



AUDIT COMMITTEE

Date: **Tuesday 24 September 2013**

Time: **4.30pm**

Venue: **Committee room, City Hall**

COMMITTEE MEMBERS:

Councillors:

Little (Chair)
Wright (Vice chair)
Bremner
Boswell
Driver
Kendrick
Neale
Waters

FOR FURTHER INFORMATION PLEASE CONTACT -

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City Hall
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Supplementary agenda Reports to follow

Page No.

Audit results report (ISA 260) 2012-13 (Agenda Item 6) **17**
(Report of the chief finance officer)

Purpose – To present the external auditors' audit results report (ISA 260) 2012-13.

Statement of Accounts 2012-13 (Agenda item 7) **43**
(Report of the chief finance officer)

Purpose - This report presents the formal statement of accounts as part of the council's approval process.

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Report to Audit committee
 24 September 2013
Report of Chief finance officer
Subject Audit results report 2012-13

Item

6

Purpose

This report presents the audit results report 2012-13.

Recommendation

That the committee:

- (1) reviews and notes the attached report from the council's external auditor;
- (2) approves the draft letter of management representation presented in Appendix B of the report; and
- (3) notes the unresolved issues detailed in section 3 of the report under 'Significant qualitative aspects of accounting practices'..

Corporate and service priorities

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

Financial implications

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

Ward/s: All

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Caroline Ryba, chief finance officer	01223 699292
Philippa Dransfield, chief accountant	01603 212562

Background documents

None.

Report

Background

1. The audit results report summarises the findings from the 2012-13 external audit which is substantially complete. It includes the messages arising from the audit of council's financial statements and the results of the work undertaken to assess arrangements to secure value for money in the council's use of resources.

Adjustments to the financial statements

2. The audit committee should note the adjustments made to the financial statements and those errors which have not been adjusted:
 - (a) The audit identified two material errors and seven non-trivial errors which officers have adjusted for in the financial statements. The detail on the impact of these errors is in the covering report to the statement of accounts.
 - (b) The audit identified a material error in a primary statement detailed in section 8 of the ARR, which officers have adjusted for in the financial statements.
 - (c) At 31 March 2013 there were one area of uncertainty which was not adjusted for which is detailed in section 8 of the ARR.

Letter of representation

2. The audit committee is asked to approve the letter of representation on behalf of the council before the audit opinion and conclusion is issued.

Proposed action plan

3. There are areas which remain unresolved from the IAS260 report from 11-12 which relate to property, plant and equipment, the detail of which is in section 3 of the report under significant qualitative aspects of accounting practices.

Norwich City Council

Audit Results Report (ISA260) for the year ended
31 March 2013

Issued 18 September 2013



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Private and confidential

Audit Committee Chair
Norwich City Council
City Hall
St Peter's Street
Norwich
NR2 1NH

24 September 2013

Dear Sir

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to Norwich City Council (the Authority's) financial position and results of operations for 2013.

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

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

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

We welcome the opportunity to discuss the contents of this report with you at the audit committee meeting scheduled on 24 September 2013.

Yours faithfully
For and on behalf of Ernst & Young LLP

Andy Clewer
Partner
Ernst & Young LLP
United Kingdom
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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

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

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

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

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

1. Overview of the financial statement audit

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

As auditors we are responsible for:

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

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

Financial statements

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified opinion on the Authority's financial statements. Our main findings in relation to the areas of risk/areas of audit emphasis included in our Audit Plan are set out in section 3 of this report.

Economy, efficiency and effectiveness

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified value for money conclusion.

Whole of Government accounts

We are currently completing our work required to issue our report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts. To date, we have no issues to report.

Control themes and observations

Our audit did not identify any control issues that we need to bring to your attention.

Summary of audit differences

Our audit identified a number of errors which we have highlighted to management for amendment. All of these have been adjusted during the course of our work. There was one material adjustment to a primary statement, the cashflow statement, and brief details of this have been provided in section 8. Of the remaining adjusted items, none had a material impact on the primary statements and so we have not provided further details of these amendments.

In section 8 we highlight the one judgemental difference which was not corrected by management.

2. Scope update

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan that we issued on 19 March 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

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

We carried out our work in accordance with our Audit Plan.

3. Significant findings from the financial statement audit

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

Significant risk 1:

Opening balances

As a first year engagement, the application of professional judgement resulted in a lower materiality level than applied by your previous external auditor. We were therefore required to assess the impact of prior year unadjusted errors on the current year financial statements, as there was a risk that unadjusted errors from previous years would now be a material issue for our audit report on the 2012/13 financial statements.

We worked closely with the finance team to focus on those unadjusted errors from previous years where a further assessment was required to ensure there was not a material impact on the current year statements. All issues were satisfactorily concluded.

Significant risk 2

Property, Plant and Equipment (fixed assets) accounting records

Audit Reports submitted by predecessor auditors in previous years commented on weaknesses in accounting for fixed assets. This has contributed to material errors in previous years.

Due to the complexity and value of fixed assets, weaknesses in accounting records increase the risk that asset values, additions, disposals, transfers, write backs of impairments and downward revaluations, and componentisation may contain material misstatements.

Property, plant and equipment accounting records still contain significant weaknesses and these have impacted on the 2012/13 audit. See 'Significant qualitative aspects of accounting practices' on page 5 for further details.

Significant risk 3

HRA self financing

The government reformed local authority housing finance by adopting a self-financing model from 1 April 2012. This involved a one-off settlement payment to central government in March 2012. The in year accounting for self-financing commenced in 2012/13 and required changes in accounting practices for HRA depreciation and the allocation of debt charges between housing and general fund services. Due to the complexity and magnitude of the HRA reform there was a risk the financial statements would be materially misstated.

We have worked closely with the finance team throughout the year regarding various aspects of capital accounting and financing. A number of issues regarding the general fund and HRA capital financing requirement and the pooling of debt were identified. All issues were satisfactorily concluded.

Significant risk 4

Assessment of the Group boundary

The finance team undertook an assessment of the group boundary against the criteria stipulated in the accounting standard relevant to the Code of Practice; IAS27. The purpose of the assessment was to conclude which potential group entities fall within the boundary and therefore require consolidating into the Council's Financial Statements.

The assessment concluded that both Norse based companies did fall within the group boundary as associate undertakings. However, neither were material in 2012/13 and therefore group accounts were not required. We concurred with the conclusion drawn from this assessment with regard to 2012/13. The finance team will re-visit the assessment in 2013/14.

Other financial statement risk 1

Preparation of the financial statements

The Council have worked hard in previous years to improve financial reporting arrangements, and this was reported in the 2011/12 Annual Governance Report. However, it was also reported that the 2011/12 accounts presented for audit were not fully supported by adequate working papers and contained a number of material issues that required adjustment. In the absence of further improvements there remained a risk that the 2012/13 financial statements would not be free from material misstatement and compliant with the Code of Practice.

We have worked closely with the finance team throughout the year, consulting and agreeing on a regular basis regarding various aspects of accounting treatment. In addition, we provided the finance team with the outcome of our technical review of the accounts; which focussed on the significant issues relevant to our opinion.

This close working and the diligence of the finance team has resulted in an improvement in the quality of financial reporting in 2012/13.

Other financial statement risk 2

Whole of Government Accounts

The 2011/12 audit report on the Whole of Government Accounts (WGA) was issued after the 5 October deadline. A qualified 'disagreement' report was issued on 30 October 2012. As above, in the absence of further improvements there remained a risk that the WGA consolidation pack contains errors and is not consistent with the audited accounts.

As noted above, our work in this area is still ongoing. However, no issues have arisen to date and we will update the Audit Committee on the final position at the meeting on 24 September 2013.

Other financial statement risk 3

Risk of misstatement due to fraud and error

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

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

We have designed and implemented appropriate procedures to obtain reasonable assurance as to whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. There were no issues arising from this work.

The Council was 'green' rated in the latest NFI assessment. Good progress has been made on all NFI match reports across all datasets. The Council appear on track to complete NFI reviews/investigations in reasonable time.

Significant qualitative aspects of accounting practices

Property, Plant and Equipment (fixed assets) accounting records

We are pleased to note that many of the issues detailed in the ISA 260 Report issued by the predecessor auditors, the Audit Commission, in 2011/12 have been addressed. However the issues set out in the table below in relation to property, plant and equipment remain unresolved and have caused difficulties during the current year audit.

Policy/practice/finding	EY comments
Fixed asset register	<p>Previous auditors have commented on weaknesses in the spreadsheets used as a fixed asset register. Issues in this area have continued to arise during the current audit.</p> <p>In particular the register does not contain sufficient information to enable verification of the accuracy of the impairment balance available for write back through the comprehensive income and expenditure statement (CIES) without reference to earlier versions of the fixed asset register.</p> <p>Officers should continue to reconcile the amount of impairments and downward revaluations available for write back through the CIES to the difference between the carrying value of assets and the depreciated historical cost of those assets.</p>
Additions to fixed assets	<p>The working papers initially provided for audit lacked sufficient detail to enable us to select a sample of additions for audit testing. Considerable time and effort was required by the finance and audit team to produce such a working paper. Improvements made by the finance team in this area in 2013-14 would lead to audit efficiency.</p>
Depreciation	<p>We noted that depreciation is being calculated on other land and buildings with reference to incorrect useful lives. The useful life of an asset used for depreciation purposes should remain fixed until there is evidence that the useful economic life has changed.</p> <p>The Council's current approach overstates depreciation and therefore affects the size of any revaluation adjustment when assets are subject to a revaluation exercise. If uncorrected over a prolonged period this could lead to material misstatement between the revaluation reserve and the capital adjustment account.</p> <p>Officers should review the useful lives being used in their depreciation calculations in 2013-14; ensuring agreement to the latest information from the Council's external valuers.</p>

4. Economy, efficiency and effectiveness

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

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

The table below presents the findings of our work in response to the risk area presented to you in our Audit Plan.

Significant risks:	Impacts arrangements for securing:	Key findings:
Level of reserves		
<p>The general fund reserves at 31 March 2012 were £3.8 million. This was close to the prudent level set by Cabinet of £3 million which has since been increased to £4.35 million.</p> <p>In common with other Councils, the continued pressure on Council funding increases the risk that general reserve levels may fall below levels considered prudent, and therefore impact upon the financial resilience of the Council.</p>	<p>Financial resilience</p> <p>Our approach focused on reviewing the medium term financial strategy and specifically the Council's impact assessment on the level of reserves, and future plans to ensure the minimum level of reserves set by Cabinet is achieved.</p>	<ul style="list-style-type: none"> ▶ The Council applies a robust approach to determine minimum levels of reserves, which is updated annually as part of the budget setting process. This risk based approach assesses potential variances in all major sources of income and expenditure, and considers other factors that may impact on operations like regulatory changes. ▶ The General Fund balance as at 31 March 2013 is £1.6 million higher than the minimum set level. ▶ The 2011/13/14 budget setting report and Medium Term Financial Strategy updates budgets and savings targets for the next five years. ▶ Our assessment has concluded that the Council has robust systems and processes to manage financial risks and opportunities effectively; thereby securing a stable financial position.

5. Control themes and observations

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

Other than as outlined on page 5, our audit did not identify any control issues that we need to bring to your attention.

6. Status of our work

6.1 Financial statement audit

Our audit work in respect of our opinion on the Authority's financial statements is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Letter of representation	To be tabled at the audit committee on 24 September 2013.	Management and Audit Committee
Property Plant and Equipment	Audit work to complete in respect of: <ul style="list-style-type: none"> ▶ Revaluations; ▶ Impairments; and ▶ De-recognition of replaced components 	Management and EY
Revaluation reserve	Movements on the fixed asset register need to be reconciled to movements in the revaluation reserve	Management and EY
Annual Governance Statement	To be reviewed for consistency with our knowledge and understanding	EY

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

6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete and we anticipate issuing an unqualified value for money conclusion.

7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £'000	Scale fee 2012/13 £'000	Actual fee 2011/12 £'000	Explanation of variance
Total Audit Fee – Code work	TBA	105,652	206,087	See below
Certification of claims and returns	*	48,850	100,236	See below

We communicated our planned fee to you within our Audit Plan issued in March this year. As our work is still currently ongoing, and as outlined in our report we had some difficulties in particular in relation to our audit work on Property Plant & Equipment, we will be discussing our final fee levels with senior officers in the near future. We will report back to the Audit Committee in our Annual Audit Letter.

**Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance in January 2014 within the Audit Certification Report for 2012/13.*

8. Summary of audit differences

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

Our audit identified a limited number of errors which we have highlighted to management for amendment. All of these have been adjusted during the course of our work.

There was one material adjustment made to a primary statement, the cashflow statement. Capital grants credited to surplus / deficit on the provision of services was quoted as a debit of £1,048k when it should have been a credit of £1,133k. The error occurred when cash receipts and amounts credited to the CIES were transposed in the cashflow model. The financial statements have been corrected for this error.

We do not consider any of the remaining errors to have a material impact on the primary statements and so we have not provided further details of these amendments.

In addition we highlight the following judgemental difference which was not corrected by management:

	Assets current	Assets non- current	Liabilitie s current	Liabilitie s non- current	Income	Expense s
	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit) Current period	Debit/ (Credit) Current period
Uncorrected misstatements						
Judgemental differences:						
1 Short term debtors	(299,981)					
Short term creditors		299,981				
Unallocated year end cash receipts have all been recognised within short term creditors as receipts in advance. It is possible that some of these cash receipts relate to the reimbursement of existing short term debtors.						
Balance sheet totals	(299,981)	299,981	-	-	-	-
Income effect of uncorrected misstatements					-	-
Cumulative effect of uncorrected misstatements before turnaround effect					-	-
Turnaround effect. See note 1 below					-	-
Cumulative effect of uncorrected misstatements, after turnaround effect					-	-

Note 1: turnaround effect is the impact of uncorrected misstatements identified in the prior period, on results of the current period.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 19 March 2013. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 24 September 2013.

Appendix A Required communications with the Audit Committee

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

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit results report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit results report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Enquiries made of the Audit Committee in June 2013, and response received.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report – no significant matters arising
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report – no issues to report

Required communication	Reference
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report – no issues to report
Independence Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and update in section 9 of this report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report – no issues to report
Significant deficiencies in internal controls identified during the audit	Audit results report – no issues to report
Opening Balances <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance of initial audits 	Audit results report – no issues to report
Fee reporting <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	Audit Planning Report and update in section 7 of this report.
Summary of certification work undertaken <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	Annual Certification Report – to be issued January 2014

Appendix B Letter of representation

[To be prepared on the entity's letterhead]

[Date]

Andy Clewer
Partner
Ernst & Young LLP
400 Capability Green,
Luton,
Bedfordshire
LU1 3LU

Dear Andy

**Norwich City Council
Audit of Financial Statements 2012/13
Letter of Representation**

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

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

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

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - ▶ Additional information that you have requested from us for the purpose of the audit and
2. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.
4. Claims have been disclosed in Note 25 Provisions. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than those events described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - ▶ We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - ▶ The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - ▶ The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - ▶ No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

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

I. Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate non-current assets and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours sincerely

Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Audit Committee on 24 September 2013

Chairman of Audit Committee

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Report to Audit committee
 24 September 2013
Report of Chief finance officer
Subject Statement of accounts 2012-13

Item

7

Purpose

This report presents the formal audited statement of accounts, to be authorised by the audit committee and the chief finance officer on by the statutory deadline of 30 September 2013.

Recommendation

That the committee:

- (1) considers the statement of accounts 2012-13; and,
- (2) delegates to the chief finance officer, in consultation with the chair, the final approval of the statement of accounts 2012-13.

Corporate and service priorities

The report helps to meet the council priority to provide value for money services

Financial implications

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

Ward/s: All

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Caroline Ryba, chief finance officer	01223 699292
Philippa Dransfield, chief accountant	01603 212562

Background documents

None

Report

Background

1. The unaudited draft statement of accounts was authorised by the chief finance officer (CFO) on 28 June 2013. 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. There is no requirement for the committee to approve the draft financial statements however the unaudited accounts were presented to the audit committee on 23 July 2013 for review.
2. This version of the statement of accounts has been audited and 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. Compared with 2012, the CoP 2013 has introduced few additional accounting requirements and changes
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. A summary of changes from 2011-12 to 2012-13 and between the version signed on 28 June 2013 was included in the covering report for audit committee on 23 July 2013.
7. See appendix 1 for a summary of changes from the draft version signed on 28 June 2013 and the audited ones now presented.
8. Cultural services increase in costs of £0.785m is due to revaluation of an asset that was reclassified during the year from community assets to other land and buildings. The revaluation is required due to the reclassification and is reversed through the movement in reserves statement so has no impact on the general fund balance or council tax.

9. Local Authority Housing – HRA decrease in costs of £0.293m is due a reduction in the bad debt provision on council dwelling rent debtors to the calculated requirement.
10. Other housing services increase in costs of £0.037m is due to an increase in the bad debt provision on private sector housing rent debtors to the calculated requirement.

Review – Balance sheet

11. See Appendix 2 for a summary of changes from 31 March 2012 to 31 March 2013.
12. Property, Plant and Equipment decrease is due to a loss on revaluation referred to in 2.2.3 above.
13. Short term debtors increase of £0.256m is due to:
 - (a) Decrease of £0.293m in bad debt provision for council dwelling rent referred to in 2.2.4 above;
 - (b) Increase of £0.037m in bad debt provision for Private sector housing rent debtors referred to in 2.2.5 above.

Source documents	Location
CIPFA Accounting Code of Practice 2012/13.	Room 407 City Hall, Norwich
Statement of accounts 2011/12.	
Statement of accounts 2012/13	
Statement of accounts working papers.	
Outturn for 2012/13	

Appendix 1: Comprehensive Income and Expenditure Statement Changes

	Draft 2012-13 £000	Audited 2012-13 £000	Change £000	Change %	Ref
Central services to the public	4,051	4,047	(4)	(0.09)%	
Culture and related services	8,024	8,809	785	9.78%	2.23
Environment and regulatory services	8,728	8,731	3	-	
Planning services	2,217	2,217	-	-	
Highways and transport services	1,942	1,942	-	-	
Local Authority housing - HRA	(14,497)	(14,790)	(293)	2.02%	2.24
Other Housing Services	4,397	4,434	37	0.84%	2.25
Corporate and democratic core	2,689	2,689	-	-	
Non distributed costs	255	255	-	-	
Cost Of Services	17,806	18,334	528		
Other Operating Expenditure	(1,461)	(1,461)	-	-	
Financing and Investment Income and Expenditure	12,772	12,772	-	-	
Taxation and Non-Specific Grant Income	(24,730)	(24,730)	-	-	
(Surplus) or Deficit on Provision of Services	4,387	4,915	-		
(Surplus) or deficit on revaluation of fixed assets	(3,675)	(3,675)	-	-	
Actuarial (gains) / losses on pension assets / liabilities	21,310	21,310	-	-	
Other Comprehensive Income and Expenditure	17,635	17,635	-		
Total Comprehensive Income and Expenditure	22,022	22,550	528		

Appendix 2: Balance Sheet Changes

	Draft 31-Mar-13 £000	Audited 31-Mar-13 £000	Change £000	Change %	Ref
Property, Plant & Equipment	747,500	746,715	(785)	(0.10)%	2.31
Heritage assets	19,965	19,965	-	-	
Investment properties	36,228	36,228	-	-	
Intangible Assets	838	838	-	-	
Long Term Investments	16,814	16,814	-	-	
Long Term Debtors	8,236	8,236	-	-	
Long Term Assets	829,581	828,796	(785)		
Short Term Investments	28,200	28,200	-	-	2.32
Assets Held for Sale	1,880	1,880	-	-	
Inventories	28	28	-	-	
Short Term Debtors	11,641	11,897	256	2.20%	
Cash and Cash Equivalents	6,358	6,358	-	-	
Current Assets	48,107	48,363	256		
Short Term Borrowing	(1,300)	(1,300)	-	-	
Short Term Creditors	(20,432)	(20,432)	-	-	
Capital Grants & Contributions Receipts in Advance	(1,060)	(1,060)	-	-	
Current Liabilities	(22,792)	(22,792)	-		
Long Term Creditors	(3,926)	(3,926)	-	-	
Long Term Borrowing	(224,783)	(224,783)	-	-	
Other Long Term Liabilities	(136,230)	(136,230)	-	-	
Capital Grants and Contributions Receipts in Advance	(2,314)	(2,314)	-	--	
Long Term Liabilities	(367,253)	(367,253)	-		
Net Assets	487,643	487,114	(529)		
Usable Reserves	51,754	52,438	684	10.37%	
Unusable Reserves	435,887	434,674	(1,213)	(25.09)%	
Total Reserves	487,641	487,212	(529)		



Statement of accounts for the year ending 31 March 2013

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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 132,500 people.

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 10 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 some of the highest levels of deprivation of any urban area in the country.

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.

Summary of the social picture

- Levels of socio-economic deprivation are the third highest in the region and 70th (out of 326) in England.
- 25 per cent of housing is council rented, compared to only 5.5 per cent in Norfolk.
- 77 per cent of school leavers staying on to further education, compared with 83 per cent across Norfolk.
- 6.9 per cent of the working age population is claiming incapacity benefit/ employment support allowance.
- Overall crime reduced by 12 per cent in 2012 compared with the previous year.
- For the 12 months ending March 2013 there were 8,800 incidents of anti-social behaviour in Norwich, which was a year-on-year reduction of 8 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.

Summary of the environmental picture

- Norwich has the highest decrease in CO2 emissions per capita in the south and east of the UK as well as being one of the highest nationally, whilst at the same time having above average population growth
- Since the start of our Carbon Management Programme, Norwich City Council has reduced its carbon emissions by more than 20 per cent.
- University of East Anglia and Norwich Research Park are internationally recognised for excellence in environmental, health and life sciences.
- Norwich City Council has increased household recycling and composting to around 40 per cent and reduced residual waste per household.

Summary of the economic picture

- 41 per cent of Norwich's working age population is qualified to degree level and above, higher than the national (34%) and regional (33%) averages.
- Around 123,000 people work in the Norwich urban area and 50,000 workers commute to the city each day.
- 40 per cent of jobs in the county are based in the Norwich urban area.
- Norwich is ranked 13th in the UK as a retail centre and the sector accounts for 13% of employment in the city.

Summary of the cultural picture

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

Summary of the health picture

- The health picture overall for Norwich is mixed, with life expectancy overall similar to the national average.
- But this masks huge differences within the city, for example a difference of seven years between people in the healthiest and least healthy wards.
- Many key health measures are significantly worse in Norwich than in the rest of the county.
- Significant health issues with high levels of teenage pregnancy, mental health problems and drug and alcohol misuse.
- Low levels of malignant melanoma and diabetes.
- Lower than average children's population, and higher young people's population (16 to 24).
- Lower than average road deaths and injuries.

The council

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

- Street cleansing, waste collection and recycling services
- Planning, regeneration and economic 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

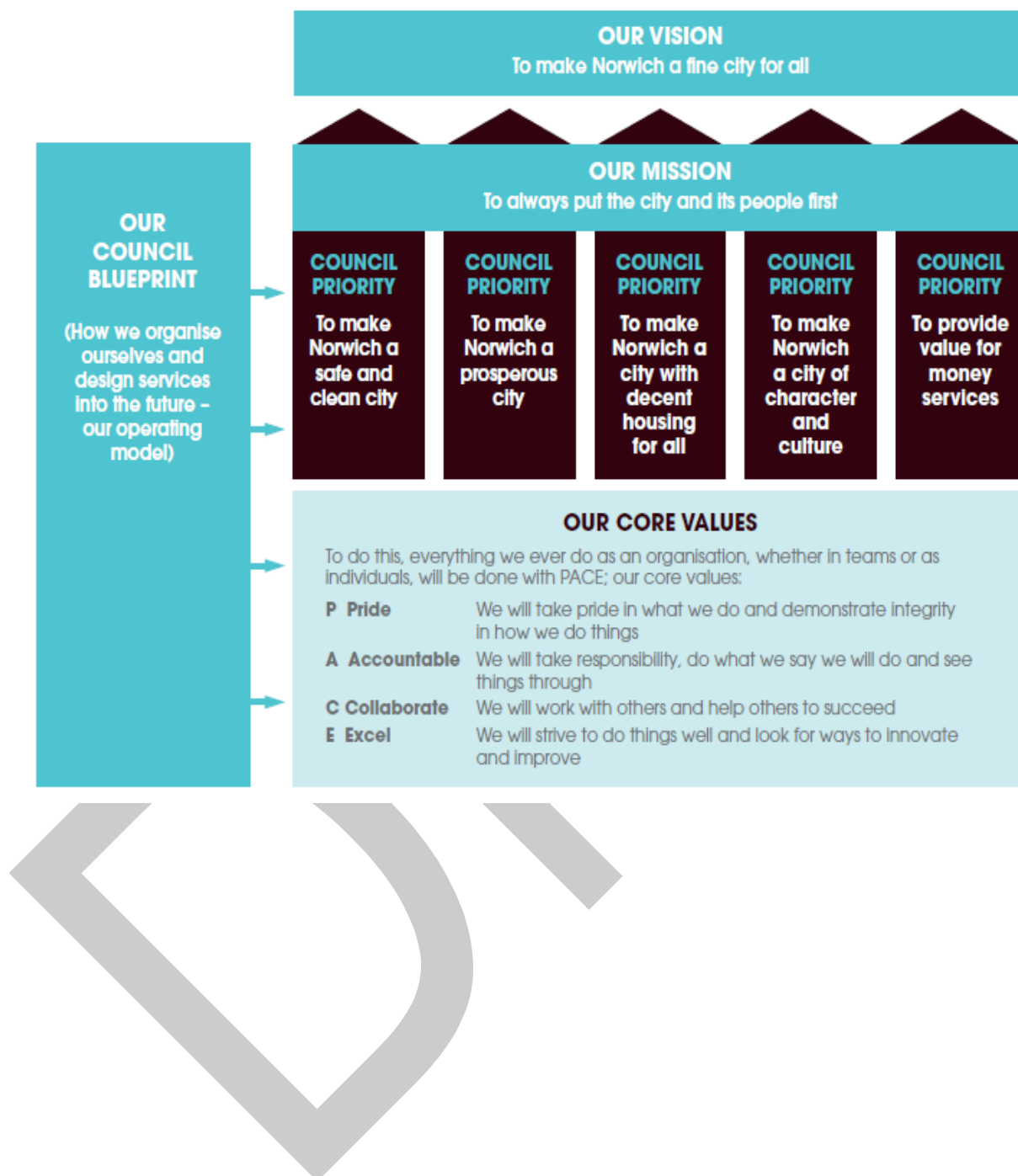
The Council operates a 'leader and cabinet' structure. The current cabinet consists of six members of the Labour group, including the leader of the Council.

- 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 services		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)	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	
HOW WE MEASURE WHAT WE ARE ACHIEVING (KEY PERFORMANCE MEASURES)	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 ₂ emissions from local authority operations
KEY SERVICES CONTRIBUTING	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 city of character and culture

- Norwich became the first English city to become a UNESCO City of Literature
- Over 50,000 people attended our Olympic torch celebrations which were widely commended as some of the best nationally and resulted in an estimated additional £3.5million spent in the city.
- Achieved UK Quality Scheme for Sports and Leisure commended status for our leisure centre provision in January 2011 maintaining our commended status in March 2012.
- Completed the restoration of the historic war memorial and gardens in consultation with veterans' groups. We were finalists in the Royal Town Planning Institute awards for the project.

Making Norwich a city with decent housing for all

- Re-let time for council housing reduced by more than 70 per cent going from over 64 days to around 16 days.
- Award for excellence in tenant participation from the Association of Retained Council Housing and retained the 'customer service excellence standard'.
- Ran an innovative Learning, Employment and Accommodation Project which has given unemployed homeless people the opportunity to learn new skills and get a job and a home, this includes 78 people who have accessed work focused opportunities and education, 19 people who have gone into independent accommodation and 18 people into employment.
- Enabled the delivery of 117 affordable homes in Norwich all of which have been on former council owned sites.
- Our families unit (FIP), provided support to families with multiple problems, and was recognised by the Department for Education as one of the top 10 FIPs in the country based on outcomes. This achieved an estimated social saving in excess of £12 million.

Making Norwich a prosperous city

- Delivered 85 new homes and 16 jobs through our agreement with the Homes and Communities Agency (HCA). This work resulted in us being finalists for service excellence in the Association for Public Service Excellence awards.
- Supported the establishment of 48 new businesses in Norwich through economic development.
- Completed the redevelopment of a major city centre site. St Augustine's. This £3.3 million project has opened up the north of the city centre, making it 'development ready'. This helped us to be a finalist in the MJ Awards sustainable infrastructure achievement of the year for our regeneration work.
- Helped hundreds of people through our financial inclusion programme.
- Ran a successful programme of affordable warmth including improvements to around 2,500 council homes and over 300 private homes. We were also the first City Council in the country to complete a collective energy switching scheme whereby 1700 households signed up and average annual savings of £150-£170 per year were achieved through the auction process.
- Development of an application for a City Deal for Greater Norwich to unlock greater economic growth working with our neighbouring authorities and the Local Enterprise Partnership.

Making Norwich a safe and clean city

- Achieved a recycling rate of 37% per cent (we have more than doubled our recycling rate improving from 18 per cent only a couple of years ago).
- Awarded the warden charter for our neighbourhood wardens in recognition that the service is efficient, effective and valued by local residents.

Ensuring value for money services

- Received recognition from the CLG as having the highest decrease in CO2 emissions per capita in the south and east of the UK as well as being one of the highest nationally, whilst at the same time having one of the highest population growths.
- Delivered a successful carbon management programme resulting in reduced carbon emissions of over 20 per cent in the last four years.
- GoVDelivery award for excellence in digital communications.
- Customer satisfaction with the council regularly at over 90 per cent.
- Achieved over £5.9 million of general fund revenue savings over the last year against a target of £4.6 million without a significant impact on frontline services. This was achieved through:
 - Utilising a resource optimisation methodology to challenge all council activities
 - Running a rolling series of lean reviews
 - Transferring our ICT, finance and revenues and benefits services into a shared service with Cambridgeshire and Northamptonshire County Councils (LGSS).
 - Establishing a joint venture for asset management
 - Rationalising office accommodation and sharing City Hall with the Norwich Clinical Commissioning Group.
 - Streamlining management structures.
 - Embedding culture change using different initiatives and interventions
- These savings were in addition to £14.3million of savings delivered over the previous three years equating to a total of £20million savings over the last four years which is more than 33 per cent of our gross controllable spend. This has been achieved with very little impact on the levels of service to the public.

External recognition of our performance and efficiency

The council received external verification of our improvement work and our changing pace blueprint (operating model) for the future through a successful peer challenge in March 2012, supported by the LGA. This has given the organisation even greater confidence as it moves forward in delivering its priorities for the city of Norwich. 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 early 2013 when the council was awarded 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.

Our improvement work was also highly commended in the Local Government Chronicle awards 2013 where we came second in the Most Improved Council of the Year Category.

Future plans for 2013/14

Below we summarise some of our key plans and work programmes for 2013/14 against each of the priorities within our corporate plan

Making Norwich a city of character and culture

- To finalise the adoption of the joint core strategy
- To introduce a community infrastructure levy
- To finalise a heritage investment strategy
- To develop a new cultural strategy in collaboration with the cultural sector

Making Norwich a city with decent housing for all

- To implement the new Norwich housing strategy
- To continue our programme of developing new affordable housing and to commence the building of new council homes
- To continue to bring homes up to the 'Norwich standard' through our investment programme
- To continue our activities to bring empty homes back into use and our programme of private sector housing enforcement work

Prosperous City

- To progress our City Deal for Greater Norwich
- To implement a new Norwich economic strategy
- To continue to deliver our regeneration priorities including progressing the south city centre vision and investment plan
- To increase the availability of tourist information through development of the website and other new media
- To continue our work to respond to welfare reform and our financial inclusion programme including promoting the living wage in the City
- To continue to implement our new affordable warmth strategy and develop our strategy for the green deal
- To continue the work with LGSS to improve our revenue and benefits service

Safe and clean city

- To complete the re-letting of the new materials recycling facility contract
- To continue our programme of food hygiene inspections
- To implement our pilot neighbourhood agreements and review their operation
- 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

Ensuring value for money services

- 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 complete the transition to our new joint venture and continue to maximise opportunities from all our collaborative relationships
- To refresh the council's carbon management programme and continue to reduce our carbon footprint
- To continue to maximise opportunities from our asset portfolio working with NPS Norwich
- To continue to implement our equalities strategy

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 2013. This foreword intends to give a general guide to the significant matters reported in the statements.

The Statements of Accounts for 2012/13 have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2012/13'. 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 2013, 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

Housing Revenue Account Self Financing

The current year 2012/13 is the first year of Housing Revenue Self Financing, under this system the council is responsible for financing the Housing Revenue Account (HRA) To fund this, Norwich City Council incurred a debt liability of £148.9m on 28 March 2012.

Last year 2011/12 was the final year that the council was required to prepare a notional HRA. This used a set of predetermined factors for such items as maintenance costs and rental income to reflect the mix and age of the housing stock. In simple terms if this notional account was in credit then the surplus is payable to central government and if in a deficit situation an equivalent payment was made to the council to support the housing landlord function.

5. Overview of service provision

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

Service Expenditure & Income	£'000	%
Housing (Non-Council)	73,386	38.84%
Housing (Council)	55,915	29.59%
Central Services to the Public	21,538	11.40%
Environmental & Regulatory Services	11,240	5.95%
Cultural and Related Services	10,367	5.49%
Highways, Roads & Transport	9,740	5.15%
Corporate & Democratic Services	3,295	1.74%
Planning Services	3,469	1.84%
Subtotal Expenditure		100.00%
Service Income		100.15%
Non-Distributed amounts	(255)	-0.15%
Subtotal Income	170,616	100.00%
Net Service Expenditure & Income	18,334	

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:

Service Group	Budget £'000	Actual £'000	Variance £'000
Housing (Council)	(17,274)	(14,790)	2,484
Housing (Non-Council)	2,733	4,434	1,701
Cultural and Related Services	6,999	8,809	1,810
Environmental & Regulatory Services	8,656	8,731	75
Planning Services	1,953	2,217	264
Central Services to the Public	5,005	4,047	(958)
Highways, Roads & Transport Services	(1,870)	1,942	3,812
Corporate & Democratic Services	3,321	2,689	(632)
Non-Distributed amounts	68	255	187
Net Cost of Services	9,591	18,334	8,743

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. Major variances contributing to the budgetary surplus include:

Depreciation £(8,681); Repairs Fund £(2,970); FRS17/IAS Adjustment £(1,559) Rents £(1,758); Impairment £1,987; Post TUPE Pension deficit contribution £997; Departmental recharges relating to NPS Norwich transfer of staff £952; Recharges £863; Contingency fund £753

GFH Housing

Housing Benefit Subsidy £2,244; Housing Benefit Rent Rebates/Allowances £1,713; Bad debt provision increase on Housing Benefit overpayment £933; REFCUS expenditure £672 and Housing Benefit recovery of Overpayments £396

Cultural and Related Services

Post – TUPE Pension deficit contribution £548; Grounds Maintenance variation costs £187; Capital / Revaluations £121

Planning Services

Income lower than budgeted due to the Council not being able to determine planning charges due to Government policy change (£235)

Highways, Roads and Transport

The large variance is largely influenced by Capital financing costs, with the revaluation charges on Multi-storey Car parks totalling £5m

7. Significance of any pensions liability disclosed

Details of the Council's pension liability calculated under IAS19 are shown at note 43 of the core financial statements

Effectively the pension scheme is in deficit by £136.2m 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 2012/13.

In March 2012 the DCLG initiated a scheme whereby the Council Housing Revenue Account (HRA) bought itself out of the housing subsidy by making a payment to the DCLG of £148.898m. This one off payment effectively stops the Council from making future payments of rental income to the DCLG and makes the HRA self financing in the future. The payment made was classed as capital expenditure, increasing the Council's Capital Financing Requirement during 2011/12. In order to make the payment the Council raised £148.898m of loans debt through the PWLB (see Note 16).

Long Term Borrowing is disclosed and analysed in note 16.

9. Impact of current climate

The state of public finances is likely to mean very tight funding settlements for local government in the foreseeable future. Coupled with the three year freeze from 2011/12 to 2013/14 means the Council will continue to operate within an extremely tight financial environment over the medium term.

The grant settlement for the next three years means that the Council has to make major savings over those years.

In the short term, interest rates are forecast to remain low, which will continue to have an impact on interest earned on revenue balances.

10. Sustainability reporting

The Council is committed to addressing environmental issues, the breadth and depth of the Council's programme of action and the progress that is being made is set-out below. Further details can be obtained from our Environmental Strategy 2011 – 2014

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

Energy Consumption

Reducing environmental and financial cost to the Council is important to provide a resource efficient and effective service. Therefore the Council has taken steps to reduce our emissions from its facilities and services by 30% by the end of 2012/13. In order to achieve this objective the Council has enrolled the support of the

Carbon Trust, SALIX and the Energy Saving Trust. Work has already started to review services, buildings and our actions to ensure that energy and resources are being used efficiently.

With regard to Council owned buildings, the Council has achieved:

- Over 20.1% decrease in CO₂ emissions from our baseline year 2011/12
- Voltage Reduction at Riverside Leisure Centre
- Automated pool cover at Riverside Leisure Centre
- LED Lighting upgrade at St Andrews Car Park
- City Hall Valve Insulation
- 36 kW PV Solar System on City Hall
- A 25% reduction in electricity costs at City Hall
- Adapt T8 lighting fittings, a more efficient form of lighting
- Fleet Review and electric vehicles

With regard to housing and other buildings in the city, the Council has provided information to the public and business in regard to how resource efficiency aids the reduction of unnecessary waste. Norwich City Council recognises that we should show leadership in regard to our own estate, and enable others to follow our actions

The Council has received recognition from the CLG (Communities and Local Government) as having the highest decrease in CO₂ emissions per capita in the south and east of the UK as well as being one of the highest nationally, whilst at the same time having one of the highest population growths

Future actions include:

- LED lighting retrofitting and PIR sensors at St Andrews
- Adapt T8 lighting fittings to T5 lighting fittings, a more efficient form of lighting
- Other lighting and energy improvements

The Council has targets to reduce emissions across our services by 30% by the end of 2012/13. Vehicles are a huge 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.

Transport achievements since our baseline year 2006/07 include:

- Bus Rapid Transport Routes
- New City Cycle Map
- St Augustine's Gyrotory
- Lady Julian Bridge
- Real time information on bus stops
- 2% decrease in transport emission per capita
- Electric and low carbon council pool fleet with pool cycles for staff
- Telemetrics within our fleet

Recycling

Everyone produces waste, and whilst it cannot be eliminated, we can reduce its environmental impact by prevention, reuse and recycling. The Council has a duty to collect waste from its citizens and ensure that every property has the opportunity to access appropriate recycling services.

The Council also recognises the need to not only focus on our residents' waste, but also on the Council as a waste producer.

Achievements in respect of waste recycling since our baseline year 2006/07 include:

- Continued delivery of the Maximum Landfill Diversion scheme
- 38% recycling rate
- Food waste collection service
- NEnergy efficient fleet & efficient zonal collection rounds
- GIS and In Cab monitoring

- Continued media campaigns on waste reduction and recycling
- Introduced a commercial waste service
- Improved recycling in flats

The Council will continue to implement our integrated waste management strategy and achieve a 55% recycling target

Natural Environment

The city of Norwich has a high proportion of green space and the city Council directly manages or influences policy for these areas. The management of the natural environment enables Norwich to remain rich in biodiversity whilst providing our citizens with quality spaces for recreational enjoyment.

Achievements since our baseline year 2006/07 include:

- New allotment guidance
- Ongoing improvements via our habitat management programmes and community engagement work.
- Ongoing development of the Grapes Hill Community Garden
- IT systems for the natural environment (Trees)
- Marston Marshes: final phase of habitat restoration programme
- 85% of the sites owned by Norwich City Council in positive conservation management

Pollution Reduction

Pollution lowers our environmental quality and affects our health.

Achievements since our baseline year 2006/07 include:

- Continued development of air quality improvements in our air quality management areas
- Designing out traffic problems
- Continued enforcement against offenders polluting or degrading our environment.

This year's environmental results come at a time when the Council is facing significant financial challenges. Making sure the Council uses natural resources wisely, emitting less CO₂ and recycling as much as possible all present the Council with fantastic opportunities to make financial savings as well as protect our environment, thus the Council will endeavour to exploit these efficiencies to their full potential.

We produce an annual environmental statement as well as a CO₂ emissions report each year to show our progress to the public

Annual Environmental Statement

<http://www.norwich.gov.uk/Environment/EcolIssues/Documents/EnvironmentalStatement.pdf>

CO₂ emissions report

<http://www.norwich.gov.uk/Environment/EcolIssues/documents/Carbonfootprintreport2012.pdf>

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

Opinion on the Authority's accounting statements

Respective responsibilities of the Chief Finance Officer and auditor

Scope of the Audit of the financial statements

Opinion on accounting statements

Opinion on other matters

Matters on which I report by exception

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

Respective responsibilities of the Authority and the auditor

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

Conclusion

Delay in certification of completion of the audit

Rob Murray

Date:

EY LLP, One Cambridge Park, Cambridge, CB4 0WZ

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 2013 and its income and expenditure for the year then ended.

Signed:

Date: 28 June 2013

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

Movement in Reserves Statement

Draft

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	Earmarked HRA Reserve	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
Balance at 31 March 2011 (restated)	4,923	2,300	13,490	-	12,969	7,354	1,395	42,429	617,832	660,263
<u>Movement in reserves during 2011/12</u>										
Surplus/ (deficit) on provision of services	(4,466)	-	(117,863)	-	-	-	-	(122,329)	-	(122,329)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(28,311)	(28,311)
Total Comprehensive Income & Expenditure	(4,466)	-	(117,863)	-	-	-	-	(122,329)	(28,311)	(150,640)
Adjustments between accounting basis & funding basis under regulations (note 7)	3,597	-	119,115	-	(494)	3,820	526	126,564	(126,564)	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	(869)	-	1,252	-	(494)	3,820	526	4,236	(154,875)	(150,640)
Transfers (to)/from Earmarked Reserves (note 8)	(252)	252	(18)	18	-	-	-	-	-	-
Transfer between reserves	-	-	-	-	121	-	-	121	(121)	-
Other Adjustments	-	-	-	-	-	-	10	10	(12)	(2)
Increase/ (Decrease) in 2011/12	(1,120)	252	1,234	18	(373)	3,820	536	4,367	(155,008)	(150,642)
Balance at 31 March 2012 carried forward	3,803	2,552	14,724	18	12,596	11,174	1,931	46,798	462,824	509,623
	General Fund Balance	Balance Reserves	Housing Revenue Account	Earmarked HRA Reserve	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves

Comprehensive Income and Expenditure Statement

	Notes	2012/13			2011/12		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Central Services to the Public		21,538	(17,487)	4,051	21,682	(17,404)	4,278
Cultural and Related Services		10,367	(1,559)	8,809	8,455	(1,521)	6,934
Environmental and Regulatory		11,240	(2,508)	8,731	11,763	(2,647)	9,116
Planning Services		3,469	(1,251)	2,217	4,048	(1,630)	2,418
Highways, Roads & Transport Services		9,740	(7,798)	1,942	6,533	(7,835)	(1,302)
Local Authority Housing - HRA Self Financing debt		-	-	-	148,898	-	148,898
Local Council Housing (HRA)	5	55,915	(70,706)	(14,790)	33,583	(66,990)	(33,407)
Other Housing Services		73,386	(68,952)	4,434	70,790	(66,567)	4,223
Corporate & Democratic Core		3,295	(606)	2,689	5,871	(2,996)	2,875
Non-Distributed Costs	5	255	-	255	15	-	15
Cost of Services		189,206	(170,871)	18,335	311,638	167,590	144,048
Other Operating Expenditure	9			(1,461)			643
Financing and Investment							
Income and Expenditure	10			12,772			4,337
Taxation and Non-Specific							
Grant Income	11			(24,730)			(26,701)
(Surplus) / Deficit on Provision of Services				4,916			122,327
(Surplus) / deficit on revaluation of non-current assets	12/13/20			(3,675)			(4,606)
Actuarial (gains) / losses on pension assets / liabilities	42			21,310			32,917
Other Comprehensive (Income) and Expenditure				17,635			28,311
Total Comprehensive (Income) and Expenditure				22,551			150,638

Balance Sheet

	Notes	31-Mar-13	31-Mar-12
		£'000	£'000
Property, Plant & Equipment	12	746,515	754,070
Heritage Assets	13	19,965	19,951
Investment Property	14	36,228	37,262
Intangible Assets	15	838	694
Long term Investments	17	16,814	17,442
Long Term Debtors	18	8,236	9,754
Long Term Assets		828,796	839,173
Short Term Investments	19	28,200	37,688
Assets Held for Sale	20	1,880	2,198
Short term Debtors	21	11,897	12,244
Stock		28	34
Cash and Cash Equivalents	22	6,358	22,224
Current Assets		48,363	74,388
Short Term Borrowing	16	(1,300)	(19,731)
Short Term Creditors	23	(20,432)	(35,637)
Capital Grants Receipts in Advance Short Term	37	(1,060)	(790)
Current Liabilities		(22,792)	(56,158)
Long Term Creditors	24	(3,926)	(3,969)
Long term Borrowing	16	(224,783)	(224,983)
Other Long Term Liabilities	43	(136,230)	(116,159)
Capital Grants Receipts in Advance Long Term	37	(2,314)	(2,669)
Long Term Liabilities		(367,253)	(347,780)
Net Assets		487,114	509,623
Usable Reserves	26	52,438	46,798
Unusable Reserves	27	434,674	462,824
Total Reserves		487,112	509,623

Cash Flow Statement

	Notes	2012/13 £'000	2011/12 £'000
Net surplus or (deficit) on provision of services		(4,916)	(122,329)
Adjustments to net surplus or deficit on provision of services for non-cash movements	28	23,664	409
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(8,847)	(7,412)
Net cash flows from Operating Activities		9,901	(129,332)
Investing Activities	29	(9,398)	(10,705)
Financing Activities	30	(16,370)	149,004
Net (Increase) or decrease in cash and cash equivalents		(15,866)	8,967
Cash and cash equivalents at the beginning of the reporting period	22	22,224	13,257
Variance to be investigated			
Cash and cash equivalents at the end of the reporting period	22	6,358	22,224

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/2013 financial year and its position at 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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 seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service costs / (gains) – the increase / (decrease) in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited / (credited) to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – credited or debited to the Pensions Reserve
- 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 Council 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 appropriations 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.

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 2013 Code Group Accounts' requirements in its 2012/2013 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).

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 2012/13* (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 2012/13 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 1st April 2012 depreciation is calculated based on the useful life of the individual components of the dwelling. Prior to 1st 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 19th 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 NMAS. 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

Private Finance Initiative (PFI) & Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 11.75% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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.

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

Comprehensive Income and Expenditure Statement (amendments to IAS 1 Presentation of Financial Statements)

This was issued on 16 June 2011 by the International Accounting Standards Board. It revises the way Other Comprehensive Income is presented; requiring entities to group items based on whether they are potentially reclassifiable to profit and loss subsequently i.e. those which might be reclassified and those which will not. It also requires tax associated with items presented before tax to be shown separately for each of the two groups of Other Comprehensive Income items. The amendments are effective from accounting periods beginning on or after 1 July 2012.

Offsetting financial assets and liabilities (amendments to IFRS 7 Financial Instruments: Disclosures)

This was issued 16 December 2011 by the International Accounting Standards Board. The amendments require entities to disclose information about rights of set-off and related arrangements. Entities are required to disclose in tabular form, presented separately for financial assets and liabilities:

- a) the gross amounts
- b) the amounts set-off in accordance with criteria set out in IAS 32 (Financial Instruments: presentation)
- c) the net amounts

The amendments to IFRS7 are to be retrospectively applied for annual periods beginning on or after 1 January 2013.

Deferred Tax (amendments to IAS 12 Income Taxes)

This was issued 20 December 2010 by the International Accounting Standards Board. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment introduces the presumption that recovery of the carrying amount will, normally be through sale. The amendments to IAS12 are to be retrospectively applied for annual periods beginning on or after 1 January 2012. The Council does not have any deferred tax therefore this will not be applied.

Recognition and measurement of defined benefit pension expense and termination benefits, and disclosures for all employee benefits (amendments to IAS19 Employees Benefits)

This was issued on 17 June 2011 by the International Accounting Standards Board. The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendment is effective for periods beginning on or after 1 January 2013 and should be applied retrospectively.

IFRS 13 Fair Value Measurement

This new standard was issued on 12 May 2011 by the International Accounting Standards Board. 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.

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 43.

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
Property, Plant and Equipment £747.5m	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 £136.2m	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.	Section 6 of Hymans Robertson pension report shows the following sensitivities as increased cost to the Council 0.5% decrease in Real Discount Rate £35.757m 1 year increase in member life expectancy £11.587m 0.5% increase in the Salary Increase Rate £9.235m 0.5% increase in Pension Increase Rate £26.134m
Arrears	At 31 March 2013, the Council had a balance of sundry debtors for £1.705m. A review of significant balances suggested that an impairment of doubtful debts of ranging from 10% to 100% (£0.933m) 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 additional allowance of £0.772m 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

The following material items of income and expenditure were included in the Comprehensive Income and Expenditure Statement of the year to 31 March 2012.

In March 2012 the DCLG initiated a scheme whereby the Council Housing Revenue Account (HRA) bought itself out of the housing subsidy by making a payment to DCLG of £148.898m. This one off payment effectively stops

the Council from making future payments of rental income to the CLG and makes the HRA self financing in the future. The payment made was classed as capital expenditure, increasing the Council's Capital Financing Requirement during 2011/12. In order to make the payment the Council raised £148.898m of loans debt through the PWLB (see Note 16).

6. Events after the Balance Sheet Date

The unaudited Statement of Accounts were authorised for issue on 28 June 2013. This is the date up to which events after the balance sheet date have been considered.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. The proportion that Norwich City Council can retain is 40%, with 50% being paid over to the Government and 10% to Norfolk County Council. The new arrangements for the retention of the business rates will come into effect on 1st April 2013.

When the new arrangements for the retention of business rates come into effect, local authorities will assume the liability for refunding ratepayers who have successfully appealed against rateable value of their properties on the rating list. This will include amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have been transferred to DCLG.

Norwich City Council has a large number of outstanding business rateable value appeals and as such is not able to quantify the total value of the aggregate of those that may be successful, although it is acknowledged that a liability may exist.

From April 2013, local authorities will be provided with a ring-fenced public health grant to discharge the new public health responsibilities being transferred to them from primary care trusts.

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.

Draft

2012/13

Adjustments involving the Capital Adjustment Account

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement

	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
Charges for depreciation and impairment of non-current assets	(6,453)	(14,475)	-	-	-	(20,928)	20,928
Excess dep'n over HRA MRA	-	-	-	-	-	-	-
Revaluation Losses on Property, Plant and Equipment	(6,575)	(8,809)	-	-	-	(15,384)	14,599
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	-	-	-	-	-	-	-

Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement

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

Adjustments involving the Capital Grants Unapplied Account

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)

Adjustments involving the Capital Receipts Reserve:

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	-	-	-	-	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve							
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			-	-
Adjustments involving the Major Repairs Reserve							
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)
Adjustments involving the Financial Instruments Adjustment Account							
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)
Adjustments involving the Pensions Reserve							
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)
Adjustments involving the Collection Fund Adjustment Account							
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)
Total Adjustments	(13,099)	(6,194)	(2,655)	11,169	368	(10,411)	9,626

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.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
2011/12 comparative figures	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non-current assets	(4,155)	(2,244)				(6,399)	6,399
Excess dep'n over HRA MRA		(1,039)		1,039			
Revaluation Losses on Property, Plant and Equipment	(1,162)	24,057				22,895	(22,895)
Movement in Market Value of Investment Properties	1,848	419				2,267	(2,267)
Capital Grants and Contributions Applied	1,199					1,199	(1,199)
Movement in Donated Assets Account						-	-
Revenue expenditure funded from capital under statute	(1,660)					(1,660)	1,660
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	(635)	(2,720)				(3,355)	3,355
HRA Self Financing Debt		(148,898)				(148,898)	148,898
<u>Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement</u>							
Statutory provision for the financing of capital investment	1,877	64				1,941	(1,941)
Capital expenditure charged against the General Fund and HRA balances		6,052				6,052	(6,052)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	749	749			(1,498)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account					972	972	(972)
Adjustments involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	930	3,785	(4,715)			-	-
Use of Capital Receipts Reserve to finance new capital expenditure			3,294			3,294	(3,294)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals		(22)	22			-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,892)		1,892			-	-
Transfers from Deferred Capital Receipts reserve	(87)					(87)	87

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
2011/12 comparative figures							
Adjustments involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(76)					(76)	76
Transfer to the Capital receipts Reserve upon receipt of cash	69					69	(69)
Adjustment involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA				(11,092)		(11,092)	11,092
Use of Major Repairs Reserve to finance new capital expenditure				6,234		6,234	(6,234)
Adjustments involving the Financial Instruments Adjustment Account							
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	66	513				579	(579)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,111)	(1,238)				(6,349)	6,349
Employer's pension contributions and direct payments to pensioners payable in the year	4,516	1,406				5,922	(5,922)
Adjustments involving the Collection Fund Adjustment Account							
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	(75)					(75)	75
Total Adjustments	(3,599)	(119,116)	493	(3,819)	(526)	(126,567)	126,567

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 2012/13 and 2011/12.

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, lightning, explosion and storm). The risk has been identified and assessed, external insurance quotations have been evaluated, 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 2013 is based on the assessed liability.

Included within this balance is an amount to cover potential liabilities following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement has now been triggered.

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.

The amount paid to the Council plus the amount outstanding under this arrangement is £0.96m, and under the Scheme or Arrangement a levy is chargeable on this amount. 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 initial levy requested by the scheme administrator from the Council is a percentage of the total sum paid on behalf of the Council by MMI since 30 September 1992, less the first £50,000 of such payments. As a result and following assessment by a scheme actuary, a levy rate of 15% is being applied creating a liability to the Council of approximately £0.137m. There is a possibility that the ultimate levy rate could eventually be higher than this and as such a contingent liability has also been recognised (see note 44).

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 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31 March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 March 2013 £'000
General Fund							
Insurance Reserve	691	(275)	314	730	(552)	422	600
Building Control Reserve	46	-	19	65	-	-	65
Revenue Grants Unapplied Reserve GF	1,563	(74)	267	1,756	(65)	299	1,990
Revenue Grants Unapplied Reserve HRA	-	-	18	18	(13)	-	5
Total	2,300	(349)	618	2,569	(630)	721	2,660

Transfers between other reserves of £103,175 in the Movement in Reserves Statement comprise of Decent Home Loan repayments £89,569 (2011/12 £116,963), Housing Act Advance repayments of £5,307 (2011/12 nil) and deferred loan repayment of £8,300 (2012/12 nil).

9. Other Operating Expenditure

	2012/13 £'000	2011/12 £'000
Payments to the Government Housing Capital Receipts Pool	838	1,892
(Gains)/Losses on the disposal of non-current assets	(2,378)	(1,304)
Mousehold Heath Conservators	78	55
Total	(1,462)	643

The deficit of £26,547 (11/12 £9,000) 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

	2012/13	2011/12
	£'000	£'000
Interest payable and similar charges	11,139	7,768
Pension interest cost and expected return on pension assets	3,901	1,926
Interest Receivable and similar income	(1,709)	(1,698)
Income and expenditure in relation to investment properties and changes in their fair value	(657)	(3,805)
Other investment income	(15)	6
Impairment of Soft Loans	113	140
Total	12,772	4,337

11. Taxation and Non-Specific Grant Income

	2012/13	2011/12
	£'000	£'000
Council tax income	(9,418)	(9,243)
Non domestic rates	(11,245)	(9,360)
Non-ring fenced government grants	(2,352)	(5,503)
Capital grants and contributions	(1,715)	(2,595)
Total	(24,730)	(26,701)

12. Property, Plant and Equipment

Movements on Balances

Movements in 2012/13	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation								
At 1 April 2012	620,939	124,642	24,138	2,608	13,316	213	2,352	788,217
Additions	23,806	2,355	470	76	153	-	2,407	29,267
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(148)	1,662	-	-	-	29	-	1,543
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(27,690)	(15,303)	-	-	-	-	-	(42,993)
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	4,236	2,724	-	-	-	-	-	6,960
De-recognition – Disposals	(3,772)	-	(337)	-	-	-	-	(4,109)
De-recognition - Other	-	-	-	-	-	-	-	-
Assets Reclassified (to) / from Held for Sale	(798)	(205)	-	-	-	538	-	(465)
Other Movements in Cost or Valuation	(9,062)	13,432	1,275	-	(2,700)	-	(2,352)	593
At 31 March 2013	607,511	129,307	25,546	2,684	10,769	780	2,407	779,013
Accumulated Depreciation & Impairment								
At 1 April 2012	(2,344)	(9,241)	(19,188)	(861)	(2,503)	(3)	-	(34,148)
Depreciation charge	(12,228)	(3,650)	(1,232)	(64)	(7)	(3)	-	(17,184)
Depreciation written out to the Surplus/Deficit on Provision of Services	11,824	5,776	8	-	1,462	-	-	19,070
Impairment losses / (reversals) recognised in the Surplus/Deficit on Provision of Services	832	(1,654)	-	-	-	-	-	(822)
Depreciation write-back on revaluation to Revaluation Reserve	406	366	-	-	-	-	-	772
De-recognition – Disposals	-	-	337	-	-	-	-	337
De-recognition - Other	-	(626)	(379)	-	1,005	(323)	-	(323)
At 31 March 2013	(1,518)	(9,029)	(20,454)	(925)	(43)	(329)	-	(32,298)
Net Book Value								
At 31 March 2013	606,002	120,278	5,092	1,759	10,726	451	2,407	746,715
At 31 March 2012	618,596	115,401	4,951	1,747	10,811	210	2,352	754,068

Comparative Movements in 2011/12	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2011	598,132	124,132	24,810	2,586	12,811	89		762,560	17,836
Additions	10,230	548	1,006	22	505	-	2,352	14,663	86
Revaluation increases / (decreases) recognised in the Revaluation Reserve	828	1,422	-	-	-	-	-	2,250	-
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(7,934)	(981)	(761)	-	-	-	-	(9,676)	(761)
Prior year revaluation decrease reversals recognised in the Surplus / (Deficit) on the Provision of Services	22,622	62	-	-	-	-	-	22,684	-
De-recognition – Disposals	(2,172)	-	(916)	-	-	-	-	(3,088)	-
De-recognition - Other Assets Reclassified (to) / from Held for sale	-	-	-	-	-	-	-	-	-
Other Movements in Cost or Valuation	(675)	(541)	-	-	-	32	-	(1,184)	-
	(92)	-	-	-	-	92	-	-	-
At 31 March 2012	620,939	124,642	24,139	2,608	13,316	213	2,352	788,209	17,161
Accumulated Depreciation & Impairment									
At 1 April 2011	(1,248)	(6,777)	(19,101)	(799)	(1,999)	-	-	(29,925)	(15,533)
Depreciation charge	(10,945)	(2,732)	(1,001)	(62)	(530)	(3)	-	(15,273)	(580)
Depreciation written out to the Surplus/Deficit on Provision of Services	10,298	11	-	-	26	-	-	10,335	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on Provision of Services	(1,859)	(24)	-	-	-	-	-	(1,883)	-
Impairment losses / (reversals) recognised in Revaluation Reserve	645	282	-	-	-	-	-	927	-
De-recognition – Disposals	766	-	914	-	-	-	-	1,680	-
De-recognition - Other	-	-	-	-	-	-	-	-	-
At 31 March 2012	(2,343)	(9,241)	(19,188)	(861)	(2,503)	(3)		(34,140)	(16,113)
Net Book Value									
At 31 March 2012	618,596	115,401	4,951	1,747	10,813	210	2,352	754,069	1,048
At 31 March 2011	596,884	117,354	5,709	1,787	10,811	89	-	732,634	2,303

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 2013

The valuers undertook a desktop revaluation following a full valuation undertaken as at 31st 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 2013

The valuers undertook a desktop revaluation following a full valuation undertaken as at 31st 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 2012

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	-	-	10,727	1,759	5,092	2,407	-	19,985
Valued at current value	-	-	-	-	-	-	-	-
2012-13	605,997	82,071	-	-	-	-	-	688,068
2011-12	4	700	-	-	-	-	300	1,004
2010-11	-	1,899	-	-	-	-	89	1,988
2009-10	-	3,446	-	-	-	-	62	3,508
2008-09	-	32,162	-	-	-	-	-	32,162
Total	606,001	120,278	10,727	1,759	5,092	2,407	451	746,715

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
Valuation						
1st April 2011	7,407	3,398	723	2,281	3,199	17,008
Additions	-	-	-	-	163	163
Disposals	-	-	-	-	-	-
Revaluations	-	1,277	1,503	-	-	2,780
31st March 2012	7,407	4,675	2,226	2,281	3,362	19,951
Valuation						
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
31st March 2013	7,389	4,675	2,234	2,287	3,379	19,964

The Council's external valuer (Rowleys Fine Art Valuers and Auctioneers) carried out a full valuation of the collection of civic plate and regalia as at 31 March 2008. The valuations were based on commercial markets, including recent transaction information from auctions where similar types of silver wear 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 £1.5m
- The Bleverhasset Cups - A rare pair of Elizabeth I silver-gilt font cups (1561), valued by our external valuers as £0.8m
- 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

	2012/13 £000	2011/12 £000
Rental income from investment property	(3,771)	(4,042)
Direct operating expenses arising from investment property	3,114	236
Total	(657)	(3,806)

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 (2011/12 £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

Valued at historical cost

Valued at current value

2012-13

2011-12

2010-11

2009-10

2008-9

Total

Investment properties

-

-

6,252

11,552

5,489

11,654

1,281

36,228

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

	2012/13 £000	2011/12 £000
Balance at start of the year	37,261	34,984
Additions:		
Purchases	195	234
Disposals	(461)	(224)
Net gains / (losses) from fair value adjustments	246	2,267
Impairments	(419)	-
Transfers (to) / from Property, Plant & Equipment	(594)	-
Balance at end of year	36,228	37,261

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 2013 is £538,618 (31 March 2012 £628,388) 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 £100,784 charged to revenue in 2012/13, £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 £11,015 related to Community Alarms and was charged to the Housing Revenue Account.

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

	2012/13	2011/12
	£000	£000
Balance at the start of the year		
Gross carrying amount	694	77
Accumulated amortisation		-
Additions	245	628
Amortisation for the period	(101)	(11)
Net Carrying amounts at the end of the year	838	694
Comprising:		
• Gross carrying amount	950	705
• Accumulated amortisation	(112)	(11)
	838	694

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-13 £000	31-Mar-12 £000	31-Mar-13 £000	31-Mar-12 £000
Financial Liabilities (principle amount)	224,490	224,688		8,000
Accrued interest		-	1,300	11,731
Other accounting entries	293	295		-
Financial liabilities at amortised cost	224,783	224,983	1,300	19,731
Total Borrowings	224,783	224,983	1,300	19,731
PFI and finance lease liabilities	1,431	1,502	72	9,197
Other long term liabilities	1,431	1,502	72	9,197
Financial liabilities carried at contract amount	-	-	18,673	23,672
Total creditors	226,214	226,485	20,045	52,600
Loans and receivables (principle amount)	15,971	16,618	28,000	37,500
Accrued interest		-	200	186
Loans and receivables at amortised cost	15,971	16,618	28,200	37,686
Unquoted equity investment at cost	824	824	17	10
Total Investments	16,795	17,442	28,217	37,696
Financial assets carried at contract amount	2,654	2,716	9,467	9,495
Financial assets carried at amortised cost	1,451	1,523		
Total Debtors	20,900	21,682	37,684	47,191
Soft Loans Provided	3,189	3,263		

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 £(0.794)m in long term and £(9.486)m in short term loans and receivables is due to decreased money available to invest as a result of repayments of matured loans.

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 £3.189m. 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:

Decent Home Loans

	31-Mar-13	31-Mar-12
	£000	£000
Opening Balance	2,697	2,640
New loans granted	16	185
Fair value adjustment	13	(12)
Loans repaid	(90)	(117)
Balance carried forward	2,636	2,696
Nominal value carried forward	3,189	3,263

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:

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

	2011/12			
	Financial Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	Assets & Liabilities at Fair Value through Profit & Loss £000	Total £000
Interest expense	7,768	-	-	7,768
Reductions in fair value	-	-	(11)	(11)
Total expenses in Surplus or Deficit on the Provision of Services	7,768	-	(11)	7,757
Interest Income	-	(1,698)	-	(1,698)
Increases in fair value	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,698)	-	(1,698)
Net gain/(loss) for the year	7,768	(1,698)	(11)	6,059

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:

Valuation of a bond that is not quoted in an active market

Norwich City Council has 5 bonds with maturity dates between 1971 and 1972 with values between £500 and £1,500. No interest is payable. The bonds have no observable market price. The Council has valued the asset at fair value deemed to be the redemption value of £6,500 as at 31 March 2013.

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 2013 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 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/premature repayment rates (choose which one is being used) 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-13		31-Mar-12 (restated)	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities	244,828	295,888	268,158	310,280
Long term creditors	1,431	1,431	3,969	3,969
Total Liabilities	246,258	297,319	272,127	314,249

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-12	Loans Raised	Loans Repaid	Loans Reclassified as Short Term	Fair Value discount unwind	Debt at 31-Mar-13
	£000	£000	£000	£000	£000	£000
PWLB	218,917	-	-	-	-	218,917
UK Banks	5,294	-	-	-	(2)	5,292
Other Financial Intermediaries	462	-	-	-	-	462
Local Government	199	-	(198)	-	-	1
Household Sector	111	-	-	-	-	111
European Investment Bank	-	-	-	-	-	-
Total	224,983	-	(198)	-	(2)	224,783

The fair values of assets calculated are as follows

	31-Mar-13		31-Mar-12	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans & Receivables	55,187	55,617	64,620	65,518
Long Term Debtors	4,676	4,123	4,816	4,250
Total Assets	59,863	59,740	69,436	69,768

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 2012/13 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 2012/13 Treasury Management Strategy on 25th 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 2012/13 was approved by Full Council on 20 March 2012 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 2013	31 March 2013	31 March 2013	31 March 2012
Customers	1,705	12%	224	1,059

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 £1.234m of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2013	31 March 2012
	£000	£000
Less than three months	99	126
Three to six months	191	152
Six months to one year	208	238
More than one year	737	617
Total	1,234	1,133

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 2013 was £247,465 (31 March 2012 £227,090).

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:

	2012/13 £000	2011/12 £000
Repayable between:		
Less than one year	28,000	37,500
Between 1 & 2 years	12,500	5,000
Between 2 & 3 years	3,000	11,500
	43,500	54,000

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 2013 £000	Actual 31 March 2012 £000
Less than 1 year	0%	10%	1,300	9,315
Between 1 & 2 years	0%	10%	-	-
Between 2 & 5 years	0%	30%	17,810	15,810
Between 5 & 10 years	0%	50%	9,698	9,198
More than 10 years	0%	95%	196,900	199,402
			225,708	233,725
Perpetually irredeemable Loan Stock	0%	10%	538	573
			226,246	234,298

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	505
Impact on Surplus or Deficit on Provision of Services	505
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)	25,658

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

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.

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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

	2012/13 £000	2011/12 £000
Banks	12,954	16,598
Local Authorities	3,017	-
Norwich Airport Ltd	824	824
Other Related Companies	18	20
	16,813	17,442

Banks and Local Authorities

Investments of £15.971m that are for periods longer than one year are included as long term investments on the balance sheet. These will mature between April 2014 and 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

	2012/13		2011/12
Debtors	Provision for Bad Debt	Net Debtors	Net Debtors
£000	£000	£000	£000
Advances for House Purchase: Council Houses Sold	7	-	7
Norfolk County Council Transferred Debt	943	-	2,345
Deferred Capital Receipt Sale of Airport Shares	400	-	400
Deferred Capital Receipt – Livestock Market	516	-	481
Decent Home Loans	2,636	-	2,697
Finance Lease > 1 year	1,451	-	1,454
Home Improvement Loans	67	-	-
Housing Benefit Overpayments	3,629	(2,397)	1,950
SALIX	215	-	105
Legal	247	-	227
Other Long Term Debtors	521	-	86
10,632	(2,397)	8,235	9,752

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:

	2012/13	2011/12
	£000	£000
Banks	19,146	2,009
Building Societies	6,035	21,143
Local Authority	3,019	14,536
Total Short Term Investments	28,200	37,688

20. Assets Held for Sale

	Current		Non-current	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Balance outstanding at start of year	2,198	4,856	-	-
Assets newly classified as held for sale:				
Property, Plant & Equipment	465	1,364	-	-
Assets declassified as held for sale:				
Property, Plant & Equipment	323	(180)	-	-
Revaluations in Rev Res	1,351	(1,351)	-	-
Revaluations in P o S	(1,351)	(446)	-	-
Impairment losses	-	(323)	-	-
Additions	-	-	-	-
Assets sold	(1,106)	(1,795)	-	-
Other movements	-	73	-	-
Balance outstanding at year-end	1,880	2,198	-	-

21. Short Term Debtors

	2012/13	2011/12
	£000	£000
Central Government Bodies	7,310	4,657
Other entities & individuals	3,862	6,509
Other Local Authorities	725	1,077
Total	11,897	12,243

22. Cash & Cash Equivalents

	2012/13	2011/12
	£000	£000
Cash held by Council	31	32
Bank current accounts	227	5,042
Short term deposits with banks	6,100	-
Short term deposits with building societies	-	2,150
Short term deposits with Debt Management Office	-	1,500
Short term deposits with local authorities	-	13,500
Total Cash & Cash Equivalents	6,358	22,224

23. Short Term Creditors

	2012/13 £000	2011/12 £000
Central Government Bodies	1,122	4,252
Other Local Authorities	4,557	2,002
Other entities & individuals	14,753	29,383
Total Short Term Creditors	20,432	35,637

24. Long Term Creditors

	2012/13 £000	2011/12 £000
Developer Contributions	2,048	2,017
Lease Liability	1,430	1,502
Rent Prepayments	400	450
SALIX	48	-
Total Long Term Creditors	3,926	3,969

25. Provisions

	2012/13 £000	2011/12 £000
Balance at 1 April	-	1,762
Additional provisions	-	1
Reclassification of provisions	-	(1,763)
Balance at 31 March 2011	-	-

26. Usable Reserves

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

27. Unusable Reserves

	2012/13 £000	2011/12 £000
Revaluation Reserve	46,769	42,261
Capital Adjustment Account	522,872	536,047
Financial Instruments Adjustments Account	(1,243)	(1,728)
Deferred Capital Receipts	2,139	2,163
Pensions Reserve	(136,209)	(116,144)
Collection Fund Adjustment Account	347	225
Total Unusable Reserves	432,185	462,824

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.

	2012/13 £000	2011/12 £000
Balance at 1 April		42,261
Upward revaluation of assets	3,675	4,606
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		3,675
Difference between fair value depreciation & historical cost depreciation	962	(264)
Accumulated gains on assets sold or scrapped	(149)	(161)
Amount written off to the Capital Adjustment Account		813
Other movements		20
Balance at 31 March		46,769

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.

	2012/13 £000	2011/12 £000
Balance at 1 April		662,300
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation & impairment of non current assets	(20,928)	(17,451)
Revaluation losses on Property, Plant & Equipment	(15,384)	22,855
Revenue expenditure funded from capital under statute	(1,042)	(1,662)
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	(5,357)	(3,355)
Difference between historic cost & carrying value depreciation	(962)	264
Net written out amount of the cost of non-current assets consumed in the year	(43,673)	651
Adjusting amounts written out of the Revaluation Reserve	149	161
Net written out amount of the cost of non-current assets consumed in the year	(43,524)	812
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital Expenditure	4,031	3,294
Use of the Major Repairs Reserve to finance new capital expenditure	23,553	6,234
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,123	1,948
Application of grants to capital financing from the Capital Grants Unapplied Account	960	216
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	(358)	1,938
Capital expenditure charged against the General Fund & HRA balances	1,327	6,052
	30,636	19,682
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(173)	2,267
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-	-
HRA Self Financing Debt	-	(148,898)
Other	(115)	(117)
Balance at 31 March	522,871	536,046

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 2013 will be charged to the General Fund over the next 15 years.

	2012/13 £000	2011/12 £000
Balance at 1 April	1,728	2,308
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(485)	(589)
	1,243	1,719
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		9
Balance at 31 March	1,243	1,728

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.

	2012/13 £000	2011/12 £000
Balance at 1 April	2,164	2,262
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-76
Transfer to the Capital Receipts Reserve upon receipt of cash	(24)	-22
Balance at 31 March	2,139	2,164

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.

	2012/13 £000	2011/12 £000
Balance at 1 April	(116,144)	(82,801)
Actuarial gains or (losses) on pensions assets & liabilities	(21,310)	(32,917)
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	(7,022)	(6,349)
Employer's pensions contributions & direct payments to pensioners payable in the year	4,903	5,580
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	3,364	343
Other	-	-
Balance at 31 March	(136,209)	(116,144)

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.

	2012/13 £000	2011/12 £000
Balance at 1 April	225	300
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	122	-75
Transfer from other reserves	-	-
Balance at 31 March	347	225

28. Cash Flow Statement – Operating Activities

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

	2012/13 £000	2011/12 £000
Depreciation	17,285	15,285
Impairment and downward valuations	19,136	(20,689)
Reductions in fair value of Non-PWLB concessionary loans	-	-
Reductions in the fair value of soft loans (non Subsidiary) made in the year	112	140
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	(126)	(131)
Adjustments for effective interest rates	-	-
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	933	137
Increase (decrease) in Interest Creditors	(10,431)	1,103
Increase (decrease) in Creditors	(5,686)	2,787
(Increase)/Decrease in Interest Debtors	(385)	(53)
(Increase)/Decrease in Debtors	(1,464)	349
(Increase)/Decrease in Inventories	6	(34)
(Decrease)/increase in Pension Liability	(1,245)	426
Contributions to Provisions	-	1
Carrying amount of non-current assets sold	5,357	3,355
Loans relating to deferred capital receipts	-	-
Carrying amount of short and long term investments sold	-	-
Movement in Investment Property values	173	(2,267)
	23,664	409

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

	2012/13 £000	2011/12 £000
Capital grants credited to surplus or deficit on the provision of services	(1,133)	(2,697)
Proceeds from sale of short and long term investments	-	-
Proceeds from the sale of property, plant and equipment and investment properties	(7,714)	(4,715)
	(8,847)	(7,412)

The cash flows for operating activities include the following items:

	2012/13 £000	2011/12 £000
Interest received	(1,196)	(1,268)
Interest paid	11,139	5,682
	9,943	4,414

29. Cash Flow Statement – Investing Activities

	£000	£000
Purchase of property, plant & equipment, investment property & intangible assets	(29,603)	(14,021)
Movement in other capital creditors	-	(155)
Purchase of short term & long-term investments	(63,000)	(93,000)
Other payments for investing activities	(490)	(185)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	7,714	4,714
Other Capital Cash Receipts	1,432	263
Capital grants received	1,048	2,178
Proceeds from short term & long-term investments	73,501	89,500
Net cash flows from investing activities	(9,398)	(10,706)

30. Cash Flow Statement – Financing Activities

	2012/13 £000	2011/12 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts	(9,167)	(748)
Repayments of short- & long-term borrowing	(8,000)	
HRA Self Financing payments to Government	-	148,898
Other receipts /(payments) for financing activities	797	854
Net cash flows from financing activities	(16,370)	149,004

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 2012/13	Chief Executive £000	Business Relationship Management £000	Customers, Communication & Culture £000	Strategy, People & Democracy £000	Operations £000	Housing Revenue £000	Not Reported £000	Total £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)
Total Income	(2,098)	(95,566)	(895)	(278)	(19,570)	(70,665)	-	(189,072)
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
Total Expenditure	3,077	82,195	(9,696)	579	40,858	57,601	-	174,614
Net (Income) / Expenditure	979	(13,371)	(10,591)	301	21,288	((13,064))	-	(14,458)

Directorate Income & Expenditure 2011/12	Chief Executive £000	Business Relationship Management £000	Customers, Communication & Culture £000	Strategy, People & Democracy £000	Operations £000	Housing Revenue £000	Not Reported £000	Total £000
Fees, charges & other service income	(1,616)	(1,676)	(835)	(63)	(17,692)	(65,718)	-	(87,600)
Government Grants	(1,315)	(91,891)	(63)	(239)	(2,944)	6,615	-	(89,837)
Total Income	(2,931)	(93,567)	(898)	(302)	(20,636)	(59,103)	-	(177,437)
Employment expenses	237	4,151	3,732	1,768	1,854	6,395	-	18,137
Operational Expenses	3,090	71,400	4,309	1,311	26,834	46,551	-	153,495
Support Service recharges	862	(584)	(4,694)	(2,295)	7,480	4,921	-	5,690
Total Expenditure	4,189	74,967	3,347	784	36,168	57,867	-	177,322
Net (Income) / Expenditure	1,258	(18,600)	2,449	482	15,532	(1,236)	-	(115)

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

	2012/13 £000	2011/12 £000
Net expenditure in the Directorate Analysis	(14,458)	(115)
Net expenditure of services & support services not included in the Analysis	32,792	144,164
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	0	0

Allocation of Recharges	-	
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	32,792	144,164
Cost of Services in Comprehensive Income & Expenditure Statement	18,335	144,049

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.

2012/13

	Directorate Analysis £000	Net Expenditure of services and support services not included in the Analysis	Amounts not reported to management for decision making	Reallocation analysis £000	Cost of Services £000	Corporate Amounts £000	Total £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)
Total Income	(189,072)	18,537	-	(23,329)	(193,864)	(18,537)	(212,401)
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 Fixed Assets	-	-	-	(2,378)	(2,378)	-	(2,378)
Other Operating Income	-	-	-	-	-	-	-
Total Expenditure	174,615	14,256	-	23,329	212,200	5,117	217,317
(Surplus) / deficit on the provision of services	(14,457)	32,793	-	-	18,336	(13,420)	4,916

**2011/12
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	(87,600)	2,799	-	(2,406)	(87,207)	(2,799)	(90,006)
Surplus or deficit on associates & joint ventures	-	-	-	-	-	-	-
Interest & investment income	-	-	-	(16,128)	(16,128)	-	(16,128)
Income from Council tax	-	-	-	(9,243)	(9,243)	-	(9,243)
Government Grants & contributions	(89,837)	17,459	-	(8,003)	(80,381)	(17,459)	(97,840)
Total Income	(177,437)	20,258	-	(35,780)	(192,959)	(20,258)	(213,217)
Employment expenses	18,132	520	-	-	18,653	(520)	18,133
Other service charges	153,593	123,582	-	16,001	293,176	(1,140)	292,036
Support Service recharges	5,597	(194)	-	2,406	7,809	195	8,004
Depreciation, amortisation & impairment	-	-	-	(7,683)	(7,683)	-	(7,683)
Interest Payments	-	-	-	24,268	24,268	-	24,268
Precepts & Levies	-	-	-	200	200	-	200
Payments to Housing Capital Receipts Pool	-	-	-	1,892	1,892	-	1,892
Gain or Loss on Disposal of Non-current Assets	-	-	-	(1,304)	(1,304)	-	(1,304)
Total Expenditure	177,322	123,907	-	35,780	337,011	(1,465)	335,546

(Surplus) / deficit on
the provision of
services

(115)

144,164

-

-

144,052

(21,722)

122,327

Draft

32. Trading Operations

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

	2012/13		2011/12	
	Expenditure £000	Income £000	(Surplus) / Deficit £000	(Surplus) / Deficit £000
Car Parks	7,144	(4,712)	2,432	(1,887)
Industrial Estates	297	(622)	(325)	(234)
Corporate Estates	2,842	(2,280)	561	(1,766)
Civic Halls	619	(153)	465	333
Markets	766	(740)	26	22
Yacht Station	120	(5)	115	18
Net (Surplus) / Deficit	11,788	(8,513)	3,275	(3,514)

Other than for Markets, the income and expenditure of the remaining trading operations for 2012/13 and 2011/12 have been consolidated within Net Cost of Services in accordance with SERCOP.

Reasons for variance between 2011/12 and 2012/13:-

£8.2m on Capital revaluation and depreciation. £5.3m of this is attributable to Car Parks, £2.0m is attributable to Corporate Estates (of which £1.3m is Three Score, Bowthorpe), £0.5m is attributable to Markets and £0.2m is Civic Halls.

Adjustment to Capital on Airport. Increased income due to the transfer to the Airport Appropriation Account

33. 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 2012/13 and 2011/12 are as follows:-

Highways	2012/13 £000	2011/12 £000
Expenditure	996	1,177
Income	(1,030)	(1,117)
(Surplus) paid over to Norfolk County Council/ Deficit reimbursed to Norwich City Council	(34)	60
On-Street Car parking	2012/13 £000	2011/12 £000
Expenditure	1,129	1,123
Income	(1,187)	(1,261)
(Surplus) paid over to Norfolk County Council	(58)	(138)

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 1st 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.

	2012/13
	£000
Billed	656
Collected	631
Paid over to Norwich BID	394

34. Members' Allowances

The total of members' allowances paid in the year was £281,671 (2011/12 285,041) in accordance with the Members' Allowance Scheme as set out in Appendix 16 of the Council's Constitution.

35. Officers Remuneration

Senior Officers' Remuneration

Post Holder	2012/13					
	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
Deputy Chief Executive - Operations	94,919	-		94,919	13,725	108,644
Executive Head of Service Communications, Customers & Culture	78,338	-		78,338	11,359	89,697
Head of Finance **	23,820	-	54,536	78,356	2,961	81,317
Executive Head of Service – Strategy, People & Democracy	67,354	-		67,354	9,766	77,120
Exec Head of Service Business Relationship Mgr.***	40,158	-		40,158	5,798	45,956
Head of Law and Governance	47,003	-		47,003	9,385	56,388
	514,483	-	170,355	684,838	76,560	761,398

* 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

*** Executive Head of Service Business Relationship salary figure also includes time spent in post of Head of Procurement transfer date 14/06/2012

2011/12

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	130,460	-	-	130,460	18,806	149,266
Deputy Chief Executive	94,658	-	-	94,658	13,725	108,383
Director of Regeneration & Development	94,825	-	-	94,825	13,725	108,550
Head of Communications & Cultural Services	78,338	-	-	78,338	11,359	89,697
Head of Finance	78,540	-	-	78,540	11,359	89,899
Head of Strategy & Programme Management	56,493	-	-	56,493	8,191	64,684
	533,314	-	-	533,314	77,165	610,479

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	2012/13	2011/12
£50,000 to £54,999	5	5
£55,000 to £59,999	2	1
£60,000 to £64,999	7	9
£65,000 to £69,999	2	3
£70,000 to £74,999	-	-
£75,000 to £79,999	1	2
£80,000 to £89,999	-	2
£90,000 to £94,999	1	2
£100,000 to £104,999	-	-
£124,000 to £124,999	-	-
£130,000 to £134,999	1	1
	18	25

In addition, four employees with remuneration of more than £50,000 transferred during the course of the year from Norwich City Council to NPS Norwich Ltd or LGSS.

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:-

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
Total	-	6	6	232,037

2011/12

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	3	7	10	93,734
£20,001 - £40,000	1	8	9	276,946
£40,001 - £60,000	-	1	1	43,336
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	1	1	89,048
£100,001 - £150,000	-	-	-	-
Total	4	17	21	503,064

36. External Audit Costs

In 2012/13 and 2011/12 the following fees were payable by the Council to the Audit Commission:

	2012/13 £000	2011/12 £000
Fees payable to External Audit with regard to external audit services carried out by the appointed auditor	108	206
Fees payable to External Audit for the certification of grant claims & returns	49	100
Total	157	306
Rebate on scale fees	(9)	(14)
Net Cost	148	292

37. Grants Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2012/13 £000	2011/12 £000
Credited to Taxation & Non-Specific Grant Income		
NNDR Redistribution	(11,245)	(9,360)
Revenue Support Grant	(218)	(2,893)
Local Strategic Partnership - Second Homes	(67)	(74)
Local Services Support Grant	(337)	(1,219)
New Homes Bonus	(1,093)	(771)
Council Tax Freeze	(232)	(230)
NNDR Administration Grant	(270)	(272)
Other Grants (Non Capital)	(135)	(44)
Sub-Total	(2,352)	(5,503)
Capital Grants & Contributions		
Local Enterprise Growth Initiative	-	(66)
Home and Communities Agency	(25)	(2)
Capital Grant Income (from Government bodies)	(535)	(657)
Capital Grants & contribution income (from non Government)	(861)	(1,869)
Sub Total	(1,421)	(2,594)
Capital Grants & Contributions(REFCUS expenditure)		
Sustrans	(255)	-
Capital Grants & contribution income (from non Government)	(39)	-
Sub Total	(294)	-
Total	(15,312)	(17,457)

	2012/13 £000	2011/12 £000
Credited to Services		
Rent Allowance Subsidy	(27,973)	(27,298)
Rent Rebate Subsidy	(36,408)	(34,244)
Discretionary Housing Payments	(39)	-
Council Tax Benefit	(15,039)	(14,829)
Housing Benefit Administration Grant	(1,419)	(1,519)
Norwich Connect PFI Income	(1,429)	(1,429)
Improvement East	-	(187)
Home and Communities Agency	(232)	(512)
New Deal for Communities	2	950
BLF	(107)	(59)
Other Revenue Grants & Contributions (from Government)	(648)	(664)
Other Non Govt revenue grants and contributions	253	(641)
Sub Total	(83,039)	(80,432)
Capital Grants & Contributions(REFCUS expenditure)		
Sustrans	-	(20)
Capital Grants & contribution income (from non Government)	-	(83)
Sub Total	-	(103)
Total	(83,039)	(80,535)

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:

CURRENT LIABILITIES	2012/13 £000	2011/12 £000
Grants Receipts in Advance (Capital Grants)		
Home and Communities Agency Capital Grant	(574)	-
Disabled Facilities Grant	(70)	(43)
Developers Contributions (S.106)	(415)	(747)
Total	(1,059)	(790)
Grants Receipts in Advance (Revenue Grants)		
Home and Communities Agency	(86)	(318)
Other Government Grants & Contributions	(42)	(24)
Other Non Government Grants & Contributions	(184)	-
LEGI Re Guildhall	(50)	(50)
SALIX	(57)	-
Developers Contributions (S.106)	(155)	(140)
Total	(574)	(532)

LONG TERM LIABILITIES

Grants Receipts in Advance (Capital Grants)

Home and Communities Agency	(1,429)	(2,000)
Other Government Grants & Contributions	(120)	(28)
Developers Contributions (S.106)	(760)	(641)
Other Non-Government Grants & Contributions	(5)	-

Total	(2,314)	(2,669)
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Grants Receipts in Advance (Revenue Grants)

Local Enterprise Growth Initiative re Guildhall	(400)	(450)
SALIX	(48)	-
Developers Contributions (S.106)	(2,048)	(2,017)

Total	(2,496)	(2,467)
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38. Capital Expenditure & Capital Financing

	2012/13 £000	2011/12 £000
Opening Capital Financing Requirement 1st April (restated)	237,737	90,999
Property, Plant & Equipment	26,859	12,310
Assets under Construction	2,407	2,352
Investment Property	195	234
Assets Held for Sale	-	-
Heritage Assets	23	163
Housing Revenue Self Financing	-	148,898
Intangible Assets	244	628
Decent Home Loans granted net of repaid	(6)	185
Revenue Expenditure Funded from Capital Under Statute	1,042	1,660
	268,501	257,429
Sources of Finance		
Capital Receipts	(4,031)	(3,294)
Government Grants & Other Contributions	(2,083)	(2,171)
Housing Revenue Account Major Repairs Allowance	-	(6,234)
Housing Revenue Account Major Repairs Reserve	(23,553)	-
Revenue Contributions & Minimum Revenue Provision *	(970)	(7,993)
	237,866	237,737
Increase in underlying need to borrow (supported by government fin assistance)	-	148,898
Increase (decrease) in underlying need to borrow (unsupported by government fin assistance)	127	(2,160)
Assets acquired under finance leases		-
Assets acquired under PFI/PPP contracts		-
Increase (decrease) in Capital financing Requirement	127	146,738

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 2012/13 is £1.026m (2011/12 £1.093m) and this represents a provision against the Council's underlying debt that has been acquired to finance capital expenditure.

The opening Capital Financing Requirement (CFR) is restated due to the recognition that a cumulative error in calculation of the General Fund and Housing Revenue Account CFR that had occurred from 2004 to 2012.

39. 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-13		31-Mar-12	
	Vehicles, Plant & Equipment £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Land & Buildings £000
Future Rental Liabilities				
Not later than one year	131	1,581	307	1,713
Later than one year & not later than five years	210	2,297	323	1,989
Total	341	3,878	630	3,702

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 £2,386,452 (2010/11: £2,401,782)

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 £1,298,115 (2011/2012 £1,390,837)

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

	2012/13 £000	2011/12 £000
Finance Lease Liabilities		
Current	72	68
Non-current	1,430	1,502
Financing Costs payable in future years	919	1,012
Minimum Lease Payments	2,421	2,582

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

	2012/13 £000	2011/12 £000
Future Rental Liabilities		
No later than one year	161	161
Later than one year & not later than 5 years	646	646
Over 5 years	1,613	1,775
Total	2,420	2,582

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:

	2012/13 £000	2011/12 £000
Future Rental Receivables		
Not later than one year	3,201	3,349
Later than one year & not later than five years	10,620	11,026
Over five years	71,826	72,942
Total	85,647	87,317

In addition to the above, there are 186 properties where the rent is in perpetuity that amounts annually to £243,737 (2011/12 £273,379) 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

	2012/13 £000	2011/12 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	18	17
Non-current	2,926	2,754
Unearned finance income	730	943
Unguaranteed residual value of property	112	112
Gross investment in the leases	3,786	3,826

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-13	31-Mar-12	31-Mar-13	31-Mar-12
	£000	£000	£000	£000
Future Rental Receivables				
Not later than one year	46	41	46	41
Later than one year & not later than five years	233	223	206	195
Later than five years	3,507	3,562	3,422	3,477
Total	3,786	3,826	3,674	3,713

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £8,844 contingent rents were receivable by the Authority (2011/12 £8,844).

40. Private Finance Initiatives & Similar Charges

On the 15 April 2002 the Council commenced a 15 year partnership agreement with Steria UK Ltd for the delivery of a managed service, infrastructure upgrades, business process re-engineering (BPR) and new ICT (consequent upon BPR). The agreement gave the opportunity for the Council and Steria to work together to improve back and front office service delivery by the implementation of innovative software and infrastructure. The transfer involved approximately 30 employees and the 2011/12 payment was £6.231m.

On 12 April 2012 the Council terminated the contract. Any plant and equipment installed at this date transferred to the Council. The Council only had the right to terminate the contract if it compensated the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract, the liability for which being settled on 28 September 2012. The excess of the final settlement figure over the finance lease liability shown below was included in the comprehensive income and expenditure account as a charge to services in 2011/12 and was included in short term creditors (note 23).

The tables below detail the position at 31 March 2012.

Value of Assets held under PFI contract are:

	31 March 2012 £000
Carrying amount at 1 April	2,303
Additions	81
Depreciation	(666)
Revaluation loss	(761)
Transfer to owned assets on termination	(957)
Carrying Value at 31 March	-

Value of liabilities resulting from PFI contract is:

	31 March 2012 £000
Value at 1 April	6,477
Finance lease costs	765
Finance lease rental	(1,445)
Other liabilities	3,332
Carrying Value at 31 March	9,129

The profile of the obligations in respect of the PFI contract is detailed in the tables below:

PFI Creditor	31 March 2012 £000
Due within one year	9,129
Due within 2-5 years	-
Due within 6-10 years	-
Total	9,129

41. Impairment Losses

During the year the Council carried out adaptations at a cost of £753,000 (2011/12 £1,322,451) 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).

During the year the Council refurbished the windows and third floor of City Hall in order to improve energy efficiency and office space utilisation. The cost of the works was £2.04m. The Council's valuers, Norfolk Property Services, valued City Hall at 1st April 2013, the resultant valuation meant that an impairment of £1.66m.

The Council carried out works to the bin stores for the council dwellings of £949,581 (2011/12 £449,735). 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 minor works to flats within blocks for which the lease has been sold and the council remains responsible for maintaining the fabric and structure of the building in total £286,032 (2011/12 £79,021).

The Council also impaired the cost of minor works to other fully owned properties amounting to £89,416 (2011/12 nil)

The council has also impaired a building to nil value as a decision has been taken to demolish it, the value of this is £34,300 (2011/12 £31,991). A further vacant building has been impaired by £294,000 pending a decision about its future, which may include demolition.

42. Termination Benefits

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £232,037 (£503,064 in 2011/12). This was payable to 6 (21 in 2011/12) 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

	2012/13 £000	2011/12 £000
Pension Fund Liability	136,206	116,144
Other	24	25
	<hr/> 136,230	<hr/> 116,159

44. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed 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 scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions relating to Retirement Benefits

The Council recognise the cost of retirement benefits in the Net 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 retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

	2012/13	2011/12
	£000	£000
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current service cost	3,017	3,362
Curtailments	104	771
Past service cost	-	290
Financing and Investment Income and expenditure	3,121	4,423
Interest cost	16,095	16,356
Expected return on assets in the scheme	(12,194)	(14,430)
Net charge to the Income & Expenditure Account	7,022	6,349
Other Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Actuarial Gains and Losses	21,310	32,917
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	28,332	39,266
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(7,022)	(6,349)
Actual amount charged against the General Fund and HRA Balances for pensions in the year		
Employers' contributions payable to the scheme	8,267	5,923

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £120.966m (31 March 2012 loss of £99.656m).

	2012/13	2011/12
Reconciliation of present value of the scheme liabilities:	£000	£000
At 1 April	(339,086)	(298,499)
Current service Cost	(3,017)	(3,362)
Interest Cost	(16,095)	(16,354)
Contributions by Members	(1,090)	(1,290)
Actuarial Gains / (Losses)	(38,700)	(20,741)
Benefits Paid	11,856	11,171
Past service Costs	(104)	(771)
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	(9,240)
At 31 March	(386,236)	(339,086)

	2012/13	2011/12
Reconciliation of fair value of the scheme assets	£000	£000
At 1 April	222,941	215,699
Expected rate of return	12,194	14,430
Actuarial Gains / (Losses)	17,390	(12,177)
Employer Contributions	7,066	5,806
Contributions by Members	1,090	1,290
Benefits Paid	(10,652)	(11,057)
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	8,950
At 31 March	250,029	222,941

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

The actual return on scheme assets in the year was £29.584m (2011/12 £2.254m)

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Present Value of Liabilities	(234,920)	(367,519)	(298,498)	(339,085)	(386,235)
Fair Value of Scheme Assets	158,012	203,132	215,699	222,941	250,029
(Deficit) in Scheme	(76,908)	(164,387)	(82,799)	(116,144)	(136,206)

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £250.029m has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £136.206m. However, statutory arrangements for

funding the deficit mean that the financial position of the Council remains healthy, as the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contribution expected to be made to the scheme by the Council for the year to March 2014 is £4.332m

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit 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 2010.

The principle assumptions used in their calculations have been:

	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity Investments	4.50%	6.20%
Bonds	4.50%	4.20%
Other	4.50%	4.40%
Cash	4.50%	3.50%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	21.2yrs	21.2yrs
Women	23.4yrs	23.4yrs
Longevity at 65 for future pensioners		
Men	23.6yrs	23.6yrs
Women	25.8yrs	25.8yrs
Rate of inflation	2.80%	2.50%
Rate of increase in salaries	5.10%	4.80%
Rate of increase in pensions	2.80%	2.50%
Rate for discounting scheme liabilities	5.10%	4.80%
Take up of option to convert annual pension into retirement lump sum		
Pre-April 2008 service	50%	50%
Post-April 2008 service	75%	75%

History of experience gains & losses

The actuarial gains identified as movements on the pension reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between expected & actual return on assets	(35.73)	19.07	1.14	(5.46)	6.96
Experience gains & losses on liabilities	0.13	(0.17)	14.59	1.61	0.07

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

	30th March 2013	30th March 2012
	%	%
Equity Investments	68	66
Bonds	19	19
Property	11	12
Cash	2	2

Further information is available the Accounting Policies.

45. Contingent Liabilities

Insurance

Municipal Mutual Insurance Limited (MMI) an amount of £.0137m has been included in the accounts, within earmarked reserves, to cover potential 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 a 15% levy of the total sum paid on behalf of the Council by MMI since 30 September 1992, less the first £50,000 of such payments. However it is possible that the levy rate could eventually be higher than 15% but it is not practicable at this time to assess any potential increase in the future levy rate. As a result, no amount over and above the initial £0.137m earmarked reserve has been recognised in the accounts.

Land Charges Data

Norwich City Council is a defendant in proceedings brought by a group of Property search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £30,000 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £90,000 plus interest and costs. The second group of Property Companies have also intimated that they may bring a claim against all English & Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been initiated at present.

Contracts for services

The council has received a claim from a housing maintenance contractor for £340k of additional costs, which is being contested.

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, provides the majority of its funding in the form of grants 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 31 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 37 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 2012/13 and 2011/12 is shown in Note 34. During 2011/12, works and services to the value of £42,401 (2012/13 £40,433) were commissioned from companies in which six members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition members

approved £626,654 (2011/12 £743,296) and officer working parties a further £8,999 (2011/12 £20,946) as grants to voluntary organisations in which nine 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' Interest, open to public inspection at City Hall during office hours.

During 2012/13, grants totalling £44,800 were made to two organisations (2011/12 £41,614 to two organisations) in which members of senior management had an interest. The members of senior management did not take part in any discussion, decision or administration relating to the grants.

During 2012/13, works and services to the value of £692 (2011/12 £20,277) were commissioned from entities in which two officers had an interest, amounts and entities were 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
- 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 2012/13. £803,000 has been spent with Norwich Norse during 2012/13 and £970,930 has been spent with NPS Norwich Ltd.

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 £55,924 (2011/12 £46,285). There have also been a number of transactions on behalf of the strategic partnerships with the Highways Agency, disclosed in Note 33; and the Norwich and Homes & Communities Agency Strategic Partnership, with expenditure of £232,040 (2011/12 £420,229). 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 £000	Paintings £000	Sculptures & Bronzes £000	Statues, Fountains £000	Buildings £000	Total Heritage Assets £000
Valuation						
1 April 2008	6,784	3,321	658	-	-	10,763
Revaluations	623	77	-	-	-	700
31 March 2009	7,407	3,398	658	-	-	11,463
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

48. Long Term Contracts

The Council has entered into a number of long term contracts, the detail of which is contained in the table below:

Contractor	Service	Contract Start	Contract Expiry	Total Contract Value	Expenditure during 2012/13
Gasway Fosters Property Maintenance	Gas Servicing & repairs to Council Dwellings	1 Apr 2011	31 Mar 2017	£7.2m	£2.041m
	Boiler upgrades to Council Dwellings	1 Apr 2012	31 Mar 2016	£48m	£9.679m
Anglian Building Products Biffa Municipal Ltd	UPVC window and door replacements	1 Nov 2011	30 Sept 2013	£7.5m	£4.159m
	Waste, refuse & recycling	24 Jan 2012	31 Mar 2017	£17.1m	£3.465m
LGSS	IT and Finance	12 Apr 2012	11 Apr 2017	£40m	£5.037m
NPS Norwich Ltd	Non Commercial property estate management services	1 Mar 2013	28 Feb 2022	£500m	£0.233m
NPS Norwich Ltd	Commercial property asset management	1 Mar 2012	28 Feb 2022	£22m	£0.677m
Alphatrack Systems Ltd	Housing electrical & mechanical repairs	1 Apr 2012	31 Mar 2018	£6.7m	£0.28m
Norfolk County Council	Highways Environmental Services	1 Apr 2010	31 Mar 2014	£17.2m	£0.947m
Norse Commercial Services Ltd	Non-housing building maintenance	1 Apr 2010	31 Mar 2016	£6.6m	£1.608m
Norse Commercial Services Ltd	Housing repairs and maintenance	8 Aug 2012	7 Aug 2017	£37.5m	£4.043m
Norse Commercial Services Ltd	Grounds maintenance, street cleansing & arboriculture	1 Mar 2013	28 Feb 2022	£48m	£0.42m
Stanley Security Solutions - Europe Ltd	Communal digital aerial upgrades & rental	19 Jul 2008	31 Mar 2029	£8m	£0.21m
UKDN Ltd	Housing drain & sewer repairs & renovation	1 Jul 2012	30 Jul 2016	£1.08m	£0.21m

Housing Revenue Account Income & Expenditure Statement

	Notes	2012/13 £000	2011/12 (restated) £000
Expenditure			
Repairs & Maintenance		9,276	10,673
Supervision & Management		16,179	18,363
Rents, Rates, Taxes & Other Charges		6,443	6,048
Negative Subsidy payable to Secretary of State		8	8,003
Local Authority Housing - HRA Self Financing Debt		-	148,898
Depreciation & Impairment of Non-current Assets	HRA 10&11	14,474	(10,732)
Local Authority Housing - Revaluation loss on Dwellings		8,919	
Debt Management Costs		67	109
Movement in Allowance for Bad Debts		22	488
Total Expenditure		55,389	181,850
Income			
Dwelling Rents		56,354	52,236
Non-dwelling Rents		2,321	2,363
Charges for Services & Facilities		3,405	3,198
Contributions towards expenditure		8,098	8,560
Total Income		70,178	66,357
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		(14,789)	115,493
HRA services share of Corporate & Democratic Core		512	418
HRA share of the other amounts included in the whole Council Net Cost of Services but not allocated to specific services		-	-
Net (Income)/Cost of HRA Services		(14,277)	115,911
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Expenditure		(2,054)	(1,085)
Financing & Investment Income & expenditure		9,934	3,784
Taxation & Non-Specific Grant Income		(495)	(748)
(Surplus)/deficit for the year on HRA services		(6,892)	117,862

Movement in Reserves Statement (Housing Revenue Account)

	2012/13 £000	2011/12 £000
Balance at 31 March	14,724	13,490
<u>Movement in reserves during Year</u>		
Surplus/ (deficit) on provision of services	6,892	(117,864)
Other Comprehensive Income & Expenditure		-
Total Comprehensive Income & Expenditure	6,892	(117,864)
Adjustments between accounting basis & funding basis under regulations (note 7 main accounts)	6,194	119,115
Net Increase/ Decrease before Transfers to Earmarked Reserves	13,086	1,251
Transfers to/from Earmarked Reserves (note 8 main accounts)	14	-18
Transfers between reserves	(37)	-
Other Adjustments	-	-
Increase in Year	13,063	1,233
Balance at 31 March carried forward	27,787	14,723

Notes to Housing Revenue Account Income & Expenditure Statement

1. Other Operating Income

	2012/13	2011/12
	£000	£000
(Gains)/Losses on the disposal of non-current assets	(2,054)	(1,085)
Total	(2,054)	(1,085)

2. Financing and Investment Income and Expenditure

	2012/13	2011/12
	£000	£000
Interest payable and similar charges	9,077	3,895
Pension interest cost and expected return on pension assets	1,158	511
Interest receivable and similar income	(133)	(203)
Income and expenditure in relation to investment properties and changes in their fair value	(170)	(419)
Total	9,932	3,784

3. Taxation and Non-Specific Grant Income

	2012/13	2011/12
	£000	£000
Capital Grants and contributions	(495)	(748)
Total	(495)	(748)

4. Loan Charges

During 2012/13 the council managed its debt as a whole and no separate record is kept of loans taken out for HRA purposes. It is not possible, therefore, to calculate the actual debt financing and management costs that relate to HRA debt alone (in order to attribute them to the HRA). Instead, the General Fund meets all such costs initially and receives a contribution towards them from the HRA, by means of the Item 8 debit. This contribution is worked out on the basis of a notional assessment of HRA debt, using the concept of the CFR as set out in the 'Prudential Code for Capital Finance in Local Authorities' published by CIPFA in 2011.

As noted elsewhere in the Statement of Accounts the Council made an HRA self-financing settlement payment of £148.898 million on 28 March 2012. To meet this payment the Council took out three long-term maturity loans with the Public Works Loan Board (PWLb)

5. HRA Council Dwellings

At 31 March 2013 there were 15,620 HRA Council dwellings, of which 987 were sheltered housing units.

	31-Mar-13	31-Mar-12
	Total	Total
Parlour houses	320	319
Non-parlour houses	5,446	5,487
Non-traditional houses	663	667
Bungalows	343	342
Cottage properties	262	281
Flats	6,685	6,724
Maisonettes	515	516
Flats in tower blocks	419	421
Sheltered/Good Neighbour housing units	987	987
	15,640	15,744

The changes in stock during the year can be summarised as follows

Stock as at 1 April	15,744	15,691
Right to Buy sales	(90)	(37)
Other Dwelling Sales	(16)	(22)
Conversions	1	-
Demolitions	-	-
Transfer to Registered provider of Social Housing	-	-
New Dwellings in HRA	-	112
Re-purchase of former RTB Dwelling	1	-
	15,640	15,744

6. Housing Valuation

	31-Mar-13 £000	31-Mar-12 £000
Operational Assets:		
Council Dwellings (HRA)	605,998	618,591
Other Land & Buildings	24,073	11,271
Vehicle, Plant & Equipment	1,298	1,391
Infrastructure & Community Assets	2,197	183
Assets Under Construction	2,407	-
Surplus assets not held for sale	389	210
Investment Properties	1,510	3,784
Sub Total	637,872	636,430
Assets held for Sale - Non Current	-	-
Assets held for Sale - Current	370	766
Sub Total	370	766
Intangible Assets	254	66
Sub Total	254	66
Total	638,496	636,262

There is a remaining piece of housing land belonging to the General Fund whose value amounts to £0.004m (2011/12 £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 £617.46m (2011/12 £618.60m).

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% (2011/12 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 £1,522,469,990 (1 April 2012 £1,524,940,000)

7. Major Repairs Reserve

	2012/13 £000	2011/12 £000
Balance brought forward at 1 April	(11,173)	(7,354)
Depreciation charge for the year	(12,384)	(11,092)
Financing of capital expenditure for the year	23,553	6,234
Excess of depreciation over MRA	-	1,039
Balance for the year	11,169	(3,819)
Balance Carried forward	(4)	(11,173)

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 2011/12.

8. HRA Capital Expenditure

	2012/13 £000	2011/12 £000
Capital Investment		
Opening Capital Financing Requirement 1st April	213,546	57,954
Operational Assets	23,806	10,200
Other Land & Buildings	125	(16)
Intangible Assets	199	-
Assets under Construction	2,407	2,352
Housing Revenue Self Financing	-	148,898
Revenue Expenditure Financed as Capital	9	0
Appropriation from GF	-	6,694
Reclassification to GF	(1,978)	-
	238,114	226,082
Capital Receipts	(1,171)	-
Government Grants & Other Contributions	(495)	(250)
Major Repairs Allowance	-	(6,234)
Major Repairs Reserve	(23,553)	-
Revenue Contributions	(1,327)	(6,052)
	211,568	213,546

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 2012/13 total capital receipts from the disposal of HRA assets were:

	2012/13 £000	2011/12 £000
Land	376	101
Council dwellings	6,288	3,669
Total	6,664	3,770

10. Depreciation

From 1st April 2012 depreciation of the Council's housing stock is calculated by reference to the value at the previous 31st 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.

In 2011/12 as permitted by Code, the Major Repairs Allowance (based upon the Building Research Establishment's calculation of the cost of replacing each element of the stock at the end of its useful life), adjusted by the omission of the Geographic Adjustment Factor, was adopted as a reasonable estimate of depreciation for HRA dwellings.

The amount of depreciation charged for the year was £12,477k (2011/12 £11,185k)

	2012/13 £000	2011/12 £000
<u>Operational Assets</u>		
Council dwellings	12,230	10,947
Other land & buildings	154	145
Vehicles, Plant & Equipment	93	93
	12,477	11,185

11. Impairment & Revaluation Losses

During the year there were £1,986,833 of impairment costs (2011/12 £1,817,106) relating to HRA assets, which are detailed in the tables below.

	2012/13 £000	2011/12 £000
<u>Impairments</u>		
Council Dwellings	(1,988)	(1,833)
Other Property	2	16
	(1,986)	(1,817)
 Disabled Facilities adaptations not adding value	 (673)	 (1,376)
Other additions not adding value	(1,028)	(434)
Other	(286)	(7)
	(1,987)	(1,817)

Revaluation gains amounted to £19,933,226 (2011/12 gain £23,995,232) of which a £20,840,103 loss on some assets affected the Comprehensive Income and Expenditure Statement (2011/12 gain £21,974,749) and £906,876 gain on other assets affected the Revaluation Reserve (2011/12 gain £2,020,483).

12. Housing Subsidy

2011/12 was the last year of Housing Subsidy, that year £8,002,915 was payable to the Department for Communities and Local Government and was made up of the following elements.

	2011/12 £000
Allowance for Management	10,441
Allowance for Maintenance	17,304
Allowance for Major Repairs	10,054
Charges for Capital	6,398
Other Items of Reckonable Expenditure	13
Subtotal Subsidy Receipts	44,210
Guideline Rent	(52,281)
Interest on Receipts	(1)
Interest on Self Financing Settlement payable to Secretary of State	53
Subtotal Subsidy Payments	(52,229)
Prior Year Income	16
Total Housing Subsidy Receipts/(Payments)	(8,003)

The current year 2012/13 is the first year of Housing Revenue Self Financing, under this system the council is responsible for financing the Housing Revenue Account (HRA) To fund this, Norwich City Council incurred a debt liability of £148.9m on 28 March 2012.

13. 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.

14. Rent Arrears

Rent arrears at 31 March 2013 were £3.66m (2011/12 £3.36m). The provision for doubtful debts (rents) at 31 March 2013 was £1.98m (2011/12 £1.96m). Amounts written off during the year amounted to £0.27m (2011/12 £0.21m).

The Collection Fund Revenue Account

	Notes	31-Mar-13 £000	31-Mar-12 £000
Income			
Income from Council Tax		50,904	50,763
Transfer from General Fund:			
Council Tax benefits		14,953	14,817
Income collectable from business ratepayers		74,831	72,662
		140,688	138,242
Expenditure			
Precepts & Demands:			
Norfolk County Council		47,057	46,680
Norfolk Police Authority		8,092	7,793
Norwich City Council		9,282	9,208
Distribution of Estimated Surplus for Previous Years:			
Norfolk County Council		71	555
Norfolk Police Authority		12	93
Norwich City Council		14	109
Business Rates:			
Payment to National Pool		74,562	72,390
Costs of Collection		269	272
Bad & Doubtful Debts:			
Write Offs of uncollectable amounts		406	188
Allowance for impairment		124	1,464
		139,889	138,752
Collection Fund Balance b/fwd at 1 April		1,564	2,074
Prior Year Adjustment			
Surplus / (Deficit) for the year		799	(510)
Collection Fund Balance c/fwd at 31 March	4	2,363	1,564

Notes to the Collection Fund Statement

1. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects national non-domestic rates (NNDR) for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central Government, which in turn pays back to local authorities their share of the pool based on a standard amount per head of the local adult population.

The total non-domestic rateable value at 31 March 2013 was £196,768,930 (2011/12 £197,1216,895). The national non-domestic rate multiplier for 2012/13 was 45.8p in the £ (2011/12, 43.3p in the £). The small business multiplier for eligible businesses in 2012/13 was 45p in the £ (2011/12, 42.6 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	2012/13 Calculated Number of Properties in Band	2011/12 Calculated Number of Properties in Band
Up to £40,000	A	14,473.51	14,440.95
£40,001 to £52,000	B	14,607.52	14,460.60
£52,001 to £68,000	C	6,049.02	5,982.84
£68,001 to £88,000	D	2,986.55	2,961.65
£88,001 to £120,000	E	2,318.92	2,288.79
£120,001 to £160,000	F	1,096.98	1,068.96
£160,001 to £320,000	G	960.92	949.42
Over £320,000	H	92.00	91.40
		42,585.42	42,244.61
Collection Rate		0.965 x	0.965 x
		41,094.93	40,766.05
Contribution in Lieu (relating to Crown Properties)		0	0
Tax Base		41,094.93	40,766.05

The tax rate per Band D property was £1,567.86 (2011/12 £1,562.10).

3. Contribution to Collection Fund Surpluses & Deficits

The 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.

	2012/13 £000	2011/12 £000
Norfolk County Council	1,725	1,142
Norfolk Police Authority	297	196
Norwich City Council	340	226
Surplus Carried Forward	2,362	1,564

Annual Governance Statement 2012/13

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. The code will be updated in 2013-14 as 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 January 2012 the council agreed to terminate its previous ICT contract and transfer 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 were transferred for 2012-13, as follows:

In April 2012 an appropriately qualified and experienced officer at LGSS became the council's chief finance officer.

In April 2012 the LGSS head of audit, risk and insurance became 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 2013 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.

The changing pace council blueprint (new 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.

- 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.

The corporate plan was drawn up in line with the medium term financial strategy and in parallel to the development of the budget for 2012-13 to ensure the necessary resources are in place for its delivery.

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 2012-13 in line with the changes to the corporate plan priorities and in accordance with the development of the budget for 2012-13 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 and quarterly to scrutiny and cabinet.

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 the HouseMark major housing organisations forum which meets quarterly to discuss housing issues and shape good practice.

A summary of the overall performance of the council in 2012-13 is included in the explanatory forward to the statement of accounts for the year ending 31 March 2013.

- 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:

In line with the new standards regime under the Localism Act 2011 the previous members' code of conduct was repealed on 1 July 2012. 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 October 2009) 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 head of law and governance (monitoring officer), chief finance officer (section 151 officer), executive head of business relationship management and executive head of strategy, people and democracy; 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 strategy which has been approved by cabinet and is available to all staff via the 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 mitigating measures 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 is in the process of being updated and was reviewed by corporate leadership team in April 2013. 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 who discuss and inform 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 and transformation. Recently it won the Gold Award for 'Delivering through efficiency' in the Improvement and Efficiency Awards 2013 for the significant savings delivered while continuing to improve performance and it was highly commended in the LGC awards 2013 coming second in the 'Most improved council of the year' category.

- 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.

There are working arrangements and understandings in place between the CFO, 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 *chief finance officer protocol*, which currently forms appendix 9C of the council's constitution (currently under review).

- 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)* and, where they do not, explain why and how they deliver the same impact.

In line with the partnership and delegation agreement, the internal audit for 2012-13 was provided by LGSS internal audit and was 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 the head of law and governance and with the 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 (currently under review).

- 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 covering internal and external audit, risk management, accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference are in line with the guidance and can be found in article 17 of the council's constitution (currently being updated as part of the constitution review).

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

The head of law and governance (as 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 head of law and governance and chief finance officer had responsibility in 2012-13 for ensuring that all proposals, decisions and actions incurring expenditure were lawful. In April 2012 an appropriately qualified and experienced officer at LGSS became the council's chief finance officer.

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 their work programme regularly carry out work that involves reviewing the performance and effectiveness of other public service providers as well as the council. For example, during 2012-13 they looked at health inequalities in the City with involvement from public health and 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 will input into the Norfolk Health and Wellbeing Strategy. The council also worked closely with NHS Norwich clinical commissioning group, who share City Hall, to develop the first Health and Wellbeing Strategy for Norwich. Following the development of healthy city status for Norwich the Norwich Locality Board will have a role overseeing the delivery of health outcomes in the city as part of the healthy city programme.

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 e.g. the effects of welfare reform 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 strategy was updated in 2011-12 and is 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.

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, risk and insurance'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 was drawn up in line with the medium term financial strategy and in parallel to the development of the budget for 2012-13 to ensure the necessary resources were 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 2012-13 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 2012-13 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 is currently in progress, overseen by the corporate governance group which is chaired by the monitoring officer. There is a formal plan covering all articles and appendices, and the review should be complete by the end of 2013.

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 2012-13 was presented to scrutiny committee on 6 June 2013.

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 head of law and governance.

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 will be presented to council in July 2013.

Chief finance officer

The chief finance officer is a statutory appointment, and during 2012-13 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 2012-13 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 2013; the audit opinion concludes that there was adequate assurance on the council's internal control environment for 2012-13.

Corporate governance group

This is an internal officer group chaired by the head of law and governance (monitoring officer) which is responsible for reviewing all aspects of the council's governance arrangements. Membership of the group includes the chief finance officer, executive head of business relationship management and executive head of strategy, people and democracy. The group 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 EY became the appointed external auditor from 1 September 2012.

The Audit Commission was the appointed external auditor for 2011-12, providing a further source of assurance by reviewing and reporting upon the council's financial statements, internal control processes, and any other matters relevant to their statutory functions and codes of practice.

The Audit Commission's annual governance report 2011-12 was presented to audit committee on 22 January 2013. The annual report on the certification of claims and returns 2011-12 was presented to audit committee on 19 March 2013.

For 2011-12 the Audit Commission's work resulted in unqualified audit opinion and value for money conclusion. However, the Audit Commission issued a qualified 'disagreement' report on the council's Whole of Government Accounts because the consolidation pack was not fully consistent with the audited financial statements. An action plan to address all the recommendations in the report has been drafted and progress against the plan is regularly reported to audit committee, the latest being to the meeting of 19 March 2013.

In March 2012 the council was subject to a 'peer challenge' review, led by the Local Government Association. The focus of the review was the council's performance over the previous three years, its improvement journey, and its plans for delivering services in the future. Particular mention was made of the following:

- Notable service improvements made in housing, neighbourhood arrangements, recycling and efficiency savings.
- Clear priorities demonstrated by the council with resources being targeted in an impressive way.
- Significant improvement in financial management.
- Strong political and managerial leadership between members and officers.
- Good partnerships established with organisations including NPS Norwich, nplaw and LGSS.
- Useful consultations held with members of the public and staff on the way forward.

The council's improvement was recognised by two prestigious awards in 2012-13:

In the first, the council won gold for 'delivering through efficiency' in the public sector improvement and efficiency awards 2013 run by the Improvement and Efficiency Social Enterprise. The prize was awarded to the council for making £20m of savings over four years while continuing to improve key services and raising the profile of the city.

Shortly afterwards the council came second and was highly commended in the 'most improved council of the year' category of the Local Government Chronicle Awards 2013.

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):

Review of the council's constitution

As already mentioned, a full review of the council's constitution is in progress with a planned completion at the end of 2013. 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.

Transfer of ICT and support services to LGSS

In January 2012 the council agreed to terminate its ICT contract and transfer the ICT and finance functions to LGSS (local government shared services), a public sector partnership between Northamptonshire and Cambridgeshire county councils.

Some of the key long-term benefits to joining LGSS for the council include significant future savings, improved resilience and greater efficiency in IT and finance support services.

The new arrangements commenced in April 2012 under a partnering and delegation agreement between the council and LGSS.

Monitoring and governance of the agreement is achieved via the partner liaison committee, supported by a nominated service delivery manager and service liaison manager at Norwich and a nominated client services manager at LGSS.

Regular service review and leadership team meetings have now been set up to provide both parties with the opportunity to review on a regular and frequent basis performance against agreed service levels.

Audit Commission annual governance report 2011-12

The Audit Commission's annual governance report was presented to audit committee on 22 January 2013.

In summary, the district auditor gave an unqualified opinion on the council's 2011-12 financial statements and issued an unqualified value for money conclusion. The district auditor issued a qualified 'disagreement' report on the council's Whole of Government Accounts because the consolidation pack was not fully consistent with the audited financial statements.

Some weaknesses in internal control were identified in relation to internal audit resourcing; the collection fund; and the fixed asset register.

Under 'other matters' issues were identified in relation to adjustments for components being capitalised; review of capital expenditure and financing note; accounting for capital additions around year end; and accounting for investment property within the housing revenue account. The district auditor also recommended the council to fully revisit the medium term financial strategy.

For all the above a detailed action plan has been completed. Progress on the action plan is regularly reported to audit committee, the latest being 19 March 2013, which reported that the action plan is substantially complete.

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 ongoing restructuring within LGSS exchequer services the response is outstanding.

A follow up of the audit review of the contract for the care and repair service showed that the previous contractor had not fulfilled its obligations in respect of decent homes loans. The council has now received information from the contractor and the potential risk is currently being reviewed and assessed by the relevant head of service in order to determine what action should be taken.

Progress on the action plan from the previous governance statement

Actions taken to address the significant issues from the 2011-12 governance statement are substantially complete.

In conjunction with the review of the constitution, updated financial procedures to underpin financial regulations were agreed by corporate leadership team in June 2013 for publication on the staff intranet.

Progress on significant findings from internal audit reviews is regularly reported to audit committee, most recently to the meeting on 19 March 2013.

6. Statement by Leader of the Council & 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:

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Brenda Arthur
Leader of the Council

Date:

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Laura McGillivray
Chief Executive

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GLOSSARY OF TERMS

Accounting Period

The period of time covered by the accounts - normally a period of twelve months – which 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.

Asset

An item having 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.

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

A 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 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.

Deferred Charges

Previously, capital expenditure which may be properly capitalised, but which does not result in, or remain matched with, tangible fixed assets. Now replaced by Revenue Expenditure Funded from Capital Under Statute (q.v.).

Depreciation

The measure of the cost or revalued amount of the benefits of a fixed asset that have been consumed during the accounting period.

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.

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 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.

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).

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.

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 proceeds 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.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor. Not the same as a Finance Lease (q.v.).

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 that 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 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

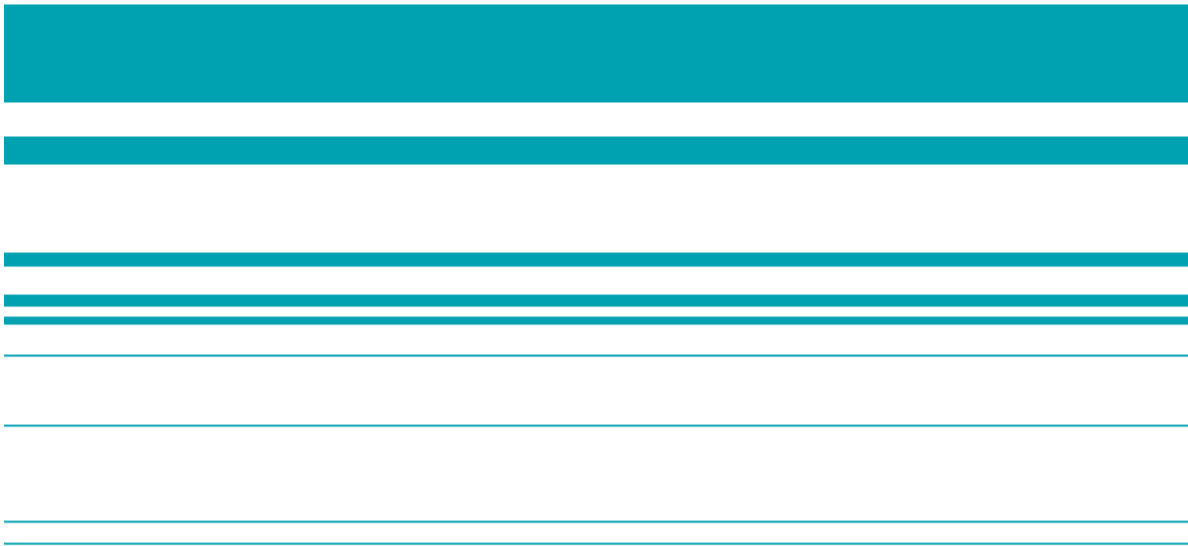
See Fixed Assets (q.v.)

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.

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.



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