 2012/13.

## 8. HRA Capital Expenditure

	2013/14 £000	2012/13 £000
<b>Capital Investment</b>		
Opening Capital Financing Requirement 1st April	211,568	213,546
Operational Assets	26,323	23,806
Other Land & Buildings	-	125
Intangible Assets	-	199
Surplus Assets	19	-
Assets under Construction	2,210	2,407
Housing Revenue Self Financing	-	-
Revenue Expenditure Financed as Capital	-	9
Appropriation from GF	(1,510)	-
Reclassification to GF	138	(1,978)
	<b>238,748</b>	<b>238,114</b>
<b>Sources of Finance</b>		
Capital Receipts	(179)	(1,171)
Government Grants & Other Contributions	(553)	(495)
Major Repairs Allowance	(11,896)	(23,553)
Revenue Contributions	(15,923)	(1,327)
	<b>210,197</b>	<b>211,568</b>

The opening Capital Financing Requirement (CFR) is restated due to the recognition that a cumulative error in calculation of the CFR had occurred.

## 9. HRA Capital Receipts

In 2013/14 total capital receipts from the disposal of HRA assets were:

	2013/14	2012/13
	£000	£000
Land	205	376
Council dwellings	7,914	6,288
<b>Total</b>	<b>8,119</b>	<b>6,664</b>

## 10. Depreciation

From 1<sup>st</sup> April 2012 depreciation of the Council's housing stock is calculated by reference to the value at the previous 31<sup>st</sup> March. Council dwellings have their individual components identified as to the date of upgrade, and using the asset life as advised by the Council's valuers, depreciation associated with each properties components is calculated.

From 1st April 2013 depreciation of the Council's garage stock has moved from Council dwellings to Other land & buildings.

The amount of depreciation charged for the year was £12,589k (2012/13 £12,477k)

	2013/14	2012/13
	£000	£000
<u>Operational Assets</u>		
Council dwellings	11,894	12,230
Other land & buildings	551	154
Vehicles, Plant & Equipment	93	93
Intangible Assets	51	
	<b>12,589</b>	<b>12,477</b>

## 11. Impairment & Revaluation Losses

During the year there were £3,085,796.79 of impairment costs (2012/13 £1,986,833) relating to HRA assets, which are detailed in the tables below.

	2013/14 £000	2012/13 £000
Impairments		
Council Dwellings	(2,675)	(1,988)
Other Property	(411)	2
	<b>(3,086)</b>	<b>(1,986)</b>
Disabled Facilities adaptations not adding value	(1,053)	(673)
Lift installations not adding value	(145)	-
Upgrades to District Heating schemes not adding value	(90)	-
Enhancement of HRA estates not adding value	(257)	-
Construction of Bin Stores not adding value	(682)	-
Other additions not adding value	-	(1,028)
Impairment due to adverse ground conditions	(448)	-
Other	(411)	(286)
	<b>(3,086)</b>	<b>(1,987)</b>

Revaluation losses of £8,963,930 affected the Comprehensive Income and Expenditure Statement (2012/13 gain £8,918,912).

## 12. Pensions Reserve

As set out in the Statement of Accounting Policies at Note 1, the Council has restricted the accounting entries for the purposes of IAS19 'Retirement Benefits' to current service cost only for the HRA. This is reflected in the Net Cost of Services and a compensating adjustment is made to the Pensions Reserve in order that there is no impact on either the surplus/deficit for the year or subsequent rent levels.

## 13. Rent Arrears

Rent arrears at 31 March 2014 were £3.93m (2012/13 £3.66m). The provision for doubtful debts (rents) at 31 March 2014 was £2.32m (2012/13 £1.98m). Amounts written off during the year amounted to £0.19m (2012/13 £0.27m).

## The Collection Fund Revenue Account

			31-Mar-14		31-Mar-13
		Business Rates	Council Tax	Total	
	Notes	£000	£000	£000	£000
<b>INCOME</b>					
Council Tax receivable			67,481	67,481	50,904
Business rates receivable		76,538		76,538	74,831
Council Tax benefits				-	14,953
Council Tax Reduction Scheme			(14,519)	(14,519)	-
		<b>76,538</b>	<b>52,962</b>	<b>129,500</b>	<b>140,688</b>
<b>EXPENDITURE</b>					
<b>Precepts &amp; Demands:</b>					
Central Government		37,637		37,637	-
Norfolk County Council		7,527	37,184	44,711	47,057
Norfolk Police Authority			6,520	6,520	8,092
Norwich City Council		30,109	7,478	37,587	9,282
<b>Distribution of Estimated Surplus for Previous Years:</b>					
Central Government					-
Norfolk County Council			427	427	71
Norfolk Police Authority			73	73	12
Norwich City Council			84	84	14
<b>Charges to Collection Fund</b>					
Payment to National Pool				-	74,562
Costs of Collection		269		269	269
Increase/decrease in Bad Debt Provision		679	107	786	-
Increase/decrease in Provision for Appeals		866		866	-
Write Offs of uncollectable amounts		716	571	1,287	406
Allowance for impairment				-	124
		<b>77,803</b>	<b>52,444</b>	<b>130,247</b>	<b>139,889</b>
Collection Fund Balance b/fwd at 1 April			2,363	2,363	1,564
Surplus / (Deficit) for the year		(1,264)	518	(746)	799
<b>Collection Fund Balance c/fwd at 31 March</b>		<b>(1,264)</b>	<b>2,881</b>	<b>1,617</b>	<b>2,363</b>

## Notes to the Collection Fund Statement

### 1. Income from Business Rates

Since 1 April 2013 and the introduction of the Business Rates Retention Scheme, the Council collects national non-domestic rates (NNDR) for its area, which are based on local rateable values controlled by the Valuation Office multiplied by a uniform rate controlled by Central Government. The total amount, less certain reliefs and other deductions, is paid to Central Government, Norwich City Council and Norfolk County Council in accordance with legislated percentages of 50%, 40% and 10% respectively.

The total non-domestic rateable value at 31 March 2014 was £195,522,021 (31 March 2013 £196,768,930). The national non-domestic rate multiplier for 2013/14 was 47.1p in the £ (2012/13 45.8p in the £). The small business multiplier for eligible businesses in 2013/14 was 46.2p in the £ (2012/13 45p in the £).

### 2. Council Tax

The calculation of the tax base, i.e. the number of chargeable dwellings in each Valuation Band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, is shown below:

Property Value	Band	2013/14 Calculated Number of Properties in Band	2012/13 Calculated Number of Properties in Band
Up to £40,000	A	8,874.98	14,473.51
£40,001 to £52,000	B	11,640.26	14,607.52
£52,001 to £68,000	C	5,606.89	6,049.02
£68,001 to £88,000	D	2,918.00	2,986.55
£88,001 to £120,000	E	2,275.29	2,318.92
£120,001 to £160,000	F	1,108.90	1,096.98
£160,001 to £320,000	G	955.50	960.92
Over £320,000	H	97.50	92.00
		<b>33,477.32</b>	<b>42,585.42</b>
Collection Rate		0.97 x	0.965 x
		<b>32,473.00</b>	<b>41,094.93</b>
Contribution in Lieu (relating to Crown Properties)		0	0
<b>Tax Base</b>		<b>32,473.00</b>	<b>41,094.93</b>

In 2013/14 Council Tax Benefit was replaced by the Council Tax Reduction Scheme which is a local scheme and is included as a discount in the calculation. This results in a much lower tax base than in previous years.

The tax rate per Band D property was £1,576.13 (2012/13 £1,567.86).

### 3. Council Tax Contribution to Collection Fund Surpluses & Deficits

The Council Tax surplus on the Collection Fund will be distributed in subsequent financial years between Norwich City Council, Norfolk County Council and Norfolk Police Authority in proportion to the value of the respective precept made on the Collection Fund.

		2013/14	2012/13
		£000	£000
Norfolk County Council		2,093	1,725
Norfolk Police Authority		367	297
Norwich City Council		421	340
<b>Surplus Carried Forward</b>		<b>2,881</b>	<b>2,362</b>

### 4. NNDR Contribution to Collection Fund Surpluses and Deficits

The NNDR surplus/deficit on the Collection Fund will be distributed in subsequent financial years between Central Government, Norwich City Council and Norfolk County Council in accordance with legislated percentages of 50%, 40% and 10% respectively.

		2013/14	2012/13
		£000	£000
Central Government		(632)	-
Norwich City Council		(506)	-
Norfolk County Council		(126)	-
<b>Surplus /(deficit) Carried Forward</b>		<b>(1,264)</b>	<b>-</b>



## GLOSSARY OF TERMS

### Accounting Period

The period of time covered by the accounts, normally a period of twelve months, that commences on 1 April for local authority accounts. The end of the accounting period, i.e. 31 March, is the balance sheet date.

### Accrual

A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.

### Amortisation

A measure of the consumption of the value of intangible assets, based on the remaining economic life.

### Asset

An item having a value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year where a current asset (e.g. stocks or short-term debtors) can readily be converted into cash.

### Audit of Accounts

An independent examination of the Council's financial affairs, which ensures that the relevant legal obligations and codes of practice have been followed.

### Balance Sheet

A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.

### Billing Authority

A local authority charged by statute with the responsibility for the collection of and accounting for council tax, NNDR and residual community charge. These in the main are district councils, such as Norwich, and unitary authorities.

### Budget

A financial statement that expresses the council's service delivery plans in monetary terms. This normally covers the same period as the financial year but increasingly councils are preparing medium-term financial plans covering 3 to 5 years.

### Capital Expenditure

Expenditure to acquire fixed assets that will be used in providing services beyond the current accounting period or expenditure that adds value to an existing fixed asset.

### Capital Financing

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

### Capital Financing Requirement

The capital financing requirement reflects the Council's underlying need to borrow for a capital purpose.

### Capital Programme

The capital schemes the council intends to carry out over a specified time period, often within a 6 to 10 year timeframe.

### Capital Receipt

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.

### **Cash Equivalents**

Investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **Chartered Institute Of Public Finance and Accountancy (CIPFA)**

The principal accountancy body dealing with local government finance.

### **CIPFA Code of Practice on Local Authority Accounting**

This specifies the principles and practices of accounting to be followed when preparing the Statement of Accounts. It constitutes "proper accounting practice" and is recognised as such by statute.

### **Collection Fund**

A separate fund maintained by a billing authority which records the expenditure and income relating to council tax, NNDR and residual community charges.

### **Community Assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks.

### **Comprehensive Income and Expenditure Statement**

This statement reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants, and income from local taxpayers. It brings together expenditure and income relating to all the local authority's functions.

### **Consistency**

The concept that the accounting treatment of like items within an accounting period, and from one period to the next one is the same.

### **Contingent Liability**

A possible obligation arising from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events, that are not wholly within the Council's control.

### **Creditor**

Amounts owed by the Council for work done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

### **Debtor**

Amounts due to the Council for work done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

### **Depreciation**

The measure of the cost or revalued amount of the benefits of a fixed asset that have been consumed during the accounting period.

### **Effective Rate of Interest**

The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance at initial measurement.

### **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the Council, and which need to be disclosed separately, by virtue of their size or incidence, such that the financial statements give a true and fair view.

### **Fair Value**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

### **Finance Lease**

A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Not the same as an Operating Lease (q.v.).

### **Financial Instruments**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets (e.g. bank deposits and investments), and financial liabilities (e.g. trade payables and borrowings).

### **Financial Reporting Standard (FRS)**

Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these standards is normally mandatory and any departure from them must be disclosed and explained.

### **Fixed Assets**

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

### **Housing Revenue Account**

A separate account to the General Fund, which includes the expenditure and income arising from the provision of housing accommodation owned by the Council.

### **Impairment**

The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

### **Infrastructure Assets**

Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways), and for which a useful life-span cannot be readily assessed.

### **Intangible Fixed Assets**

These are assets which do not have a physical substance, e.g. software licences, but which yield benefits to the Council and the services it provides, for a period of more than one year.

### **Movement in Reserves Statement**

This statement precedes the Comprehensive Income and Expenditure Statement. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute, and non-statutory proper practices, to be charged or credited to the General Fund, Housing Revenue Account & other reserves

### **Movement in Reserves Statement – Housing Revenue Account**

This statement follows the Housing Revenue Account Income and Expenditure Statement. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute, and non-statutory proper practices, to be charged or credited to the Housing Revenue Account.

### **NNDR (National Non-Domestic Rate)**

National Non-Domestic Rate is a standard rate in the pound, set by the government, on the assessed rateable value of properties used for business purposes.

### **Non-Current Asset**

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

### **Operating Lease**

A lease where the ownership of the fixed asset remains with the lessor. Not the same as a Finance Lease (q.v.).

### **Outturn**

Refers to actual income and expenditure or balances as opposed to budgeted amounts.

### **Precept**

The amount which a local authority, which cannot level a council tax directly on the public, requires to be collected on its behalf. The major precepting authorities are Norfolk County Council and Norfolk Police Authority.

### **Provisions**

Monies set aside for liabilities which are likely to be incurred, but where exact amounts or dates are uncertain.

### **Prudential Code**

The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.

### **Rateable Value**

The annual assumed rental value of a property, which is used for business purposes.

### **Reserves**

The accumulation of surpluses and deficits over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Reserves of a capital nature may have some restrictions placed on them as to their use.

### **Revenue Expenditure**

Spending on day to day items, such as employees' pay, premises costs and supplies and services.

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund and impact on that years' council tax.

### **Revenue Support Grant**

The main grant paid by central government to a local authority towards the costs of their services.

### **SERCOP (Service Reporting Code of Practice)**

The Service Reporting Code of Practice provides guidance on the content and presentation of costs of service activities within the CIES. It constitutes 'proper accounting practice' and is recognised as such by statute.

### **Tangible Assets**

See Fixed Assets (q.v.)

### **Transfer of Undertakings (Protection of Employment) Regulations (TUPE)**

This protects employees' terms and conditions of employment when a business is transferred from one owner to another. Employees of the previous owner when the business changes hands automatically become employees of the new employer on the same terms and conditions.

### **Trust Funds**

Funds administered by the Council for such purposes as prizes, charities and specific projects, usually as a result of individual legacies and donations.

### **Two Tier authority**

In most areas of England, local government functions are divided between two tiers of local authority, county councils, known as "upper tier" authorities and city, borough or district councils, known as "lower tier" authorities.



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