NORWICH
City Council

Audit committee

Date: **Tuesday, 23 September 2014**
Time: **16:30**
Venue: **Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH**

Committee members:

Councillors:

Neale (chair)
Wright (vice chair)
Boswell
Bremner
Harris
Kendrick
Little
Waters

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Agenda

Purpose - To note the LGSS internal audit charter

To note the requirement that LGSS internal audit should comply with the Public Sector Internal Audit Standards

Date of publication**: Friday, 03 October 2014**

NORWICH
City Council

Minutes

Audit committee

5.10pm to 6.05pm **22 July 2014**

Present: Councillors Neale (chair), Wright (vice chair following election), Boswell, Bremner, Harris, Kendrick , Little and Waters

1. Appointment of vice chair

Councillors Kendrick and Wright were nominated for the position of vice chair.

RESOLVED, on the chair's casting vote, to appoint Councillor Wright as vice chair for the ensuing civic year.

2. Declarations of interest

There were no declarations of interest.

3. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 11 March 2014.

4. Annual audit committee report 2013-14

Councillor Little, the former chair presented the report, and said that it demonstrated that the audit committee added value to the audit process and would be of interest to other members.

During discussion the chief finance officer and other members commended Councillor Little for his work in producing the first annual report.

RESOLVED to recommend that council adopts the Annual audit committee report 2013-14 at its meeting on 22 September 2014.

5. Statement of accounts 2013-14

The chief accountant (LGSS) presented the report. She apologised for the formatting of appendix 2 – Balance sheet changes and confirmed that gridlines could be displayed so that the tables were easier to read.

Councillor Little referred to the balance sheet on page 41 of the statement of accounts and said references to the explanatory paragraphs should be added to the "Notes" column of the table in respect of "Long term borrowing" (paragraph 16) and "Other long term liabilities" (paragraph 43). He also suggested that there needed to be an explanation of the council tax reduction scheme (introduced in 2012) in paragraph 11. He also requested further explanation in paragraph 14, Investment properties and an explanation on the increase in short term banking rather than long term banking. The chief accountant said that she would look into the details. She also agreed to review the explanatory text in relation to paragraph 31 and the tables showing Directive income and expenditure for 2013-14 and 2012-13 so that it was more understandable.

Councillor Boswell referred to the bullet point on the reduction of pollution levels in air quality (paragraph 9, Sustainability reporting) and that he considered that the council's transportation policy did not lead to a reduction in carbon emissions and should be deleted from the Statement of accounts. Analysis by the county council indicated that the proposed Northern distributor road (NDR), a key feature of the Norwich area transportation strategy (NATS), would increase carbon emissions from transport in the city and the county in the future. Discussion ensued in which other members rejected this view and said that they considered the reference in the council's Statement of accounts was a neutral record of the council's position at a given moment in time and the NDR had not yet been built. The city council supported the Norwich area transportation strategy (NATS) which had made a difference to air quality and a reduction in carbon emissions in the city. It was also noted that the council's corporate plan was committed to improve air quality and reduce carbon emissions.

In reply to a question, the chief accountant explained that community infrastructure levy funding was shown as credit on the balance sheet and would be inactive until it was allocated to a project. This was unlike S106 funding which was allocated to specific schemes at the point of receipt. The chief accountant undertook to respond to questions from the committee on the following issues: an explanation of server virtualisation, the proposed dates for the production of phase 2 of the carbon management plan and the definition of Housing non-council costs.

RESOLVED to:

(1) receive the formal unaudited draft statement of accounts for 2013-14;
(2) ask the chief accountant to review the text with reference to the points raised by the committee and minuted above;
(3) ask the chief accountant to circulate a respond on the following issues:

  (a) what is service virtualisation? (subsequent response: Server virtualisation allows for more than one server to operate on the same piece of hardware. Therefore reducing the number of servers the council needs and therefore reducing energy consumption (heat and electricity);
  (b) what are the proposed dates for the production of phase 2 of the carbon management plan? (subsequent response: Cabinet approved the carbon management plan on 5 February 2014 for the next 5 year period);
  (c) what is "Housing non capital"? (subsequent response: This includes any housing related cost that are not included in the Housing revenue account (HRA) including housing benefit, private sector housing, homelessness, rough sleeper, choice based lettings, strategic development.

6. Annual audit and certification fees letter 2014-15

The external audit manager (Ernst & Young LLP) introduced the annual audit and certification fees letter and answered members' questions. There would be no additional costs arising from the correspondence with a member of the public.

RESOLVED to note the content of the external auditor's annual audit and certification fees letter dated 29 April 2014 and the work that they propose to undertake for the 2014-15 financial year's accounts.

7. Draft annual governance statement 2013-14

The internal audit manager (LGSS) presented the report. He proposed that an additional sentence be added to part 3, The governance framework, under the paragraph on the audit committee, to reflect that in line with good practice that a report on the work of the audit committee 2013-14 had been considered by the audit committee at its meeting on 22 July 2014 and would be presented to full council on 23 September 2014.

Discussion ensued in which the audit manager answered members' questions. He explained that the head of citywide services had requested an audit of the brown bin scheme (garden waste collection) and that the billing had gone ahead in February 2014 without any issues. There would be a follow up report on next year's billing run.

A member referred to the revenues and benefits service where there had been significant audit issues which had been considered in detail by both the scrutiny and audit committees and whether this should be referred to in the annual governance statement. The internal audit manager said that the external auditors had considered that this did not require a specific reference in the annual governance statement for 2012 to 2013 and had taken the same view for this year.

In reply to a suggestion the annual governance statement should refer to opposition members being present at informal meetings between cabinet members and officers, the internal audit manager said that the format of the annual governance statement followed guidance on the good practice. The various committees of the council were mentioned and it was implicit that members from the opposition groups contributed to the work of the council. Councillor Waters pointed out that it was the council's practice to elect the chairs of the scrutiny and audit committees from the minority groups.

RESOLVED, having reviewed the effectiveness of the council's governance arrangements, to approve the draft annual governance statement for 2013-14.

8. Internal audit and fraud team 2013-14 – February to March update

The head of internal audit and risk management (LGSS) presented the report and, together with the internal audit manager, explained the internal audit process. Members were advised that each audit was followed up by a review to check that agreed actions arising from the audit were completed, which would be reported to the committee. A role of the committee was to invite managers to explain non-compliance of agreed actions. This would give a strong message throughout the authority. Members considered that a letter from the committee should be sent to the responsible manager of the Norman Centre to ensure that actions were implemented in accordance with the agreed revised timetable of actions.

During discussion the committee considered the sanctions available against fraudulent benefit claims and that there were no sanctions taken against officers.?? Many of the cases were due to customers not informing the authority of a change of circumstances. The increase in resources resulted in more benefit cases being identified for investigation. There would be further reports to the committee on housing benefits. LGSS was addressing the backlog of ICT audits and was in the process of appointing a specialist ICT auditor. Members were advised that there would be a follow up report on the outstanding issues for the Oracle financial IT system. A member cautioned that the issue of licensing should be addressed with expedience.

The internal audit manager explained how internal audits were included in the plan. The head of citywide services had asked for the audit of the garden waste collection scheme (brown bins). The internal audit manager attended business management groups and could identify unplanned audit work and was involved in project teams to ensure that systems were developed with good governance arrangements. The audit plan was discussed with the external auditors to ensure that work was not duplicated.

RESOLVED to:

(1) note the:

(a) Work of internal audit between February and the end of March 2014;
(b) Progress against the internal audit plan;
(c) Work of the fraud team in 2013-14;
(d) Latest position on the National fraud initiative (NFI)

(2) write to the leisure and sports development manager to ensure that actions following the audit of the Norman Centre are completed in accordance with the agreed timetable of actions.

9. Annual audit report on internal audit and fraud 2013-14

The head of internal audit and risk management (LGSS) presented the report and together with the internal audit manager, answered members' questions.

During discussion members noted that there had been a delay in progressing the recommendations from the audit of the council's emergency planning service due to a change of manager following the audit. There was ongoing work on business continuity and one of the issues being progressed was the resourcing of laptops with secure internet access to be used in an emergency. On 25 June 2014, cabinet had approved the business continuity management policy and framework which would be implemented with the support of the corporate leadership team. In response to a question from the chair, the head of internal audit and risk management said that the committee would receive further reports on the progress of the emergency planning audit as it was completed. Members were also advised how the assessment of business continuity was scored against British Standards and that the check list would be reviewed and a new score given as progress was made.

In reply to a question, the internal audit manager explained that the improvements to the pool cars related to the need to clarify who was responsible for the management of the tracking system fitted to the cars and the administration of checking fuel cards against invoices. The business management group would be discussing these issues and the outcome would be reported to the next meeting of the committee.

The head of internal audit and risk management confirmed that he would ensure that the resources were used effectively to conduct the audit plan for Norwich.

RESOLVED to receive the annual audit opinion and note the work of the internal audit and the fraud team for 2013-14.

10. Internal audit 2014-15 – 1st quarter update

The head of internal audit and risk management (LGSS) presented the report.

During discussion the head of internal audit and risk management, together with the internal audit manager answered members' questions. Members were advised that the audit work plan included some contingency and that resources would be reviewed as the work progressed.

Members were advised that tests on the Oracle purchasing system were almost complete.

Discussion ensued on the potential of data matching to reveal cases of fraudulent subletting of tenancies. The fraud team leader was working with housing officers to raise awareness.

RESOLVED to note:

(1) the work of the internal audit between April and June 2014;
(2) the progress on the internal audit plan;
(3) the council's response to the Audit Commission's fraud survey 2013-14.

11. Review of corporate risk register

The internal audit manager (LGSS) presented the report.

During discussion, the internal audit manager, together with Councillor Waters, cabinet member for resources, answered members' questions. Discussion ensued on the measures in place to mitigate against the risks of public funding being withdrawn. Members were advised that cabinet received regular revenue and capital budget monitoring reports.

A member suggested that B2, income generation, reflected existing income streams and reflected new forms of income generation. Councillor Waters said that all proposals were tested against business plans and projections and the risk included in the register.

RESOLVED to note the corporate risk and the key controls in place and further actions planned to mitigate risks.

12. Local Government Audit Committee briefing

RESOLVED to receive the external auditor's Local government audit committee briefing dated June 2014.

CHAIR

Agenda Item No:

Report to	Audit Committee	**Item**
	23 September 2014	5
Report of	Chief Finance Officer	
Subject	Statement of Accounts 2012/13	

Purpose

This report presents the formal audited Statement of Accounts, to be authorised by the Audit Committee and the Chief Finance Officer by the statutory deadline of 30 September 2013.

Recommendation

The Committee is asked to authorise the Chairman to sign the 2013/14 Statement of Accounts on its behalf.

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

Council Ward/s: All

Cabinet member: Cllr Alan Waters 07774229776

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Background documents

None

1. BACKGROUND

1.1 The unaudited draft statement of accounts was authorised by the Chief Finance Officer (CFO) on 30 June 2014. It is a requirement of the Accounts and Audit Regulations 2011 that the CFO authorises the draft statement of accounts by 30 June each year. There is no requirement for the committee to approve the draft financial statements however the unaudited accounts were presented to the audit committee on 22 July 2014 for review.

1.2 This version of the statement of accounts has been audited and amended/adjusted in line with audit findings.

2. STATEMENT OF ACCOUNTS

2.1 Presentation

2.1.1 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.

2.1.2 Compared with 2012, the CoP 2014 has introduced few additional accounting requirements and changes.

2.1.3 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 have 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.

2.2 Review – Comprehensive Income and Expenditure Statement

2.2.1 A summary of changes from 2012-13 to 2013-14 and between the version signed on 30 June 2014 was included in the covering report for audit committee on 22 July 2014

2.2.2 See appendix 1 for a summary of changes from the draft version signed on 30 June 2014 and the audited ones now presented

2.2.3 Local Authority Housing HRA decrease in costs of £0.162m relates to the correction of an IFRS adjustment which should have impacted Financing and Investment Income and Expenditure where it is now reflected

2.2.4 Financing and Investment Income and Expenditure increase in costs as described above less a minor movement of costs relating to the cattle market from here to Other Operating Expenditure of £0.01m

2.3 Review – Balance Sheet

2.3.1 A summary of changes from 2012-13 to 2013-14 and between the version signed on 30 June 2014 was included in the covering report for audit committee on 22 July 2014

2.3.2 See appendix 2 for a summary of changes from the draft version signed on 30 June 2014 and the audited ones now presented

2.3.3 Short term debtors has decreased by £0.445m and short term creditors has decreased due to the correction of the accounting treatment of an accrual of a credit note in the council's favour

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

Appendix 1: Comprehensive Income and Expenditure Statement Changes

	Draft 2013-14 £000	Audited 2013-14 £000	Change £000	Change %	Ref
Central services to the public	3,756	3,756	-	-	
Culture and related services	10,426	10,426	-	-	
Environment and regulatory services	7,953	7,953	-	-	
Planning services	2,569	2,569	-	-	
Highways and transport services	(2,750)	(2,750)	-	-	
Local Authority housing - HRA	(34,857)	(35,019)	(162)	(0.46)%	2.2.3
Other Housing Services	3,965	3,965	-	0%	
Corporate and democratic core	1,322	1,322	-	0%	
Non distributed costs	144	144	-	0%	
Cost Of Services	**(7,472)**	**(7,634)**	**162**		
Other Operating Expenditure	1,357	1,368	11	(0.8)%	2.2.4
Financing and Investment Income and Expenditure	13,470	13,621	151	(1.11)%	2.2.3
Taxation and Non-Specific Grant Income	(27,844)	(27,844)	-	-	
(Surplus) or Deficit on Provision of Services	**(20,489)**	**(20,489)**	**-**		
(Surplus) or deficit on revaluation of fixed assets	(2,036)	(2,036)	-	-	
Actuarial (gains) / losses on pension assets / liabilities	(5,702)	(5,702)	-	-	
Other Comprehensive Income and Expenditure	**(7,738)**	**(7,738)**	**-**		
Total Comprehensive Income and Expenditure	**(25,227)**	**(25,227)**	**-**		

Appendix 2: Balance Sheet Changes

	Draft at 31 March 2014 £000	Audited at 31 March 2014 £000	Change £000	Change %	Ref
Property, Plant & Equipment	764,048	764,048	-	-	
Heritage assets	20,643	20,643	-	-	
Investment properties	35,549	35,549	-	-	
Intangible Assets	910	910	-	-	
Long Term Investments	3,843	3,843	-	-	
Long Term Debtors	9,153	9,153	-	-	
Long Term Assets	**834,146**	**834,146**	**-**		
Short Term Investments	42,430	42,430	-	-	
Assets Held for Sale	1,392	1,392	-	-	
Inventories	23	23	-	-	
Short Term Debtors	10,677	10,232	(445)	4.35%	2.3.3
Cash and Cash Equivalents	20,016	20,016	-	-	
Current Assets	**74,538**	**74,538**	**445**		
Short Term Borrowing	(1,300)	(1,300)	-	-	
Short Term Creditors	(25,534)	(25,089)	445	1.77%	2.3.3
Capital Grants & Contributions Receipts in Advance	(2,240)	(2,240)	-	-	
Current Liabilities	**(29,074)**	**(29,074)**	**(445)**		
Provisions	(346)	(346)	-	-	
Long Term Creditors	(3,725)	(3,725)	-	-	
Long Term Borrowing	(224,782)	(224,782)	-	-	
Other Long Term Liabilities	(134,923)	(134,923)	-	-	
Capital Grants and Contributions Receipts in Advance	(493)	(493)	-	-	
Long Term Liabilities	**(364,269)**	**(364,269)**	**-**		
Net Assets	**515,341**	**515,341**	**-**		
Usable Reserves	59,776	59,776	-	-	
Unusable Reserves	455,564	455,564	-	-	
Total Reserves	**515,340**	**515,340**	**-**		

Statement of accounts for the year ending 31 March 2014

NORWICH
City Council

Contents

Explanatory Foreword

1. Who we are and what we do

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

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

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

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

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

Norwich - facts and figures

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

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

Summary of the social picture

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

Summary of the environmental picture

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

Summary of the economic picture

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

Summary of the cultural picture

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

Summary of the health picture

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

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

The council

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

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

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

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

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

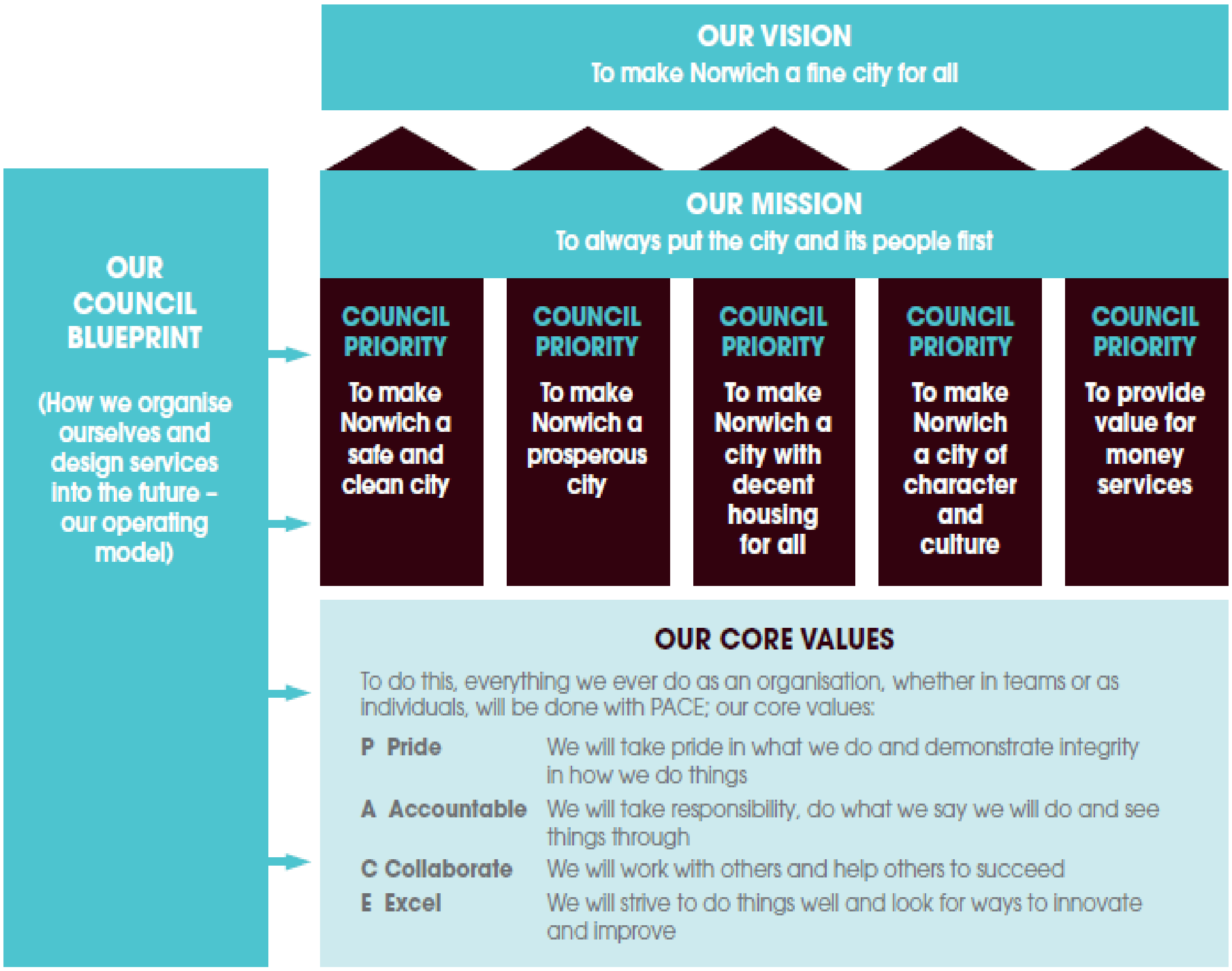
The Council operates a 'leader and cabinet' structure. The current cabinet consists of six members of the Labour group, including the leader of the Council.

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

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

2. Priorities, performance and plans

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



Key performance measures and targets

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

WHAT WE AIM TO ACHIEVE (OUR PRIORITIES)	SAFE AND CLEAN CITY		PROSPEROUS CITY	
WHAT WE WILL DO TO ACHIEVE OUR PRIORITIES WORKING WITH OUR PARTNERS AND RESIDENTS (KEY ACTIONS)	To maintain street and area cleanliness		To support the development of the local economy and bring in inward investment through economic development and regeneration activities	
	To provide efficient and effective waste services and increase the amount of recycling		To encourage visitors and tourists to Norwich through effective promotion of the city	
	To work effectively with the police to reduce antisocial behaviour, crime and the fear of crime		To support people on low incomes through advocacy and financial inclusion activities	
	To protect residents and visitors by maintaining the standards of food safety		To reduce fuel poverty through affordable-warmth activities	
	To maintain a safe highway network and reduce road casualties including advocating for the introduction of 20mph zones in residential areas.			
HOW WE MEASURE WHAT WE ARE ACHIEVING (KEY PERFORMANCE MEASURES)	% of streets found clean on inspection	% of compliant food safety inspections	No. of new jobs created though 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 at 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

	DECENT HOUSING FOR ALL		CITY OF CHARACTER AND CULTURE		VALUE FOR MONEY SERVICES	
WHAT WE AIM TO ACHIEVE (OUR PRIORITIES)	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	
WHAT WE WILL DO TO ACHIEVE OUR PRIORITIES WORKING WITH OUR PARTNERS AND RESIDENTS (KEY ACTIONS)	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)	Relet 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 prosperous city

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

Making Norwich a city of character and culture

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

Making Norwich a city with decent housing for all

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

Making Norwich a safe and clean city

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

Ensuring value for money services

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

External recognition of our performance and efficiency

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

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

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

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

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

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

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

This external recognition continued in March 2013 when the council:

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

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

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

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

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

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

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Future plans for 2014/15

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

Prosperous City

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

Making Norwich a city of character and culture

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

Making Norwich a city with decent housing for all

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

Safe and clean city

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

Ensuring value for money services

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

3. Statement of Accounts

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

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

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

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

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- **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.

- **The Annual Governance Statement** which recognises records and publishes Norwich City Council's governance arrangements.

- **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.

4. Significant Features of the Accounts

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

Until 1 April 2013 cash collected from NNDR payers by billing authorities (net of the cost of collection allowance) belonged to the government and the amount not paid to the government at the balance sheet date was included as a creditor. Similarly, if cash paid to the government exceeded the cash collected from NNDR payers (net of the billing authority's cost of collection allowance), the excess was included in the Balance Sheet as a debtor.

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

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

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

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

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

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

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

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

5. Overview of service provision

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

Service Expenditure & Income		**£'000**	**%**
Housing (Non-Council)		74,424	48.07%
Housing (Council)		38,429	24.82%
Central Services to the Public		6,383	4.12%
Environmental & Regulatory Services		10,608	6.85%
Cultural and Related Services		11,870	7.67%
Highways, Roads & Transport		5,534	3.57%
Corporate & Democratic Services		3,879	2.51%
Planning Services		3,708	2.39%
Local Authority Housing - HRA Self Financing debt		-	0.00%
Local Authority Housing - revaluation on Dwellings		-	0.00%
Subtotal Expenditure		**154,835**	**100.00%**
Service Income		162,616	100.09%
Non-Distributed amounts		(144)	-0.09%
Subtotal Income		**162,472**	**100.00%**
Net Service Expenditure & Income		**(7,637)**	

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)	(19,472)	(35,019)	(15,547)
Housing (Non-Council)	2,583	3,965	1,382
Cultural and Related Services	7,389	10,426	3,037
Environmental & Regulatory Services	8,961	7,953	(1,008)
Planning Services	2,388	2,569	181
Central Services to the Public	5,255	3,756	(1,499)
Highways, Roads & Transport Services	(1,722)	(2,750)	(1,028)
Corporate & Democratic Services	4,503	1,322	(3,181)
Non-Distributed amounts	-	144	144
Net Cost of Services	**9,885**	**(7,634)**	**(17,519)**
Other Sercop			
Other Operating Expenditure	(457)	1,368	1,825
Financing & Investment Income & Expenditure	7,751	13,621	5,870
Taxation & Non-Specific Grant Income	(24,242)	(27,844)	(3,602)
Total Other Sercop	**(16,948)**	**(12,855)**	**4,093**
(Surplus) / Deficit on Provision of Services	**(7,063)**	**(20,489)**	**(13,426)**

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:

Housing (Council)

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

Unbudgetted impairment reversed out under "MIRS Reversing Items £12.560k. The remainder of the variance is due to an accumulation of immaterial underspends £2.825k

Cultural & Related Services

This includes income and expenditure relating to the cultural activity of the council. Major variances include:

Depreciation & Impairment on Operational Assets £2,891

Environmental & Regulatory Services

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

Depreciation & Impairment on Operational Assets (£753) Integrated Waste Management Cleansing Contract (£221).

Central Services to the Public

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

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

Corporate & Democratic Services

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

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

Planning & Regulatory

This includes planning, economic development, public health, and licencing activities of the Council. There are no significant underlying variances.

Highways, Roads and Transport

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

Other Operating Income

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

Financing and Investment Income & Expenditure

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

Taxation and Non-Specific Grant Income

Unbudgetted items £(5,051k), items budgeted for in TNSGI but coded elsewhere (see Central Services to the Public above) £1,448k

7. Significance of any pensions liability disclosed

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

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

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

8. Current Borrowing facilities & capital borrowing

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

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

Long Term Borrowing is disclosed and analysed in note 16.

9. Sustainability reporting

The Council is committed to addressing environmental issues. Further details can be obtained from our Environmental Strategy 2011 – 2014
http://www.norwich.gov.uk/Environment/EcoIssues/Documents/EnvironmentalStrategy.pdf

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

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

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

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

The council continues to face significant financial challenges. Making sure we use natural resources wisely, emitting less CO_2 and recycling as much as possible, all present us with fantastic opportunities to make financial savings as well as protect our environment. We have to exploit these efficiencies to their full potential.

Energy Consumption

- Continued annual reporting on CO_2 emissions
- 29% reduction of energy consumption at the end of the first 5 year phase of the carbon management plan (CMP)
- Server virtualisation at City Hall
- Boiler valve insulation at City Hall and St Andrew's Hall
- Installation of a 36kw photo voltaic array on the roof of City Hall
- Improved energy display certificate ratings
- Successful 'One Small Steps' staff behaviour change campaign
- Production of phase 2 of the carbon management plan

Transport:

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

Actions:

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

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

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

Maintain traffic flow on the highway network.

Manage air quality and reduce carbon emissions associated with transport.

Results:

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

- Introduction of pool bikes for staff meetings.

- Introduction of a salary sacrifice 'cycle to work' scheme for staff, enabling them to more economically purchase bicycles for travel to and from work, via a government tax break.

Procurement

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

Results:

- 100 per cent of the authority's electricity is sourced via a renewable energy tariff.

- The sustainability pre-tender checklist has been expanded in the pre-qualification questionnaire (PQQ) and the business quality questionnaire (BQQ) to include a greater number of social, economic and environmental factors.

- The *Business relationship and contract management strategy and toolkit* has been implemented for high value and critical contracts and includes the requirement to monitor contractor's environmental management system (EMS) and carbon emissions.

- Water for council committee rooms continued to be locally sourced.

- Arranging for disposal of 9.7 tonnes of redundant ICT equipment through the iESE/ICTR social enterprise ICT refurbishment programme. This will ensure that the majority of the equipment is refurbished, sold and used again to perform ICT and the remainder is recycled. Any proceeds will be used to support a 'Raspberry Pi' ICT project in Norwich schools.

Waste and recycling

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

Actions:

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

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

Results:

- Continually achieving a good recycling performance – the best-performing authority in Norfolk for mixed dry recycling.

- Continually achieving a good performance on waste minimisation – the best performing authority in Norfolk for the amount of waste produced per household.

- Expanding the weekly food waste collection service to include collections from communal food waste facilities in many hard to reach areas.

- Providing food waste recycling to 19 schools.

- Expansion of mixed dry recycling services to the majority of the council's own housing stock – including tower blocks.

- The introduction of an energy efficient waste fleet operating on energy efficient zonal collection rounds.

- Using Geographic Information Systems (GIS) and In-Cab monitoring to be able to map the most efficient and economical route.

- Continued media campaigns on waste reduction and recycling.

- Roll-out new mixed recycling services in line with the new Materials Recycling Facility contract.

- Implement recycling of WEEE, bulky items and used cooking oil.

- Prioritise the promotion of waste reduction initiatives.

- Continue to provide doorstep waste and recycling support to residents.

- Continue to develop student-specific waste and recycling campaigns.

Built environment and planning:

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

Results:

- Good progress has been made on the *Joint Core Strategy* for the North East Growth Triangle which was adopted in January 2014.

- Developing detailed local plan environmental policies, including policies to protect and enhance biodiversity and green infrastructure. The Norwich Development Management Policies document is being examined by a government inspector and is scheduled for adoption in September 2014.

- Working on plans to identify sites for 3,000 additional homes in sustainable locations with easy access to jobs, services and facilities. The Norwich Site Allocations document is also being examined by a government inspector, with adoption scheduled for September 2014.

- We have worked with Norfolk County Council and other partners to produce a *Surface Water Management Plan* for the Norwich urban area – identifying areas at risk of flooding from heavy rainfall and potential mitigation measures. This has informed the identification of critical drainage areas in the Local Plan.

- Continued promotion of brownfield locations for building development.

- Continued improvement of procedures for managing funding from development for infrastructure improvements. A Community Infrastructure Levy was introduced in July 2013.

- Taking forward the *Making room* project to promote walking, cycling and public transport in the city centre. Permission was granted in 2013 for the scheme, and implementation is due to proceed shortly.

- The success of the Cycle City Ambition Grant bid to secure funding for an ambitious programme of cycle enhancements in the city.

Natural environment:

Why is this important? The city of Norwich has a high proportion of green space, much of which is important for wildlife as well as offering places where people can relax and unwind. The city council either directly manages, or influences policy for these areas. Good management of the natural environment enables Norwich to remain rich in biodiversity, while providing our citizens with quality spaces for recreational enjoyment.

Actions:

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

Maintain and enhance green spaces for people and wildlife.

Results:

Volunteers

- Volunteers contributed a recorded 11,214 hours to environmental projects and conservation work in the city's natural areas, parks, open spaces and allotments during 2013.

- A new friends group was set up for Woodlands Park, a County Wildlife Site woodland on Dereham road.

Biodiversity – general

- Along with Norfolk Wildlife Trust, Norwich City Council helped the Hawk and Owl Trust to launch the 'Baling for Biodiversity' project. This project aims to bring neglected and overgrown areas back into good management, and to offer a more cost-effective way of managing grasslands and marshes for wildlife. 'Baling for Biodiversity' was highly commended at the 2013 Community Biodiversity Awards.

- A programme to remove invasive Japanese knotweed began on the Marriott's Way with the support of the Norfolk Non-native Species Initiative. Control measures for Japanese knotweed and other invasive weed were undertaken at additional sites in the city.

- Work at the Heronry and Violet Grove Local Nature Reserve brought 91 per cent of the County Wildlife Sites (CWS) owned by Norwich City Council, into positive conservation management (pcm).

- Ten natural areas were entered into Higher Level Stewardship. This is a government-funded scheme that provides capital grants and annual payments for land managed in ways that benefit its biodiversity. The funding, which lasts for ten years, will pay for work to maintain and improve the value of the sites for wildlife.

Pollution:

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

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

Results:

- Reductions in pollution levels in parts of the air quality management area.

- Boundaries of air quality management areas redefined into one larger area, principally defined by the inner ring road, allowing a more holistic approach to action planning.

- Infrastructure changes to address traffic congestion areas.

- Achieving the remediation of many contaminated sites through the planning regime.

Leadership:

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

Action:

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

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

Results:

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

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

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

Opinion on the Authority's financial statements

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

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

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the Audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

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

Matters on which I report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

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

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

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

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

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Conclusion

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

Certificate

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

Date:

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

Statement of Responsibilities for the Statement of Accounts

1. The Council's Responsibilities

The Council is required to:

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

2. The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

3. Certificate of Chief Finance Officer

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

Signed: Date:

Justine Hartley CPFA

Chief Finance Officer

Certificate of Adoption of the Statement of Accounts

Signed: Date:

Paul Neale – Chair of Audit Committee
Signed on behalf of Norwich City Council

Annual Governance Statement 2013/14

1. Scope of responsibility

Norwich City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Norwich City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

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

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

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

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

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

2. The purpose of the governance framework

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

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

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

3. The governance framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  The council's constitution sets out how the council operates, and contains separate articles and appendices covering executive, non-executive, scrutiny and officer functions. In addition, there are separate appendices covering the scheme of delegations to officers, the protocol for member/officer working arrangements, and protocols for the chief finance officer and monitoring officer.
  There is also an agreed protocol between the leader and chief executive officer covering their working arrangements following the appointment of a new leader.

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

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

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

  There is a separate code of conduct for employees (updated in February 2014) which is supported by HR policies and procedures. New employees are given a copy of the code of conduct and other key policies, and there are regular reminders regarding compliance with the policies. Employees are required to confirm that they have read the code of conduct and other key policies; if they do not their access to IT systems can be revoked.

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

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

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

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

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

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

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

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

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

  The council fully participates in the Audit Commission's regular national fraud initiatives (NFI) and regularly reports the results to audit committee.
- Ensuring effective management of change and transformation.

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

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

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

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

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

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

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

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

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

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

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

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

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

  The head of paid service, despite having all the necessary authority to take delegated staffing decisions, has chosen to exercise her discretion on a number of occasions and has reported to cabinet on changes to the senior managed structure or on significant changes to the organisation's structure as an aid to transparency. These proposals are discussed at the corporate leadership team and proposed to cabinet. All cabinet papers are circulated to all members. The council's senior management structure is set out in appendix 17 of the constitution and publicised on the council's web site.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Risk management and business continuity:

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

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

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

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

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

4. Review of effectiveness

Norwich City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the council who have responsibility for the development and maintenance of the governance environment, the LGSS head of audit and risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

The council and cabinet

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

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

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

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

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

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

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

The scrutiny committee

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

The audit committee

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

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

The standards committee and monitoring officer

The council has a standards committee with terms of reference to promote and maintain high standards of conduct by members and co-opted members of the council and to assist members and co-opted members to observe the council's code of conduct. Members receive regular reports, including an annual report on the governance areas that are the responsibility of the council's monitoring officer.

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

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

Chief finance officer

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

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

Internal audit

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

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

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

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

Corporate governance group

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

Other explicit review/assurance mechanisms

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

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

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

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

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

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

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. Amendments are considered by the constitution working party, which recommends any changes to full council for approval. The constitution is available on the council's website.

EY's annual audit letter 2012-13

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

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

Internal audit assurance reviews

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

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

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

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

Progress on the action plan from the previous governance statement

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

Review of the council's constitution

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

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

Audit Commission annual governance report 2011-12

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

<u>Internal audit assurance reviews</u>

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

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

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

6. Statement by Leader of the Council and Chief Executive

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

Signed:

Brenda Arthur Leader of the Council	Laura McGillivray Chief Executive

Date:

Movement in Reserves Statement

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

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

Comprehensive Income and Expenditure Statement

		2013/14			2012/13		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Central Services to the Public		6,383	(2,627)	3,756	21,538	(17,491)	4,047
Cultural and Related Services		11,870	(1,444)	10,426	10,367	(1,559)	8,808
Environmental and Regulatory		10,608	(2,655)	7,953	11,240	(2,508)	8,732
Planning Services		3,708	(1,140)	2,569	3,469	(1,251)	2,218
Highways, Roads & Transport Services		5,534	(8,284)	(2,750)	9,740	(7,798)	1,942
Local Council Housing (HRA)	5	38,429	(73,448)	(35,019)	55,915	(70,706)	(14,791)
Other Housing Services		74,424	(70,460)	3,965	73,386	(68,952)	4,434
Corporate & Democratic Core		3,879	(2,557)	1,322	3,295	(606)	2,689
Non-Distributed Costs	5	144	-	144	255		255
Cost of Services		**154,982**	**(162,616)**	**(7,634)**	**189,205**	**(170,871)**	**18,334**
Other Operating Expenditure	9			1,368			(1,461)
Financing and Investment Income and Expenditure	10			13,621			12,772
Taxation and Non-Specific Grant Income	11			(27,844)			(24,730)
(Surplus) / Deficit on Provision of Services				**(20,489)**			**4,915**
(Surplus) / deficit on revaluation of non-current assets	12			(2,036)			(3,675)
(Surplus) / deficit on revaluation of available for sale financial assets							
Remeasurements of the net defined benefit liability (asset)	42			(5,702)			21,310
Other adjustments							
Other Comprehensive (Income) and Expenditure				**(7,738)**			**17,635**
Total Comprehensive (Income) and Expenditure				**(28,227)**			**22,550**

Balance Sheet

	Notes	31-Mar-14	31-Mar-13
		£'000	£'000
Property, Plant & Equipment	12	764,048	746,715
Heritage Assets	13	20,643	19,965
Investment Properties	14	35,549	36,228
Intangible Assets	15	910	838
Long term Investments	17	3,843	16,814
Long Term Debtors	18	9,153	8,236
Long Term Assets		**834,146**	**828,796**
Short Term Investments	19	42,430	28,200
Assets Held for Sale	20	1,392	1,880
Short term Debtors	21	10,232	12,584
Stock		23	28
Cash and Cash Equivalents	22	20,016	6,358
Current Assets		**74,093**	**49,050**
Short Term Borrowing		(1,300)	(1,300)
Short Term Creditors	23	(25,089)	(21,119)
Capital Grants Receipts in Advance Short Term		(2,240)	(1,060)
Current Liabilities		**(28,629)**	**(23,479)**
Long Term Creditors	24	(3,725)	(3,926)
Long term Borrowing	16	(224,782)	(224,783)
Other Long Term Liabilities	43	(134,923)	(136,230)
Provision	25	(346)	-
Capital Grants Receipts in Advance Long Term		(493)	(2,314)
Long Term Liabilities		**(364,269)**	**(367,253)**
Net Assets		515,340	**487,114**
Usable Reserves	26	59,776	52,438
Unusable Reserves	27	455,564	434,674
Total Reserves		**515,340**	**487,113**

Cash Flow Statement

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

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011.These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income & Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Agency services

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

Cash & Cash Equivalents

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

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

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

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

Debtors and Creditors

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

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

Employee Benefits

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

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

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

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

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

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

The liabilities of the Norfolk pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).
The assets of Norfolk pension fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

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

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

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

Events After the Balance Sheet Date

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

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

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

Exceptional Items

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

Financial Instruments

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

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

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

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

Financial Assets
Financial assets are classified into two types:

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

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

Loans & Receivables

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

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

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

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

Available-for-Sale Assets

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

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

Government Grants & Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.
CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued on a five year rolling programme according to market conditions at the year-end. Carrying values are reviewed annually to ascertain if materially different from market values for those assets not valued in year. Gains and losses on revaluation are posted to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Jointly Controlled Operations & Jointly Controlled Assets

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

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

Group Accounts

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

Leases

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

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

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

<u>The Council as Lessee</u>

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).

<u>The Council as Lessor</u>

Finance Leases
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.
Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Overheads & Support Services

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

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

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

Intangible Assets

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

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

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

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

Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The de minimis level for accounting for expenditure as capital is £5,000

<u>Recognition</u>
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.

<u>Measurement</u>
Assets are initially measured at cost, comprising:
- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

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

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

Assets are then carried in the Balance Sheet using the following measurement bases:
- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

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

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

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

Componentisation

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

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

'- Assets, excluding Council dwellings, that are above the £1m de-minimis threshold will be componentised where the cost of the component:

is significant in relation to the overall total cost of the asset and

has a different useful life and/or method of depreciation to the main asset.

This policy excludes land assets which are already identified separately.

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

Impairment

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

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

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

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

<u>Depreciation</u>

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 – 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.
- Plant, furniture & equipment – straight line allocation over the useful life of asset.

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

Provisions, Contingent Liabilities

<u>Provisions</u>

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.

<u>Contingent Liabilities</u>

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

The Collection Fund

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

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

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

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

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

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

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

There are a number of NNDR reliefs available to NNDR payers which are mandatory, the government funds these reliefs in full (except for Small Business Rate relief which it funds 50%) via s31 grant to each authority. The s31 grant included in the CIES for the year is the accrued amount, the difference between the income included in the CIES and that received from the government will result in a debtor or creditor position between the billing authority and the government to be recognised at the end of each year.
To ensure that BRRS is equitable when compared to the previous system of NNDR, the government has calculated the Funding Baseline which each authority needs to fund its business as well as a Business Rate

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

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

VAT

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

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

IFRS 10 Consolidated Financial Statements

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

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

This new standard was issued on 12 May 2011 by the International Accounting Standards Board and is applicable to annual reporting periods beginning on or after 1 January 2014. The new standard
a) defines fair value;
b) sets out in a single IFRS a framework for measuring fair value; and
c) requires disclosures about fair value measurements.
IFRS 13 is applicable to annual reporting periods beginning on or after 1 January 2012. Application is required prospectively as of the beginning of the annual reporting period in which the IFRS is initially applied. Comparative information need not be disclosed for periods before initial application.

IAS 27 Separate Financial Statements

This revised standard was issued on 12 May 2011 by the International Accounting Standards Board and is applicable to annual reporting periods beginning on or after 1 January 2014. The revised standard outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*. The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements.

IAS 28 Investments in Associates and Joint Ventures

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

IAS 32 Financial Instruments Presentation

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

3. Critical Judgments in Applying Accounting Policies

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

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

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

Property, plant and equipment

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

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

The significant assumptions applied in estimating the fair values are:

- For income producing properties, the Valuers adopted an investment approach where they applied a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice they construct their valuations adopting hardcore methodology where the reversions are generated from regular short-term uplifts of market rent. They would normally apply a term and reversion approach where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation;

- The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in the "the Red Book". Where circumstances dictate that it is necessary to utilise a different rental value in the capital valuation, the valuers will generally set out the reasons for this in their report;

- Vacant buildings, in addition to the above methodology, may also be valued and analysed on a comparison method with other capital value transactions where applicable; and

- Owner-occupied properties are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

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

Post Retirement Benefits
Pensions liability – the estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The assumptions made and sensitivity analyses are provided in note 44

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

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

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

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

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

5. Material Items of Income and Expense

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

6. Events after the Balance Sheet Date

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

7. Adjustments between Accounting Basis and Funding Basis under regulations

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

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

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

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

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

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

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

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

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	1,103	8,119	(9,222)	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	3,541	-	-	3,541	(3,541)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(28)	(227)	255	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(935)	-	935	-	-	-	-
Transfers from Deferred Capital Receipts reserve	-	-	-	-	-	-	-
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	(17)	-	17	-	-	-	-
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	(20)	-	-	(20)	20
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA	-	11,891	-	(11,891)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	11,896	-	11,896	(11,896)
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	(62)	139	-	-	-	77	(77)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,039)	(2,431)	-	-	-	(10,470)	10,470
Employer's pension contributions and direct payments to pensioners payable in the year	4,776	1,305	-	-	-	6,081	(6,081)

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	(426)	-	-	-	-	(426)	426
Total Adjustments	(7,299)	27,393	(4,494)	5	(2,352)	13,253	(13,253)

2012/13 comparative figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(6,303)	(14,475)				(20,778)	20,778
Excess dep'n over HRA MRA		-	-	-			
Revaluation Losses on Property, Plant and Equipment	(6,725)	(8,809)				(15,534)	15,534
Movement in Market Value of Investment Properties	(343)	170				(173)	173
Capital Grants and Contributions Applied	1,098	25				1,123	(1,123)
Movement in Donated Assets Account						-	-
Revenue expenditure funded from capital under statute	(1,033)	(9)				(1,042)	1,042
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(724)	(4,633)				(5,357)	5,357
HRA Self Financing Debt		-				-	-
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			-	-
Adjustment 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	**(13,100)**	**(6,194)**	**(2,656)**	**11,169**	**368**	**(10,413)**	**10,413**

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

8. Transfers to/from Earmarked and Other Reserves

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

The following sets out a description of the reserves;

Insurance reserve

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

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

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

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

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

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

Building Control Reserve

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

Revenue Grants Unapplied Reserves

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

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

Transfers between other reserves of £101,859 in the Movement in Reserves Statement comprise of Decent Home Loans & Home Improvement Loans repayments £100,577 (2012/13 £89,569), Housing Act Advance repayments of £1,282 (2012/13 £5,307) and deferred loan repayment of £nil (2012/13 £8,300). Repayment of discount £nil (2012/13 36,581) and transfer of grants to earmarked reserve £nil (2012/13 £165,000)

9. Other Operating Expenditure

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

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

10. Financing and Investment Income and Expenditure

	2013/14	2012/13
	£'000	£'000
Interest payable and similar charges	10,068	11,139
Pension interest cost and expected return on pension assets	6,088	3,901
Interest Receivable and similar income	(1,336)	(1,709)
Income and expenditure in relation to investment properties and changes in their fair value	(1,473)	(657)
Other investment income	-	(15)
Impairment of Soft Loans	273	113
Total	**13,620**	**12,772**

11. Taxation and Non-Specific Grant Income

	2013/14	2012/13
	£'000	£'000
Council tax income	(7,641)	(9,418)
Non domestic rates distribution	-	(11,245)
Non domestic rates income and expenditure	(29,604)	-
Non-ring fenced government grants	(10,560)	(2,352)
Capital grants and contributions	(4,983)	(1,715)
Business Rates - Tariff & Levy	24,944	-
Total	**(27,844)**	**(24,730)**

12. Property, Plant and Equipment

Movements on Balances

Movements in 2013/14	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2013	**607,512**	**129,308**	**25,546**	**2,683**	**10,770**	**780**	**2,407**	**779,005**
Additions	26,108	722	760	71	186	19	2,493	**30,358**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3	(3,991)	-	-	-	-	-	**(3,988)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(8,775)	(3,285)	-	-	-	-	-	**(12,060)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	10,863	754	-	-	-	-	-	**11,617**
Derecognition – Disposals	(6,172)	-	(46)	-	-	-	-	**(6,218)**
Derecognition - Other	(1,230)	-	-	-	-	-	-	**(1,230)**
Assets Reclassified (to) / from Held for Sale	(912)	293	-	-	-	-	-	**(619)**
Other Movements in Cost or Valuation	1,665	427	-	22	-	145	(2,171)	**88**
At 31 March 2014	**629,062**	**124,228**	**26,260**	**2,776**	**10,956**	**944**	**2,729**	**796,953**
Accumulated Depreciation & Impairment								
At 1 April 2013	**(1,510)**	**(9,030)**	**(20,454)**	**(925)**	**(43)**	**(329)**	**-**	**(32,291)**
Depreciation charge	(11,892)	(3,356)	(902)	(68)	(7)	(4)	-	**(16,229)**
Depreciation written out to the Surplus/Deficit on Provision of Services	11,891	123	-	-	-	-	-	**12,014**
Depreciation write-back on revaluation to Revaluation Reserve	1	5,369	-	-	-	-	-	**5,370**
Impairment losses / (reversals) recognised in CIES	(1,037)	(378)	-	-	-	(408)	-	**(1,823)**
Impairment losses / (reversals) recognised in RR	-	-	-	-	-	-	-	**-**
Derecognition – Disposals	9	-	46	-	-	-	-	**55**
Derecognition - Other	-	2	-	(2)	-	-	-	**-**
At 31 March 2014	(2,538)	(7,270)	(21,310)	(995)	(50)	(741)	-	**(32,904)**
Net Book Value								
At 31 March 2014	**626,524**	**116,958**	**4,950**	**1,781**	**10,906**	**203**	**2,729**	**764,049**
At 31 March 2013	606,002	120,278	5,092	1,759	10,726	451	2,407	**746,715**

Comparative Movements in 2012/13	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation								
At 1 April 2012	620,939	124,642	24,138	2,608	13,316	213	2,352	**788,208**
Additions	23,806	2,355	470	76	153	-	2,407	**29,267**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(730)	858	-	-	-	29	-	**157**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(27,108)	(14,499)	-	-	-	-	-	**(41,607)**
Prior year revaluation decrease reversals recognised in the Surplus / (Deficit) on the Provision of Services	4,236	2,724	-	-	-	-	-	**6,960**
Derecognition – Disposals	(3,772)	-	(337)	-	-	-	-	**(4,109)**
Derecognition - 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**	**779,004**
Accumulated Depreciation & Impairment								
At 1 April 2012	(2,344)	(9,241)	(19,188)	(861)	(2,503)	(3)	-	**(34,140)**
Depreciation charge	(12,228)	(3,650)	(1,232)	(64)	(7)	(3)	-	**(17,184)**
Depreciation written out to the Surplus/Deficit on Provision of Services	11,242	4,821	8	-	1,462	-	-	**17,533**
Impairment losses / (reversals) recognised in the Surplus/Deficit on Provision of Services	832	(1,654)	-	-	-	-	-	**(822)**
Impairment losses / (reversals) recognised in Revaluation Reserve	989	1,321	-	-	-	-	-	**2,310**
Derecognition – Disposals	-	-	337	-	-	-	-	**337**
Derecognition - Other	-	(626)	(379)	-	1,005	(323)	-	**(323)**
At 31 March 2013	**(1,509)**	**(9,029)**	**(20,454)**	**(925)**	**(43)**	**(329)**	**-**	**(32,289)**
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**

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

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

HRA Dwellings

The date of valuation is 31 March 2014

The valuers undertook a desktop revaluation following a full valuation undertaken as at 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 2014

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 2013

The Council carries out a rolling programme that ensures that all Property, Plant and equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out by the Council's external valuers, NPS Norwich Ltd, in accordance with the methodologies and bases for estimation set out by the Royal Institution of Chartered surveyors.

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

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

VALUATION CYCLE	**Council dwellings**	**Other Land & Buildings**	**Community assets**	**Infrastructure**	**Vehicles, Plant, & Equipment**	**AUC**	**Surplus properties**	**Total PPE**
Valued at historical cost	-	-	10,906	1,780	4,951	2,728	-	**20,365**
Valued at current value	-	-	-	-	-	-	-	**-**
2013-14	626,519	54,285	-	-	-	-	-	**680,804**
2012-13	4	37,843	-	-	-	-	143	**37,990**
2011-12	-	888	-	-	-	-	-	**888**
2010-11	-	20,986	-	-	-	-	-	**20,986**
2009-10	-	2,955	-	-	-	-	60	**3,015**
Total	**626,523**	**116,957**	**10,906**	**1,780**	**4,951**	**2,728**	**203**	**764,048**

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 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**	**2,235**	**2,287**	**3,379**	**19,965**
Valuation						
1st April 2013	7,389	4,675	2,235	2,287	3,379	**19,965**
Additions	-	-	-	-	26	**26**
Disposals	(2)	-	-	-	-	**(2)**
Revaluations	654	-	-	-	-	**654**
31st March 2014	**8,041**	**4,675**	**2,235**	**2,287**	**3,405**	**20,643**

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

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

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

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

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

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

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

14. Investment Properties

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

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

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

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

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

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

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

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

15. Intangible Assets

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

There is one item of capitalised software that is materially significant to the financial statements. This is the Customer Contact telephony software Answerlink 3g, its carrying value at 31 March 2014 is £448,848 (31 March 2012 £538,618) with a remaining amortisation period of 5 years.

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

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

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

16. Financial Instruments

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

	Long Term		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	£000	£000	£000	£000
Financial Liabilities (principle amount)	224,490	224,490	-	-
Accrued interest	-	-	1,300	1,300
Other accounting adjustments	292	293	-	-
Financial liabilities at amortised cost	224,782	224,783	1,300	1,300
Total Borrowings	**224,782**	**224,783**	**1,300**	**1,300**
Finance lease liabilities	1,355	1,431	76	72
PFI	-	-	-	-
Other long term liabilities	**1,355**	**1,431**	**76**	**72**
Financial liabilities carried at contract amount	-	-	19,129	18,673
Total creditors	**226,137**	**226,214**	**20,505**	**20,045**
Loans and receivables	3,000	15,500	51,000	28,000
Accrued interest	-	471	182	200
Total Loans and receivables (principle amount)	3,000	15,971	51,182	28,200
Unquoted equity investment at cost	824	824	-	-
Loans & receivables at amortised costs	3,824	16,795	41,682	28,200
NPT,HIL & DHL	2,679	2,654	-	-
Finance Leases	1,446	1,451	29	17
Total Investments	**7,949**	**20,901**	**41,711**	**28,217**
Financial assets carried at contract amounts	-	-	5,138	9,467
Total Debtors	**7,949**	**20,901**	**46,849**	**37,684**
Soft Loans Provided	**3,216**	**3,256**		

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

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

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

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

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

Valuation Assumptions

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

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

	2013/14			
	Financial Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	Liabilities at Fair Value through Profit & Loss £000	Total £000
Interest expense	10,068	-	-	10,068
Reductions in fair value	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	10,068	-	-	10,068
Interest Income	-	(1,336)	-	(1,336)
Increases in fair value				-
Total income in Surplus or Deficit on the Provision of Services	-	(1,336)	-	(1,336)
Net gain/(loss) for the year	10,068	(1,336)	-	8,732

	2012/13			
	Financial Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	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

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

Fair Values of Assets and Liabilities

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

- estimated interest rates at 31 March 2014 of 7.63% for loans from the PWLB, 4.5% as an effective interest rate for a stepped loan, 5.97% and 6.03% for money market loans
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The Code of Practice requires the fair value of each class of financial asset and liability to be disclosed to enable it to be compared to its carrying amount.

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

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about market in which they are dealing and willing to buy/sell at an appropriate price with no other motive in their negotiations other than to secure a fair price.

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

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

The fair values of liabilities calculated are as follows:

		31-Mar-14		31-Mar-13	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
Financial Liabilities		245,286	274,938	244,828	295,888
Long term creditors		1,355	1,355	1,431	1,431
Total Liabilities		**246,641**	**276,292**	**246,259**	**297,319**

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

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

The fair values of assets calculated are as follows:		31-Mar-14		31-Mar-13	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	**£000**	**£000**	**£000**
Loans & Receivables		50,462	53,506	55,187	55,617
Long Term Debtors		4,713	4,154	4,676	4,123
Total Assets		**55,175**	**57,660**	**59,863**	**59,740**

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

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

Nature & Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall procedures for managing risk

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

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

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

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

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

The Council approved an amendment to the 2013/14 Treasury Management Strategy on 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 2013/14 was approved by Full Council on 19 February 2013 and is available on the Council's website.

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

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

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

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

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £1.204m of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

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

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

Liquidity risk

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

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

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

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

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

Market risk

Interest rate risk

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

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

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

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

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

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

	£000s
Increase in interest payable on variable rate borrowings (all Norwich City Council borrowing is at fixed rate)	-
Increase in interest receivable on variable rate investments	727
Impact on Surplus or Deficit on Provision of Services	727
Increase in Government grant receivable for financing costs	-
Share of overall impact debited to the HRA	-
Decrease in fair value of fixed rate investment assets	-
Impact on Comprehensive Income & expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	21,802

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

Indemnity

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

Price risk

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

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

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

Foreign exchange risk

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

17. Long Term Investments

		2013/14	2012/13
		£000	£000
Banks		-	12,954
Local Authorities		3,000	3,017
Norwich Airport Ltd		824	824
Other Related Companies		18	18
		3,842	**16,813**

The reduction in the long term investments in banks is due to a transfer from long term investments to short term investments as the maturity of these investments will occur during the financial year 2014/15.

Banks and Local Authorities

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

Norwich Airport Ltd

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

A second jointly owned Local Authority company - Legislator 1657, a wholly owned subsidiary of Legislator 1656 - holds some land associated with the airport which was excluded from the sale to Omniport. The City Council holds 40% of Legislator 1656, with Norfolk County Council holding the other 60%, effectively giving the City Council a further holding of 2% in NAL. The sale valued Norwich Airport Ltd at £13.7m (previously £15.3m) and the investment value shown in the Balance Sheet represents the Council's 6% direct holding in the company. The shares of Norwich Airport Ltd are carried in the accounts at cost. Consideration has been given to measuring the fair value of Norwich Airport Ltd from Norwich City Councils percentage shareholding from the Airports balance sheet for 2013 and draft balance sheet for 2014. These calculations gave a fair value higher than that of the carrying value at cost but were subjective and could not reliably measure fair value. An impairment review was undertaken in accordance with the Code which states that 'where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).' Norwich City Council have assessed that there has been no impairment of the asset as a potential purchaser has shown an interest in purchasing NCC airport holding, although no price has yet been established.
Norwich City Council has an interest in Legislator Companies 1656 and 1657 which has been assessed as immaterial for the purpose of Group Accounts.

Norwich Preservation Trust Ltd

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

18. Long Term Debtors

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

Long Term Debtors consist of:

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

19. Short Term Investments

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

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

20. Assets Held for Sale

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

21. Short Term Debtors

	2013/14	2012/13
	£000	£000
Central Government Bodies	2,589	7,310
Other entities & individuals	6,078	4,550
Other Local Authorities	1,465	725
National Health Bodies	100	-
Total	**10,232**	**12,585**

22. Cash & Cash Equivalents

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

23. Short Term Creditors

	2013/14	2012/13
	£000	£000
Central Government Bodies	1,060	1,122
Other Local Authorities	9,114	4,537
Other entities & individuals	14,905	15,461
National Health Bodies	10	-
Total Short Term Creditors	**25,089**	**21,120**

24. Long Term Creditors

	2013/14	2012/13
	£000	£000
Developer Contributions	1,951	2,048
Lease Liability	1,354	1,430
Rent Prepayments	350	400
SALIX	70	48
Total Long Term Creditors	**3,725**	**3,926**

25. Provisions

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

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

26. Usable Reserves

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

27. Unusable Reserves

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

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

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

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

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

<u>Financial Instruments Adjustment Account</u>

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund over the next 15 years.

	2013/14	2012/13
	£000	£000
Financial Instruments Adjustment Account		
Balance at 1 April	**1,243**	**1,728**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(77)	(485)
	1,166	**1,243**
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	**-**	**-**
Balance at 31 March	**1,166**	**1,243**

Deferred Capital Receipts Reserve

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

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

Pensions Reserve

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

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

Collection Fund Adjustment Account

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

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

28. Cash Flow Statement – Operating Activities

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

	2013/14	2012/13
	£000	**£000**
Depreciation	16,229	17,285
Amortisation	150	101
Impairment and revaluations	(9,747)	19,136
Reductions in fair value of Non-PWLB concessionary loans	-	-
Reductions in the fair value of soft loans (non Subsidiary) made in the year	134	112
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	(129)	(126)
Adjustments for effective interest rates	-	-
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	897	933
Increase/(decrease) in Interest Creditors	6	(10,431)
Increase/(decrease) in Creditors	5,451	(5,686)
(Increase)/Decrease in Interest Debtors	(259)	(385)
(Increase)/Decrease in Debtors	804	(1,464)
(Increase)/Decrease in Inventories	5	6
(Decrease)/increase in Pension Liability	4,389	(1,245)
Contributions to Provisions	346	-
Carrying amount of non-current assets sold and current assets held for sale	9,509	5,357
Loans relating to deferred capital receipts	-	-
Carrying amount of short and long term investments sold	-	-
Movement in Investment Property values	317	173
	28,102	**23,766**

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

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

The cash flows for operating activities include the following items:

	2013/14	2012/13
	£000	**£000**
Interest received	(769)	(1,196)
Interest paid	9,915	11,139
	9,146	**9,943**

29. Cash Flow Statement – Investing Activities

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

30. Cash Flow Statement – Financing Activities

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

31. Amounts Reported for Resource Allocation Disclosure

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

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

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

Directorate Income & Expenditure 2013/14	Chief Executive	Business Relationship Management	Customers, Communication & Culture	Strategy, People & Democracy	Operations	Housing Revenue	Not Reported	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(150)	(1,725)	(815)	(25)	(18,614)	(72,106)	-	(93,435)
Income from Council Tax / Business rates	-	(12,301)	-	-	-	-	-	(12,301)
Government Grants	(2,640)	(76,074)	(122)	(196)	(4,590)	(1,102)	-	(84,724)
Total Income	**(2,790)**	**(90,100)**	**(937)**	**(221)**	**(23,204)**	**(73,208)**	**-**	**(190,460)**
Employment expenses	(590)	1,441	3,639	1,824	51	5,541	-	11,906
Operational Expenses	1,733	69,797	4,419	936	29,054	64,543	-	170,482
Support Service recharges	640	(983)	(2,849)	(2,241)	7,264	5,782	-	7,613
Total Expenditure	**1,783**	**70,255**	**5,209**	**519**	**36,369**	**75,866**	**-**	**190,001**
Net (Income) / Expenditure	**(1,007)**	**(19,845)**	**4,272**	**298**	**13,165**	**2,658**	**-**	**(459)**

Directorate Income & Expenditure 2012/13	Chief Executive	Business Relationship Management	Customers, Communication & Culture	Strategy, People & Democracy	Operations	Housing Revenue	Not Reported	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(203)	(1,522)	(795)	(145)	(17,819)	(70,245)	-	(90,729)
Government Grants	(1,895)	(94,044)	(100)	(133)	(1,751)	(420)	-	(98,343)
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)**

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

	2013/14	2012/13
	£000	£000
Net expenditure in the Directorate Analysis	(460)	(14,457)
Net expenditure of services & support services not included in the Analysis	(7,175)	32,792
Amounts in the Comprehensive Income & Expenditure Statement not reported to	-	-
Allocation of Recharges	-	-
Expenditure Statement	(7,175)	32,792
Cost of Services in Comprehensive Income & Expenditure Statement	**(7,635)**	**18,335**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Directorate Analysis	Net Expenditure of services and support services not included in the Analysis	Amounts not reported to management for decision making		Reallocation analysis	Cost of Services	Corporate Amounts	Total
	£000		£000		£000	£000	£000	£000
Fees, charges & other service income	(93,437)	3,085	-	-	-	**(90,352)**	(3,085)	**(93,437)**
Surplus or deficit on associates & joint ventures	-	-	-	-	-	**-**	-	**-**
Interest & investment income	-	-	-	-	(12,428)	**(12,428)**	-	**(12,428)**
Income from Council Tax	(12,301)	12,301	-	-	-	**-**	(12,301)	**(12,301)**
Government Grants & contributions	(84,724)	15,543	-	-	-	**(69,181)**	(15,543)	**(84,724)**
Total Income	**(190,462)**	**30,929**	**-**		**(12,428)**	**(171,961)**	**(30,929)**	**(202,890)**
Employment expenses	11,907	88	-	-	-	**11,995**	(88)	**11,907**
Other service charges	170,482	(38,070)	-	-	(23,310)	**109,102**	18,039	**127,141**
Support Service recharges	7,613	(121)	-	-	-	**7,492**	121	**7,613**
Depreciation, amortisation & impairment	-	-	-	-	6,797	**6,797**	-	**6,797**
Interest Payments	-	-	-	-	27,522	**27,522**	-	**27,522**
Precepts & Levies	-	-	-	-	197	**197**	-	**197**
Payments to Housing Capital Receipts Pool	-	-	-	-	935	**935**	-	**935**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	287	**287**	-	**287**
Other Operating Income	-	-	-	-	-	**-**	-	**-**
Total Expenditure	**190,002**	**(38,103)**	**-**		**12,428**	**164,327**	**18,072**	**182,399**
(Surplus) / deficit on the provision of services	**(460)**	**(7,174)**	**-**		**-**	**(7,634)**	**(12,857)**	**(20,491)**

2012/13 Comparatives	Directorate Analysis	Net Expenditure of services and support services not included in the Analysis	Amounts not reported to management for decision making		Reallocation analysis	Cost of Services	Corporate Amounts	Total
	£000	£000	£000		£000	£000	£000	£000
Fees, charges & other service income	(90,729)	3,225	-		-	(87,504)	(3,225)	(90,729)
Surplus or deficit on associates & joint ventures	-	-	-			-		-
Interest & investment income	-	-	-		(13,903)	(13,903)	-	(13,903)
Income from Council tax	-	-	-		(9,418)	(9,418)	-	(9,418)
Government Grants & contributions	(98,343)	15,312	-		(8)	(83,039)	(15,312)	(98,351)
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 Non-current Assets	-	-	-		(2,378)	(2,378)	-	(2,378)
Total Expenditure	**174,615**	**14,255**	**-**		**23,329**	**212,200**	**5,117**	**217,317**
(Surplus) / deficit on the provision of services	**(14,457)**	**32,791**	**-**		**-**	**18,336**	**(13,420)**	**4,916**

32. Trading Operations

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

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

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

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

33. Associates

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

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

34. Agency Services

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

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

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

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.

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

35. Members' Allowances

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

36. Officers Remuneration

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

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

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

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

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

Remuneration Band		**2013/14**	**2012/13**
£50,000 to £54,999		6	5
£55,000 to £59,999		1	2
£60,000 to £64,999		7	7
£65,000 to £69,999		0	2
£70,000 to £74,999		2	0
£75,000 to £79,999		1	1
£90,000 to £94,999		0	1
£100,000 to £104,999		1	0
£125,000 to £129,999		1	0
£130,000 to £134,999		0	1
		19	**19**

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:-

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

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		**0**	**6**	**6**	**232,037**

37. External Audit Costs

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

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

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

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

38. Grants Income

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

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

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:

		2013/14	2012/13
		£000	**£000**
Grants Receipts in Advance (Capital Grants)			
Home and Communities Agency Capital Grant		(1,648)	(574)
Disabled Facilities Grant		-	(70)
Developers Contributions (S.106)		(592)	(415)
Total		**(2,240)**	**(1,059)**
Grants Receipts in Advance (Revenue Grants)			
Home and Communities Agency		(119)	(86)
Other Government Grants & Contributions		(632)	(42)
Other Non Government Grants & Contributions		(260)	(184)
LEGI Re Guildhall		(50)	(50)
SALIX		(43)	(57)
Developers Contributions (S.106)		(170)	(155)
Total		**(1,274)**	**(574)**
LONG TERM LIABILITIES			
		£000	**£000**
Grants Receipts in Advance (Capital Grants)			
Home and Communities Agency		-	(1,429)
Other Government Grants & Contributions		(28)	(120)
Developers Contributions (S.106)		(413)	(760)
Other Non-Government Grants & Contributions		(52)	(5)
Disabled Facilities Grant		-	-
Total		**(493)**	**(2,314)**
Grants Receipts in Advance (Revenue Grants)			
Local Enterprise Growth Initiative re Guildhall		(350)	(400)
SALIX		(70)	(48)
Developers Contributions (S.106)		(1,951)	(2,048)
Total		**(2,371)**	**(2,496)**

The council formally adopted a Community Infrastructure Levy (CIL) Charging Schedule on the 25 June 2013 and it was implemented on 15 July 2013. The CIL Charging Schedule sets out the charge per square metre that applies to each category of new development where new floorspace is being created. In certain circumstances, CIL may also be charged where planning permission is granted to change the use of existing floorspace.

CIL will be charged in accordance with the rates set out in the Council's CIL Charging Schedule. The amount payable is calculated when planning permission is granted but will be inflated by the increase in the Building Cost Information Service All In Tender Price Index between 1 November 2012 and the 1 November of the year prior to the year in which planning permission is granted.

Section 106 Agreements and planning conditions will also continue to be used for local infrastructure requirements on development sites, such as site specific local provision of open space, access roads and affordable housing.

The income for 2013/14 credited to the Comprehensive Income & Expenditure Statement is £71,000, however this is expected to grow in future years

39. Capital Expenditure & Capital Financing

			2013/14	2012/13
			£000	£000
Opening Capital Financing Requirement 1st April (restated)			237,864	237,737
Property, Plant & Equipment			27,866	26,859
Assets under Construction			2,493	2,407
Investment Property			732	195
Assets Held for Sale			-	-
Heritage Assets			26	23
Housing Revenue Self Financing			-	-
Intangible Assets			221	244
Decent Home Loans granted net of repaid			(38)	(6)
Local Authority Mortgage Scheme			1,000	-
Revenue Expenditure Funded from Capital Under Statute			1,748	1,042
			271,912	**268,501**
Sources of Finance				
Capital Receipts			(3,542)	(4,031)
Government Grants & Other Contributions			(2,324)	(2,083)
Housing Revenue Account Major Repairs Allowance			(11,896)	(23,553)
Revenue Contributions & Minimum Revenue Provision *			(17,028)	(970)
HRA non-dwelling depreciation,revaluation & impairments			(1,146)	-
			235,976	**237,864**
Increase in underlying need to borrow (supported by government fin assistence)			-	-
Increase (decrease) in underlying need to borrow (unsupported by government fin assistence)			(1,888)	127
Assets acquired under finance leases				
Assets acquired under PFI/PPP contracts				
Increase (decrease) in Capital financing Requirement			**(1,888)**	**127**

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

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

40. Leases

Council as Lessee
Operating Leases

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

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

	31-Mar-14		31-Mar-13	
	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings
	£000	£000	£000	£000
Future Rental Liabilities				
Not later than one year	163	1,712	131	1,581
Later than one year & not later than five years	296	2,432	210	2,297

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

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

Finance Leases

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

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

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

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

	2013/14	2012/13
	£000	£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	1,291	1,613
Total	**2,098**	**2,420**

Council as Lessor

Operating Leases

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

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

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

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

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

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Finance Leases

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

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

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

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

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

41. Impairment Losses

During the year the Council carried out adaptations at a cost of £1,052,557 (2012/13 £753,000) to a number of council dwellings under Disabled Facilities legislation. No individual adaptation was significant in value. As advised by our valuer these adaptations added no value to the dwellings, therefore this expenditure was impaired as shown in note 12 (combined with the impairments detailed below).

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

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

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

42. Termination Benefits

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

43. Other Long Term Liabilities

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

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

44. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

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

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

Transactions relating to Retirement Benefits

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

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

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

		2013/14		2012/13
Reconciliation of fair value of the scheme assets		**£000**		**£000**
At 1 April		250,029		222,941
Interest Income		11,092		10,642
Remeasurement Gain/(loss) the return on plan assets excluding amount included in net interest expense		(17,236)		18,942
Employer Contributions		4,854		7,066
Contributions by Members		1,215		1,090
Contributions in respect of unfunded benefits		1,206		1,204
Benefits Paid		(12,878)		(10,652)
Unfunded benefits paid		(1,206)		(1,204)
At 31 March		**237,076**		**250,029**

Local Government Pension Scheme assets comprised:

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

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31 March 2013.

The principle assumptions used in their calculations have been:

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

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

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

Impact on the Council's Cash Flows

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

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

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

The weighted average duration of the defined benefit obligation for scheme members is 23.9 years, 2013/14.

45. Contingent Assets and Liabilities

Contingent Liabilities

National Non-domestic Business Rates
The Council has included a provision of £346,329 for NNDR appeals outstanding at 31 March 2014 (as detailed in note 25). However businesses can still appeal against their Rateable Value on the 2010 Rating List until 31 March 2017, meaning there are a number of future financial years where the cost of successful appeals could impact on the financial statements of the Council. As the number and level of these future appeals cannot be estimated with any certainty, no further provision has been made in the accounts for these potential future appeals.

Insurance
Municipal Mutual Insurance Limited (MMI) an amount of £0.119m has been included in the accounts, within earmarked reserves, to cover known liabilities following the announcement on 13 November 2012, that the MMI Scheme of Arrangement has now been triggered (see note 8). This amount is based on the balance of the 15% levy following an interim payment made during 2013/14. It is possible that further levy's may be made by MMI in the future, the position will be reviewed at a regular basis to determine whether further funds should be earmarked.

Contingent Assets

VAT
HM Revenue and Customs (HMRC) v Isle of Wight and others
The above case has been appealed again following a judgement in October 2012. No final determination has yet been made as to whether the VAT liability for the provision of off-street car parking by local authorities should be VAT standard rated or classed as 'non-business' (and hence outside the scope of VAT). The Council has submitted, based on the possible final outcome of the case, claims for the repayment of £6.55m of VAT (net of fees) paid over to HMRC in relation to off-street car parking since the start of VAT in April 1973. As at 31 March 2014 this claim remained outstanding pending the outcome of a further VAT tribunal (with the date to be confirmed). The result of the tribunal will not be known until the winter of 2014 at the earliest. This tribunal will be looking at the question of possible distortion of competition if the provision of off-street parking by local authorities was not subject to VAT but that provided by the private sector was.

Compound Interest
There have been a number of recent developments in relation to the ability of taxpayers to claim 'compound', as opposed to 'simple', interest on monies repaid (or to be repaid) to them by HMRC. Compound interest can far exceed that of simple interest and the Council has been advised that claims for compound interest can, potentially, go back to 1973. In view of the significant value of VAT repayment claims already made by the Council, both in relation to that still outstanding (as above) and those already repaid by HMRC under 'Fleming', the Council has engaged PWC to submit a claim for compound interest to the High Court. It is currently unclear when these claims will be determined.

46. Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

UK government has significant influence over the general operations of the council– it is responsible for providing the statutory framework within which the council operates, and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 31 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 38, debtors are shown in Note 21 and creditors in Note 23.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2013/14 and 2012/13 is shown in Note 33. During 2013/14, works and services to the value of £59,693 (2012/13 £42,401) were commissioned from companies in which three members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition members approved £596,795 (2012/13 £626,654) and officer working parties a further £9,440 (2012/13 £8,999) as grants to voluntary organisations in which seven members had an interest. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at City Hall during office hours.

During 2013/14, grants totalling £38,696 was made to one organisation (2012/13 £44,800 to two organisations) in which a member of senior management had an interest. The member of senior management did not take part in any discussion, decision, or administration relating to the grants.

During 2013/14, works and services to the value of £700 (2012/13 £692) were commissioned from an entity in which one officer had an interest, the entity being Voluntary Norfolk (2012/13 Voluntary Norfolk £259 and Snellings £433). Contracts were entered into in full compliance with the council's standing orders.

Companies and joint ventures – the council has interests in:

I. Two companies, Legislator 1656 and 1657 Ltd, which the Council has shares in and are related to developments at Norwich Airport.
II. Norwich Norse Environmental
III. NPS Norwich Ltd.

For all the above, the Council has officer and member representatives on the boards of these companies, and relevant information is disclosed in the notes to the accounts about such interests. No amounts of money have been paid to or from the Legislator companies during 2013/14. £6,050,901 (2012/13 £803,000) has been spent with Norwich Norse Environmental Ltd during 2013/14 and £3,787,698 (2012/13 £970,930) has been spent with NPS Norwich Ltd. Amounts due to NPS Norwich Ltd are £244,889 and Norwich Norse Environmental Ltd are £1,538,294. Amounts due from NPS Norwich Ltd are £3,064

Several councillors are appointed to represent the Council on various Strategic Partnership boards. During the year there have been a number of transactions with the Strategic Partnerships totalling £49,725 (2012/13 £55,924). There have also been a number of transactions on behalf of the strategic partnerships with the Highways Agency, disclosed in Note 32; and the Norwich and Homes & Communities Agency Strategic Partnership, with expenditure of £202,794 (2012/13 £232,040). These partnership activities are integrated into the council's usual budget setting and management processes.

47. Heritage Assets: Five Year Summary of Transactions

	Civic Plate & Regalia	Paintings	Sculptures & Bronzes	Statues, Fountains	Buildings	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
Valuation						
1 April 2009	7,407	3,398	658	-	-	11,463
Revaluations	-	-	-	2,281	549	2,830
31 March 2010	7,407	3,398	658	2,281	549	14,293
1 April 2010	7,407	3,398	658	2,281	549	14,293
Reclassifications	-	-	-	-	949	949
Additions	-	-	65	-	1,677	1,742
Depreciation	-	-	-	-	(11)	(11)
Revaluations	-	-	-	-	34	34
31 March 2011	7,407	3,398	723	2,281	3,199	17,008
1 April 2011	7,407	3,398	723	2,281	3,199	17,008
Revaluations	-	1,276	1,503	-	163	2,942
31 March 2012	7,407	4,674	2,226	2,281	3,362	19,950
1 April 2012	7,407	4,674	2,226	2,281	3,362	19,951
Revaluations	-	-	8	-	-	8
Additions	-	-	-	6	17	23
Disposals	(18)	-	-	-	-	(18)
31 March 2013	7,389	4,674	2,234	2,287	3,379	19,964
1 April 2013	7,389	4,674	2,234	2,287	3,379	19,964
Revaluations	654	-	-	-	-	654
Additions	-	-	-	-	26	26
Disposals	(2)	-	-	-	-	(2)
31 March 2014	8,041	4,674	2,234	2,287	3,405	20,642

Housing Revenue Account Income & Expenditure Statement

	Notes	2013/14	2012/13
		£000	£000
Expenditure			
Repairs & Maintenance		13,714	9,276
Supervision & Management		16,600	16,179
Rents, Rates, Taxes & Other Charges		6,344	6,443
Negative Subsidy payable to Secretary of State		-	8
Local Authority Housing - HRA Self Financing Debt		-	-
Depreciation & Impairment of Non-current Assets	HRA 6&7	15,672	14,475
Local Authority Housing - Revaluation loss (gain) on Dwellings		(15,068)	8,919
Debt Management Costs		66	67
Movement in Allowance for Bad Debts		306	22
Total Expenditure		37,634	55,389
Income			
Dwelling Rents		58,611	56,354
Non-dwelling Rents		2,093	2,321
Charges for Services & Facilities		3,231	3,405
Contributions towards expenditure		8,718	8,098
Total Income		72,653	70,178
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		**(35,019)**	**(14,789)**
HRA services share of Corporate & Democratic Core		380	512
HRA share of the other amounts included in the whole Council Net Cost of Services but not allocated to specific services		-	-
Net (Income)/Cost of HRA Services		**(34,639)**	**(14,277)**
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Expenditure		351	(2,054)
Financing & Investment Income & expenditure		10,109	9,934
Taxation & Non-Specific Grant Income		(555)	(495)
(Surplus)/deficit for the year on HRA services		**(24,734)**	**(6,892)**

Movement in Reserves Statement (Housing Revenue Account)

	2013/14	2012/13
	£000	£000
Balance at 31 March 2010	27,788	14,724
<u>Movement in reserves during Year</u>		
Surplus/ (deficit) on provision of services	24,734	6,892
Other Comprehensive Income & Expenditure	-	
Total Comprehensive Income & Expenditure	**24,734**	**6,892**
Adjustments between accounting basis & funding basis under regulations (note 7 main accounts)	(27,393)	6,194
Net Increase/ Decrease before Transfers to Earmarked Reserves	(2,659)	13,086
Transfers to/from Earmarked Reserves (note 8 main accounts)	1	14
Transfers between reserves	-	(37)
Other Adjustments	-	-
Increase/Decrease in Year	(2,658)	13,063
Balance at 31 March carried forward	25,130	27,787

Notes to Housing Revenue Account Income & Expenditure Statement

1. Other Operating Income

	2013/14	2012/13
	£000	£000
(Gains)/Losses on the disposal of non-current assets	351	(2,054)
Total	**351**	**(2,054)**

2. Financing and Investment Income and Expenditure

	£000	£000
Interest payable and similar charges	8,825	9,077
Pension interest cost and expected return on pension assets	1,608	1,158
Interest receivable and similar income	(324)	(133)
Income & expenditure in relation to investment properties and	-	-
Income and expenditure in relation to investment properties and changes in their fair value	-	(170)
Total	**10,109**	**9,932**

3. Taxation and Non-Specific Grant Income

	£000	£000
Capital Grants and contributions	(555)	(495)
Total	**(555)**	**(495)**

4. Loan Charges

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £8,731,393 being charged to the HRA in 2013/14 (2012/13 £8,983,298).

5. HRA Council Dwellings

At 31 March 2014 there were 15,486 HRA Council dwellings, of which 987 were sheltered housing units.

	31-Mar-14	31-Mar-13
	Total	**Total**
Parlour houses	317	320
Non-parlour houses	5,381	5,448
Non-traditional houses	657	663
Bungalows	341	341
Cottage properties	244	262
Flats	6,629	6,685
Maisonettes	514	515
Flats in tower blocks	416	419
Sheltered/Good Neighbour housing units	987	987
	15,486	**15,640**
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	**15,640**	**15,744**
Right to Buy sales	(145)	(90)
Other Dwelling Sales	(9)	(16)
Conversions	(1)	1
Demolitions	(2)	-
Transfer to Registered provider of Social Housing	-	-
New Dwellings in HRA	-	-
Re-purchase of former RTB Dwelling	3	1
Stock as at 31 March	**15,486**	**15,640**

6. Housing Valuation

	31-Mar-14	31-Mar-13
	£000	**£000**
		(restated)
Operational Assets:		
Council Dwellings (HRA)	626,519	605,998
Other Land & Buildings	23,239	24,073
Vehicle, Plant & Equipment	1,205	1,298
Infrastructure & Community Assets	2,197	2,197
Assets Under Construction	2,445	2,407
Surplus assets not held for sale	143	389
Investment Properties	-	1,510
Sub Total	**655,748**	**637,872**
Assets held for Sale - Non Current	-	-
Assets held for Sale - Current	392	370
Sub Total	**392**	**370**
Intangible Assets	203	254
Sub Total	**203**	**254**
Total	**656,343**	**638,496**

There is a remaining piece of housing land belonging to the General Fund whose value amounts to £0.004m (2012/131 £0.004m). This figure together with the above figure for HRA Council dwellings equate to the value for Council dwellings shown in note 12 to the Core Financial Statements £626.8m (2012/13 £606.0m).

As set out in the Statement of Accounting Policies, Council dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This value is less than the Vacant Possession Value to reflect the fact that Local Authority Housing is let at sub-market rents and, in broad terms, is arrived at after applying a regional adjustment factor of 61% (2012/13 61%). The difference between the two values therefore shows the economic cost of providing housing at less than market value.

The Vacant Possession Value of all HRA Dwellings as at 1 April 2013 was £1,574,732,330 (1 April 2012 £1,522,469,990)

7. Major Repairs Reserve

	2013/14	**2012/13**
	£000	**£000**
Balance brought forward at 1 April	(4)	(11,173)
Depreciation charge for the year	(11,892)	(12,384)
Financing of capital expenditure for the year	11,896	23,553
Excess of depreciation over MRA	-	-
Balance for the year	**4**	**11,169**
Balance Carried forward	**-**	**(4)**

The financing of capital expenditure for the previous year relates to an overestimation of income receivable and the consequent under-use of Major Repairs Reserve to finance capital expenditure in 2012/13.

8. HRA Capital Expenditure

	2013/14	**2012/13**
	£000	**£000**
Capital Investment		
Opening Capital Financing Requirement 1st April	211,568	213,546
Operational Assets	26,323	23,806
Other Land & Buildings	-	125
Intangible Assets	-	199
Surplus Assets	19	-
Assets under Construction	2,210	2,407
Housing Revenue Self Financing	-	-
Revenue Expenditure Finaced as Capital	-	9
Appropriation from GF	(1,510)	-
Reclassification to GF	138	(1,978)
	238,748	**238,114**
Sources of Finance		
Capital Receipts	(179)	(1,171)
Government Grants & Other Contributions	(553)	(495)
Major Repairs Allowance	(11,896)	(23,553)
Revenue Contributions	(15,923)	(1,327)
	210,197	**211,568**

The opening Capital Financing Requirement (CFR) is restated due to the recognition that a cumulative error in calculation of the CFR had occurred.

9. HRA Capital Receipts

In 2013/14 total capital receipts from the disposal of HRA assets were:

	2013/14	2012/13
	£000	£000
Land	205	376
Council dwellings	7,914	6,288
Total	**8,119**	**6,664**

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.

From 1st April 2013 depreciation of the Council's garage stock has moved from Council dwellings to Other land & buildings.

The amount of depreciation charged for the year was £12,589k (2012/13 £12,477k)

	2013/14	2012/13
	£000	£000
Operational Assets		
Council dwellings	11,894	12,230
Other land & buildings	551	154
Vehicles, Plant & Equipment	93	93
Intangible Assets	51	-
	12,589	**12,477**

11. Impairment & Revaluation Losses

During the year there were £3,085,796.79 of impairment costs (2012/13 £1,986,833) relating to HRA assets, which are detailed in the tables below.

	2013/14	2012/13
Impairments	£000	£000
Council Dwellings	(2,675)	(1,988)
Other Property	(411)	2
	(3,086)	**(1,986)**
Disabled Facilities adaptations not adding value	(1,053)	(673)
Lift installations not adding value	(145)	-
Upgrades to District Heating schemes not adding value	(90)	-
Enhancement of HRA estates not adding value	(257)	-
Construction of Bin Stores not adding value	(682)	-
Other additions not adding value	-	(1,028)
Impairment due to adverse ground conditions	(448)	-
Other	(411)	(286)
	(3,086)	**(1,987)**

Revaluation losses of £8,963,930 affected the Comprehensive Income and Expenditure Statement (2012/13 gain £8,918,912).

12. Pensions Reserve

As set out in the Statement of Accounting Policies at Note 1, the Council has restricted the accounting entries for the purposes of IAS19 'Retirement Benefits' to current service cost only for the HRA. This is reflected in the Net Cost of Services and a compensating adjustment is made to the Pensions Reserve in order that there is no impact on either the surplus/deficit for the year or subsequent rent levels.

13. Rent Arrears

Rent arrears at 31 March 2014 were £3.93m (2012/13 £3.43m). The provision for doubtful debts (rents) at 31 March 2014 was £2.32m (2012/13 £1.98m). Amounts written off during the year amounted to £0.19m (2012/13 £0.27m).

The Collection Fund Revenue Account

			31-Mar-14		31-Mar-13
		Business Rates	Council Tax	Total	
	Notes	£000	£000	£000	£000
INCOME					
Council Tax receivable		-	67,481	67,481	50,904
Business rates receivable		76,538	-	76,538	74,831
Council Tax benefits		-	-	-	14,953
Council Tax Reduction Scheme		-	(14,519)	(14,519)	-
		76,538	**52,962**	**129,500**	**140,688**
EXPENDITURE					
Precepts & Demands:					
Central Government		37,637	-	37,637	-
Norfolk County Council		7,527	37,184	44,711	47,057
Norfolk Police Authority		-	6,520	6,520	8,092
Norwich City Council		30,109	7,478	37,587	9,282
Distribution of Estimated Surplus for Previous Years:					
Central Government		-	-	-	-
Norfolk County Council		-	427	427	71
Norfolk Police Authority		-	73	73	12
Norwich City Council		-	84	84	14
Charges to Collection Fund					
Payment to National Pool		-	-	-	74,562
Costs of Collection		269	-	269	269
Increase/decrease in Bad Debt Provision		679	107	786	-
Increase/decrease in Provision for Appeals		866	-	866	-
Write Offs of uncollectable amounts		716	571	1,287	406
Allowance for impairment				-	124
		77,803	**52,444**	**130,247**	**139,889**
Collection Fund Balance b/fwd at 1 April		-	2,363	2,363	1,564
Surplus / (Deficit) for the year		(1,264)	518	(746)	799
Collection Fund Balance c/fwd at 31 March		**(1,264)**	**2,881**	**1,617**	**2,363**

Notes to the Collection Fund Statement

1. Income from Business Rates

Since 1 April 2013 and the introduction of the Business Rates Retention Scheme, the Council collects national non-domestic rates (NNDR) for its area, which are based on local rateable values controlled by the Valuation Office multiplied by a uniform rate controlled by Central Government. The total amount, less certain reliefs and other deductions, is paid to Central Government, Norwich City Council and Norfolk County Council in accordance with legislated percentages of 50%, 40% and 10% respectively.

The total non-domestic rateable value at 31 March 2014 was £195,522,021 (31 March 2013 £196,768,930). The national non-domestic rate multiplier for 2013/14 was 47.1p in the £ (2012/13 45.8p in the £). The small business multiplier for eligible businesses in 2013/14 was 46.2p in the £ (2012/13 45p in the £).

2. Council Tax

The calculation of the tax base, i.e. the number of chargeable dwellings in each Valuation Band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, is shown below:

Property Value	Band	2013/14		2012/13	
		Calculated Number of Properties in Band		Calculated Number of Properties in Band	
Up to £40,000	A	8,874.98		14,473.51	
£40,001 to £52,000	B	11,640.26		14,607.52	
£52,001 to £68,000	C	5,606.89		6,049.02	
£68,001 to £88,000	D	2,918.00		2,986.55	
£88,001 to £120,000	E	2,275.29		2,318.92	
£120,001 to £160,000	F	1,108.90		1,096.98	
£160,001 to £320,000	G	955.50		960.92	
Over £320,000	H	97.50		92.00	
		33,477.32		**42,585.42**	
Collection Rate		0.97	x	0.965	x
		32,473.00		**41,094.93**	
Contribution in Lieu (relating to Crown Properties)		0		0	
Tax Base		**32,473.00**		**41,094.93**	

In 2013/14 Council Tax Benefit was replaced by the Council Tax Reduction Scheme which is a local scheme and is included as a discount in the calculation. This results in a much lower tax base than in previous years.

The tax rate per Band D property was £1,576.13 (2012/13 £1,567.86).

3. Council Tax Contribution to Collection Fund Surpluses & Deficits

The Council Tax surplus on the Collection Fund will be distributed in subsequent financial years between Norwich City Council, Norfolk County Council and Norfolk Police Authority in proportion to the value of the respective precept made on the Collection Fund.

		2013/14	**2012/13**
		£000	**£000**
Norfolk County Council		2,093	1,725
Norfolk Police Authority		367	297
Norwich City Council		421	340
Surplus Carried Forward		**2,881**	**2,362**

4. NNDR Contribution to Collection Fund Surpluses and Deficits

The NNDR surplus/deficit on the Collection Fund will be distributed in subsequent financial years between Central Government, Norwich City Council and Norfolk County Council in accordance with legislated percentages of 50%, 40% and 10% respectively.

		2013/14	**2012/13**
		£000	**£000**
Central Government		(632)	-
Norwich City Council		(506)	-
Norfolk County Council		(126)	-
Surplus /(deficit) Carried Forward		**(1,264)**	**-**

GLOSSARY OF TERMS

Accounting Period
The period of time covered by the accounts, normally a period of twelve months, that commences on 1 April for local authority accounts. The end of the accounting period, i.e. 31 March, is the balance sheet date.

Accrual
A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.

Amortisation
A measure of the consumption of the value of intangible assets, based on the remaining economic life.

Asset
An item having a value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year where a current asset (e.g. stocks or short-term debtors) can readily be converted into cash.

Audit of Accounts
An independent examination of the Council's financial affairs, which ensures that the relevant legal obligations and codes of practice have been followed.

Balance Sheet
A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.

Billing Authority
A local authority charged by statute with the responsibility for the collection of and accounting for council tax, NNDR and residual community charge. These in the main are district councils, such as Norwich, and unitary authorities.

Budget
A financial statement that expresses the council's service delivery plans in monetary terms. This normally covers the same period as the financial year but increasingly councils are preparing medium-term financial plans covering 3 to 5 years.

Capital Expenditure
Expenditure to acquire fixed assets that will be used in providing services beyond the current accounting period or expenditure that adds value to an existing fixed asset.

Capital Financing
The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

Capital Financing Requirement
The capital financing requirement reflects the Council's underlying need to borrow for a capital purpose.

Capital Programme
The capital schemes the council intends to carry out over a specified time period, often within a 6 to 10 year timeframe.

Capital Receipt
The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.

Cash Equivalents
Investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Chartered Institute Of Public Finance and Accountancy (CIPFA)
The principal accountancy body dealing with local government finance.

CIPFA Code of Practice on Local Authority Accounting
This specifies the principles and practices of accounting to be followed when preparing the Statement of Accounts. It constitutes "proper accounting practice" and is recognised as such by statute.

Collection Fund
A separate fund maintained by a billing authority which records the expenditure and income relating to council tax, NNDR and residual community charges.

Community Assets
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks.

Comprehensive Income and Expenditure Statement
This statement reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants, and income from local taxpayers. It brings together expenditure and income relating to all the local authority's functions.

Consistency
The concept that the accounting treatment of like items within an accounting period, and from one period to the next one is the same.

Contingent Liability
A possible obligation arising from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events, that are not wholly within the Council's control.

Creditor
Amounts owed by the Council for work done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

Debtor
Amounts due to the Council for work done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

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

Effective Rate of Interest
The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance at initial measurement.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the Council, and which need to be disclosed separately, by virtue of their size or incidence, such that the financial statements give a true and fair view.

Fair Value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Finance Lease
A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Not the same as an Operating Lease (q.v.).

Financial Instruments
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets (e.g. bank deposits and investments), and financial liabilities (e.g. trade payables and borrowings).

Financial Reporting Standard (FRS)
Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these standards is normally mandatory and any departure from them must be disclosed and explained.

Fixed Assets
Tangible assets that yield benefits to the Council, and to the services it provides, for a period of more than one year.

Housing Revenue Account
A separate account to the General Fund, which includes the expenditure and income arising from the provision of housing accommodation owned by the Council.

Impairment
The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Infrastructure Assets
Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways), and for which a useful life-span cannot be readily assessed.

Intangible Fixed Assets
These are assets which do not have a physical substance, e.g. software licences, but which yield benefits to the Council and the services it provides, for a period of more than one year.

Movement in Reserves Statement
This statement precedes the Comprehensive Income and Expenditure Statement. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute, and non-statutory proper practices, to be charged or credited to the General Fund, Housing Revenue Account & other reserves

Movement in Reserves Statement – Housing Revenue Account
This statement follows the Housing Revenue Account Income and Expenditure Statement. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute, and non-statutory proper practices, to be charged or credited to the Housing Revenue Account.

NNDR (National Non-Domestic Rate)
National Non-Domestic Rate is a standard rate in the pound, set by the government, on the assessed rateable value of properties used for business purposes.

Non-Current Asset
Tangible assets that yield benefits to the Council, and to the services it provides, for a period of more than one year.

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

Outturn
Refers to actual income and expenditure or balances as opposed to budgeted amounts.

Precept
The amount which a local authority, which cannot level a council tax directly on the public, requires to be collected on its behalf. The major precepting authorities are Norfolk County Council and Norfolk Police Authority.

Provisions
Monies set aside for liabilities which are likely to be incurred, but where exact amounts or dates are uncertain.

Prudential Code
The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.

Rateable Value
The annual assumed rental value of a property, which is used for business purposes.

Reserves
The accumulation of surpluses and deficits over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Reserves of a capital nature may have some restrictions placed on them as to their use.

Revenue Expenditure
Spending on day to day items, such as employees' pay, premises costs and supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund and impact on that years' council tax.

Revenue Support Grant
The main grant paid by central government to a local authority towards the costs of their services.

SERCOP (Service Reporting Code of Practice)
The Service Reporting Code of Practice provides guidance on the content and presentation of costs of service activities within the CIES. It constitutes 'proper accounting practice' and is recognised as such by statute.

Tangible Assets
See Fixed Assets (q.v.)

Transfer of Undertakings (Protection of Employment) Regulations (TUPE)
This protects employees' terms and conditions of employment when a business is transferred from one owner to another. Employees of the previous owner when the business changes hands automatically become employees of the new employer on the same terms and conditions.

Trust Funds
Funds administered by the Council for such purposes as prizes, charities and specific projects, usually as a result of individual legacies and donations.

Two Tier authority
In most areas of England , local government functions are divided between two tiers of local authority, county councils, known as "upper tier" authorities and city, borough or district councils, known as "lower tier" authorities.

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Agenda Item No: 6

Audit Results Report 2013/14

To:	**Audit Committee**
Date:	**23 September 2014**
From:	**Chief Finance Officer**
Electoral division(s):	**All**
	:
Purpose:	**This report presents the Audit Results Report 2013/14**
Recommendation:	**The Committee is asked to:** • **Review and note the attached report from the Council's external auditor;** • **Approve the draft letter of management representation presented in Appendix B of the report; and** • **Note the unresolved issues detailed in section 3 of the report under 'Significant qualitative aspects of accounting practices'**

Officer contact:		***Member contact***	
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1. **Background**
   The audit results report summarises the findings from the 2013/14 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**.**

2. **Adjustments to the financial statements**
   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 non-trivial errors which officers have adjusted for in the financial statements. External Audit do not consider these significant and have not provided details within the report
   b. The audit identified two misstatements which management has chosen not to adjust, these are identified in Appendix 1. Rational for not adjusting one of these misstatements has been supplied to and agreed by External Audit

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

4. Qualitative aspects of accounting practices
   The audit results report details areas of inefficiency/weakness relating to non-current assets. These relate to the Fixed Asset register the working papers for additions. Plans will be put in pace to address these issues.

Norwich City Council

Audit Committee Summary

For the year ended 31 March 2014

Audit Results Report – ISA (UK & Ireland) 260

15 September 2014

Rob Murray, Director
rmurray@uk.ey.com

David Riglar, Manager
driglar@uk.ey.com

EY

Building a better
working world

Contents

Executive summary

Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee - on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2013/14 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- As of 15 September 2014, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements adequately.

Value for money

- We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

- The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Extent and purpose of our work

The Council's responsibilities

- The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

- The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

- Our audit was designed to:
  - Express an opinion on the 2013/14 financial statements
  - Report on any exception on the governance statement or other information included in the foreword
  - Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)

In addition, this report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and significant deficiencies in internal control.

As a component auditor, we also follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Addressing audit risks

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
1. Property Asset Valuation - Due to the complexity in accounting for property, plant and equipment and the material values involved, there is a higher risk that asset valuations contain material misstatements.	• Reliance on management's valuations experts. This included comparison to industry valuation trends and reliance on our own valuation experts where significant unexplained variations were identified; and • Tested the accounting treatment of valuations made in the year, including the assessment and treatment of impairments. • Tested capital expenditure to ensure revenue items are not being capitalised.	• We agreed the revaluation and impairments to reports provided by the Council's valuation expert. We assessed the qualifications, independence and scope of the Council's valuation expert to ensure we could rely upon the valuation reports provided. • We have no issues to report from our comparison to industry trends, accounting treatment of revaluations, and testing of capital expenditure. • We have identified an understatement of derecognition on HRA component capital expenditure. The work is ongoing, but the projected error is £0.728 million.
2. Assessment of the group boundary - This will be the first full year for the Norse Environmental Ltd arrangement. The Council will need to undertake an assessment of the group boundary against the criteria stipulated in the two relevant international accounting standards IAS27 and IFRS10. The purpose of the assessment is to conclude which functional bodies and other group entities fall within the boundary and therefore require consolidating into the Council's Financial Statements.	• Assessing where overall control lies with regard to the operation and delivery of services of the potential group bodies. • Ensuring that appropriate consolidation procedures are applied to those bodies that lie within the group boundary.	• The Council assessed which functional bodies and other group entities fall within the group boundary but concluded that consolidating into the Council's Financial Statements was not required on the grounds of materiality. • We have no issues to report from our review of the Authority's assessment.

Addressing audit risks

Other audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
3. Localisation of business rates - There have been significant changes in the arrangements for business rate arrangements from April 2013. The detailed accounting arrangements for the new arrangement are not yet clear and this therefore presents a risk in terms of the financial statements. One of the main changes is that individual councils now need to provide for rating appeals. This includes not only claims from 1 April 2013 but claims that relate to earlier periods. As appeals are made to the Valuation Office, Councils may not be aware of the level of claims. Council's may also find it difficult to obtain sufficient information to establish a reliable estimate.	• Reviewed the detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice. • Reviewed the Councils provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS37. As part of this we will ensure the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts.	• Our audit work confirmed that the accounting treatment adopted by the Council for business rates was appropriate and in compliance with the CIPFA Code of Practice. • The business rates appeals provision accounted for by the Council was deemed to have been calculated on a reasonable basis in line with the requirements of IAS 37. • We have identified an understatement of £511,000 in the provision charged to the Collection Fund. This has not been corrected by management, Appendix 1 to this report sets out the uncorrected misstatements.

Addressing audit risks

Other audit risks (continued)

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
4. As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. For district council's the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.	• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for evidence of management bias; • Evaluated the business rationale for any significant unusual transactions; and • Tested capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.	• Testing has not identified any material misstatement due to fraud and error.

Financial statements audit

Issues and misstatements arising from the audit

Progress of our audit

- The following areas of our work programme remain to be completed. We will provide an update of progress at the Audit Committee meeting:
  - Receipt of a Letter of Representation
  - Property, plant and equipment additions and revaluation testing
  - Income and expenditure transaction testing
  - Post balance sheet events review
- Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected Misstatements

- We have identified two misstatements within the draft financial statements, which management has chosen not to adjust.
- We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter or Representation
- Appendix 1 to this report sets out the uncorrected misstatements.

Corrected Misstatements

Our audit identified a number of further misstatements which our team have highlighted to management for amendment. All of these have been corrected during the course of our work.

We do not consider any of these to be significant and therefore we have not provided further details of these corrected misstatements.

Other Matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions; and,
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest,

Please see the following page for comments on the qualitative aspects of your accounting practices for Property, Plant and Equipment (fixed assets) accounting records. We have no other matters we wish to report.

Qualitative aspects of accounting practices

Fixed Asset Register

- We have commented in previous years on weaknesses in the spreadsheets used as a fixed asset register. The register is difficult to use and does not produce quality management information.
- Every year that the Council delays in implementing a new fixed asset register makes the task more difficult as officers will have to consider data as far back as 1 April 2007, when the revaluation reserve was first introduced.

Fixed Asset Additions

- This area continued to be a cause of audit inefficiency. The working papers provided for audit lacked sufficient detail to enable us to select a sample of additions for audit testing again this year. The audit team will work together with officers to identify an alternative solution to this area in 2014/15.

De-recognition of components

- We estimate that the value of replaced components that has been de-recognised is understated by £728,000.
- Where component parts of assets are replaced by the Council it is required to de-recognise the carrying value of the component that has been replaced. This avoids double counting components and overstating asset values.
- Sample testing identified four instances where components had been replaced but the carrying value of the replaced component had not been removed. Our work also noted that the Council does not estimate the carrying value of roof, structural and 'whole house' components that have been replaced.
- This work is still being concluded.

Financial statements audit (continued)

Internal Control, Written Representations & Whole of Government Accounts

Internal Control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- It is consistent with other information that we are aware of from our audit of the financial statements.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Norwich City 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 focus specified by the Audit Commission.

Criteria 1 - 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*"
- We did not identify any significant risks in relation to this criteria.
- We have completed our work and plan to issue an unqualified value for money conclusion in relation to the Council's financial resilience. We do have some comments to report to those charged with Governance, as set out on the next page of this report.

Criteria 2 - Arrangements for securing economy, efficiency and effectiveness

- *"Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity."*
- We did not identify any significant risks in relation to this criteria.
- We have no issues to report in relation to this criteria

Arrangements to secure economy, efficiency and effectiveness (continued)

Financial resilience

Along with many other Councils, Norwich City Council is facing significant financial challenges over the next three to four years.

The Council's external funding sources are reducing and are subject to change and uncertainty in future years. Some of the main areas of uncertainty relate to:

- Future levels of business rates income
- Future funding through the New Homes Bonus
- Level of Government funding through the Revenue Support Grant (RSG) and Baseline Funding (business rates)

The Council is acutely aware of the challenges it faces and is continually looking at ways in which services can be provided more efficiently and effectively over the coming years. Officers are also considering how the Council can generate income by operating on a more commercial basis.

The Council has a good track record of delivering savings and meeting its budget. Additional income projects and savings of £3.2 million are built into the 2014/15 budget and good progress has already been made on the 2015/16 savings requirement of £1.9 million.

The Council's financial forecasts that have been reported to Members make clear the scale of the challenge being faced. Some of the key issues reported include:

- The Council has a cumulative budget gap of around £9.5 million over the next 5 years (to 2019-20) which will need to be bridged through savings and efficiencies or increased income.
- The Council has included New Homes Bonus funding to support the base budget in each of the next 5 years. Although officers have calculated this funding on the basis of current trends, this funding stream has not been confirmed beyond 2016-17. If this source of funding was removed, or significantly reduced from 2017-18, the Council would have an additional base budget gap to address from 2017-18.
- The Council increased its council tax in 2014/15 by 1.95%. Decisions relating to council tax increases, or decreases, have an ongoing impact on the Council's ability to raise revenue in future years due to the annual restrictions on the level of annual increases

In light of the future financial pressures the Council is facing, Members need to continue to consider carefully the impact of any decisions to freeze or reduce council tax or use reserves to support the Council's finances, the ongoing sustainability of the Council's financial position and its ability to maintain service levels in future years.

Independence and audit fees

Independence

- We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated March 2014.
- We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code of Audit Practice and Standing Guidance. 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 confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- 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 25 September 2014.

- We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK&I) 260. Our communication plan to meet these requirements were set out in our Audit Plan of March 2014.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2013-14	Scale fee 2013-14	Variation comments
	£s	£s	
Total audit fee – Code work	117,682	105,652	Correspondence from a member of the public
Certification of claims and returns	50,395	56,900	Fee reduced for claims no longer requiring certification.

- Our actual fee is higher than the scale fee as we have received correspondence from a member of the public which we have considered. Our proposed fee is at this point in time, and subject to the satisfactory clearance of the outstanding audit work.
- We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Appendix 1 - Uncorrected audit misstatements

- The following misstatements have been identified during the course of our audit.
- These items have not been corrected by management.

Balance Sheet and Statement of Comprehensive Income and Expenditure

Item of Account	Nature	Type	Balance Sheet	Statement of Comprehensive Income & Expenditure
	Description	F, P, J	Debit/(Credit)	Debit/(Credit)
1. Provisions	The NDR appeals provision is understated by £511,000 due to the Authority's calculation not considering how many years a successful appeal may be backdated. The additional £511,000 should be charged against the collection fund. The Authority's share is 40%.	J	(204,400)	204,400 Charge reversed out to collection fund adjustment account, so no impact on the general fund.
2. Property, plant and equipment	Understatement on derecognition of HRA component capital expenditure. The work is ongoing, but this is the projected error.	P	(728,000)	To be confirmed. Any charge is likely to be offset by upward revaluations. Any impact on the CIES will be reversed to the capital adjustment account, so no impact on the general fund.

Key

- F – Factual misstatement
- P – Projected misstatement based on audit sample error and population extrapolation
- J – Judgemental misstatement

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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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.

[redacted]

24September 2014

Rob Murray
Audit Director
Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Dear Rob

Audit of Financial Statements 2013/14
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 2014. 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 2014 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 2013/14.

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 2013/14.

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 2013/14 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 2013/14 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in Appendix 1, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Please specify the reasons for not correcting these misstatements.

B. Fraud

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

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

3. We have 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

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

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

3. We have made available to you all minutes of the meetings of the Council, 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 on the following date: September 2014.

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

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

E. Liabilities and Contingencies

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

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

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. As 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 18 September 2014

Chairman of Audit Committee

Report to	Audit committee 23 September 2014	**Item**
Report of	Head of internal audit and risk management, LGSS	7
Subject	Internal audit and fraud team 2014-15 – July to September update	

Purpose

To advise members of the work of internal audit between July and September 2014 and progress against the 2014-15 internal audit plan, together with the work of the fraud team between April and August 2014.

Recommendations

To note:

- the work of internal audit between July and September 2014
- the progress on the 2014-15 internal audit plan
- the work of the fraud team between April and August 2014
- the latest position on the National Fraud Initiative (NFI)

Corporate and service priorities

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

Financial implications

None.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Jonathan Idle	01604 367130
Steve Dowson	01603 212575

Background documents

None

Report

Background

1. The internal audit plan for 2014-15, was endorsed by members in March 2014.

2. This report covers the following areas:

   - audit assurance work July to September 2014
   - other areas of non-assurance and financial consultancy work
   - the audit plan 2014-15, showing progress against planned audits
   - summary of fraud team work April to August 2014
   - the latest position on the National Fraud Initiative (NFI).

3. For each audit assurance review a report is presented to the relevant head of service, including recommended actions to be taken. Audits are subsequently followed up to ensure that the agreed actions have been implemented.

Audit assurance work July to September 2014

4. The following areas were reported on between July and September:

   - Provision market – moderate assurance. There was assurance that stall holders are paying the correct rent as set out in their leases, plus service charges; debt levels are fairly static, with regular meetings held between the markets and sundry income teams to manage outstanding debts; and health and safety and insurance matters are mostly satisfactory. However, rents have not been reviewed for a number of years, and a few historical discrepancies were found between the rents charged and the rent according to the zoning system. In addition, although there are adequate arrangements for following up debts, progress on recovery is not summarised anywhere, which could cause difficulties in the absence of key staff. Finally, the market traders' handbook has not been updated for a while, and arrangements to ensure that existing stall holders have adequate public liability insurance need to be tightened. Eight recommendations were agreed, two of which are already in place. The remainder are due to be implemented by June 2015.
   - National non-domestic rates (NNDR) – full assurance. There was assurance across the processes for maintaining the NNDR database; setting the annual rate and annual billing, including subsequent exemptions, reliefs and amendments; correct application of refunds and write-offs; and reconciliations to cash receipting and the ledger. There were a few minor control weaknesses, but as they were either corrected during the audit or were already known to management no recommendations were necessary.

5. Other assurance work which is in progress is shown in **annex 1**.

Follow ups

6. The following audits were followed up:

- Safety of council properties – satisfactory progress by NPS on the three recommendations.
- Purchase cards – the five recommendations have been implemented by the procurement team.
- Disaster recovery – satisfactory progress by systems support and LGSS IT on the two recommendations

Non-assurance work

7. The main areas of non-assurance work in the period were:

   - Preparing the draft annual governance statement
   - Reporting the review of the corporate risk register by CLT to audit committee
   - Drafting a report for the constitution working party on updating the council's code of governance
   - Preparing for the NFI 2014-15 data matching exercise.

Progress against the audit plan

8. Details of the annual audit plan for 2014-15 are shown at annex 1, showing estimated and actual days for each area of audit assurance work, with non-assurance and consultancy work shown separately.

9. To the end of August 2014, 130 days has been spent on audit assurance work. This includes work on audits started at the end of 2013-14 but not completed by the end of March. Norwich staff also spent 30 days on non-assurance work and unplanned request work.

10. All of the IT audits are now in progress following the appointment of a temporary principal auditor, and should be completed by the end of September.

11. Discussions on addressing the outstanding assurance reviews in the plan will be held with management and reported back to a subsequent meeting.

12. The planned restructure of the LGSS internal audit service is at the consultation stage, but going forward it is the intention to continue to utilise audit resources from the wider service to carry out audit assurance reviews in the plan.

Summary of fraud team work April to August 2014

13. A summary of work by the fraud team in the current year follows (figures in brackets are for the 2013-14 comparator):

    - Number of benefit cases referred to the fraud team – 307 (380)
    - Number of referred benefit cases investigated – 168 (209)
    - Number of benefit sanctions and prosecutions – 27 (14)

14. At the end of August the fraud team had identified benefit overpayments in excess of £174,000. The annual KPI for this is £160,000 (approximate running costs of the fraud team), so this measure has already been met.

15. With benefit fraud work moving to the Department for Work and Pensions (DWP) from 1 April 2015, the fraud team leader spent a large part of August working on a bid document for submission to the Department for Communities and Local Government (DCLG). There is a two-year fund totalling £16.6m that local authorities can bid for to retain a counter-fraud service and work on new and developing areas of counter-fraud including prevention, detection and deterrence work. The closing date for bid submissions is 5 September and successful authorities will be informed by the end of October. This bid is for counter-fraud work across LGSS, incorporating partners in Northampton Borough Council, Northamptonshire County Council and Cambridgeshire County Council.

National fraud initiative (NFI) 2012-13

16. This is the main data matching exercise by the Audit Commission which occurs every two years. The results were received at the end of January 2013.

17. There are 74 reports, mainly covering benefits and housing, and a total of 2,677 matches.

18. The majority of matches relate to housing benefit. Staff in the relevant service areas have made good progress in reviewing matches to identify any further action that needs to be taken – to date 93% of reports have been closed. The council's progress was rated as 'green' by the external auditors in their last audit results report.

19. So far the exercise has uncovered one housing fraud which led to the recovery of a council property.

20. In addition, £166,518 of housing benefit overpayments has been identified. Nine cases totalling £42,024 were due to fraud, resulting in two prosecutions, five administrative penalties and two official cautions. 44 cases totalling £124,494 were due to either official error (19) or customer error (25). All the overpayments are recoverable by reductions in weekly benefits.

21. Finally, a duplicate creditor payment of £2,993 from 2010 was identified. Following investigations by council staff and the supplier a full refund was received.

22. Members may be interested to know that the Audit Commission summarises the outcomes from each data matching exercise in a national report. The latest report, dated June 2014, has been placed on e-bulletin, together with the covering press release. The report, together with other information on NFI, can also be found here: http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/

23. The report highlights that the highest value categories of fraud, overpayment or error identified in England continue to be pensions (£74m), followed by council tax single person discount (£39m) and then housing benefit (£33m).

24. Preparations are currently under way for the next data matching exercise in October 2014.

LGSS Internal Audit - Internal Audit Plan for Norwich City Council 2014-15			
	2014-15		
Audit Assurance Work	**Estimated days**	**Actual to Wk 22**	**Comments/latest position**
Fundamental systems			
Purchasing	20	22.2	Testing complete
Accounts receivable (debtors)	15		)
NCC payroll	15		)
Housing rents/arrears	20		) Audited annually under managed audit regime. Actual scope subject to further discussion with EY
Housing & council tax benefits	25		)
Council tax	15		)
NNDR	15		)
Sub-total	**125**	**22.2**	
Corporate			
Procurement & contract management arrangements:	35		Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams
New bank contract		9.7	Audit presence on project team
NPS		3.0	Preparation
Claims certification	20		
Probity	20		
Sub-total	**75**	**12.7**	
Business relationship management			
Financial IT system replacement	30		Upgrade or replace Oracle Financials. Q4
Council tax & NNDR systems	15		VFM review - impact of scheme changes on collection rates
ICT audits:	60	20.0	Incl. embedded assurance - Corporate Information Assurance Group; input to IT audits
Civica			)
Northgate			) Taken from IT audit needs analysis
Workforce			)
Parking Gateway			B/f from 2013-14 due to computer auditor vacancy
Bacstel IP			B/f from 2013-14 due to computer auditor vacancy
Sub-total	**105**	**20.0**	
Operations			
CIL income	10		November/December, if sufficient transactions
Provision market	15	11.4	Complete
Licensing	10		Jan/Feb 2015
Leasehold services	15		Q4
Cemeteries	15		Q4
Home improvements	15		
Parking income	15		Q3 or Q4
Sub-total	**95**	**11.4**	
Customers, communications & culture			
Land charges	10	7.2	In progress
Sub-total	**10**	**7.2**	

Annex 1

Audit Assurance Work	Estimated days	Actual to Wk 22	Comments/latest position
Non-specific			
Ad-hoc investigations	20	1.4	Contingency (no major investigations to date)
To complete 2013-14 plan	35		
Managing customer demand		6.1	Complete
Payroll		3.9	Complete
NNDR		5.2	Complete
C Tax		3.2	Testing complete
Commissioning		0.0	Testing complete
Housing benefits		5.6	Complete
Treasury management		0.6	Complete
Purchase cards		13.9	Complete
Accounts payable		10.2	In progress
Follow-ups	25	6.5	Follow ups required by PSIAS
Sub-total	**80**	**56.6**	
Total for audit assurance work	**490**	**130.1**	
Consultancy & non-assurance work			
Corporate governance	30	10.4	Preparation of AGS; corporate governance group; update code of governance
Anti-fraud and NFI work	45	12.4	Fraud risks; key contact for NFI 2014-15 (upload data & ensure matches investigated)
Advice, unplanned work requests	35	7.1	Contingency
Total for non-assurance/consultancy work	**110**	**29.9**	
Total Allocated Days	**600**	**160.0**	
Indicative resources post-restructure			
Head of audit	10		
Principal client auditor	140		
Client auditors x 2	400		
LGSS support	50		
	600		

Report to	Audit committee 23 September 2014	**Item**
Report of	Head of internal audit and risk management, LGSS	8
Subject	LGSS internal audit charter and public sector internal audit standards	

Purpose

To note the LGSS internal audit charter

To note the requirement that LGSS internal audit should comply with the Public Sector Internal Audit Standards

Recommendation

To note the LGSS internal audit charter and the results of a self-assessment against the public sector internal audit standards

Corporate and service priorities

The report helps to meet the corporate priority "Value for money services"

Financial implications

None

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

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Background document

Public Sector Internal Audit Standards - Applying the IIA International Standards to the UK Public Sector

Report

Background

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) adopted a common set of Public Sector Internal Audit Standards (PSIAS) from April 2013 and published a local government application note in support. These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

2. The objectives of the PSIAS are to:

    - define the nature of internal auditing within the UK public sector;
    - set basic principles for carrying out internal audit in the UK public sector;
    - establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations;
    - establish the basis for the evaluation of internal audit performance and to drive improvement planning.

3. The purpose, authority and responsibility of internal audit activity must be formally defined in an internal audit charter, consistent with the mandatory elements of the IIA IPPF, which are the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The head of LGSS internal audit & risk management must periodically review the internal audit charter and present it to senior management and the relevant committees for approval.

4. The existing LGSS internal audit charter was updated to bring it in line with the new standards, and was approved by Northamptonshire County Council's audit committee on 27 February 2014 and by Cambridgeshire County Council's audit and accounts committee on 10 June 2014.

5. The updated charter is attached at annex 1 for members' information.

6. A self-assessment against the new standard has been undertaken (annex 2). Most of the requirements of the new standard were already covered by the former CIPFA *Code of Practice for Internal Audit in Local Government*, but the requirements of the audit charter are more extensive and the update of the charter has been used to encapsulate the changes and ensure that the content conforms to the new standard.

7. Members are asked to note the charter and the results of the self-assessment, which includes any planned development actions required to meet the standards.

Annex 1

LGSS INTERNAL AUDIT CHARTER

1 INTRODUCTION

1.1 The requirement for local authorities to have an internal audit function is determined by Section 151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'. The Accounts and Audit Regulations 2011, regulation 6, more specifically require that a 'relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices' in relation to internal control. The provision of Internal Audit is the responsibility of each local authority.

1.2 This charter defines the purpose, authority and responsibility of the LGSS Internal Audit and Risk Management (LGSS IARM) Service and is consistent with the Public Sector Internal Audit Standards (2013), which are mandatory.

2 APPROVAL OF CHARTER

The Public Sector Internal Audit Standards (2013) refer to the term 'board' and in this charter that means the 'Audit Committee'. The term 'senior management' in this charter means the 'Chief Executives and the directors or executive directors' of the organisations. This charter is reviewed periodically and approved by senior management and the relevant Audit Committees.

3 DEFINITION OF INTERNAL AUDITING AND OBJECTIVES OF LGSS IARM

3.1 The definition of Internal Auditing is a mandatory part of the Public Sector Internal Audit Standards (2013) and is as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

In the case of LGSS IARM, assurance is given to the partner organisations.

In addition, the other objectives of the function are to:

- support the Section 151 Officers to discharge duties as Statutory Officers of the Councils;
- provide appropriate input to the Annual Governance Statements or other assurance processes of the Councils;

- support management to understand their exposure to risks and advise on risk management principles/methods;
- investigate possible cases of fraud or corruption or other irregularity in accordance with the Councils' Anti-Fraud and Corruption Strategies;
- undertake consultancy type reviews as requested by senior management of the Councils.

3.2 LGSS IARM activity evaluates the adequacy and effectiveness of controls in responding to risks within the organisations' governance and operations systems regarding the:

- achievement of the organisations' strategic objectives;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations and programmes;
- safeguarding of assets; and
- compliance with laws, regulations, policies, procedures and contracts.

3.3 Internal auditors will incorporate knowledge of controls gained from consulting engagements into evaluation of the organisations' control processes.

4 SCOPE OF INTERNAL AUDIT

4.1 LGSS IARM's role applies to all functions and services for which the Councils are responsible. LGSS IARM has unrestricted coverage of the Councils' activities and unrestricted access to all records and assets which is necessary for LGSS IARM to effectively fulfil its responsibilities, however and wherever these are held. This includes Council information which is held or managed by third parties on the Council's behalf. In addition LGSS IARM provides an internal audit function to various external organisations.

4.2 The Head of LGSS IARM has direct access, as appropriate, to:

- the LGSS Director of Law, Property and Governance;
- the LGSS Director of Finance;
- all levels of management, including the Chief Executives, the Monitoring Officers and the Section 151 officers;
- all elected members, including the Leaders and the Chairs of the Councils;
- employees of the Councils;
- agents of the Councils;
- external auditors.

4.3 The Head of LGSS IARM reports directly to the Audit Committees.

4.4 LGSS IARM is required (by the Public Sector Internal Audit Standards (2013)) to be sufficiently independent of the activities it audits such that it can make impartial and effective professional judgements and recommendations. Independence in the Councils is achieved through the organisational status of LGSS IARM, the objectivity of internal auditors and LGSS IARM's freedom to report directly to the Audit Committees. Should the independence or objectivity of the Internal Audit function be impaired in fact or appearance, the Head of

Internal Audit will disclose details of the impairment to the Chief Finance Officer (S.151 Officer) and / or the Chair of the Audit Committee depending upon the nature of the impairment.

4.5 The internal audit activity evaluates and contributes to the improvement of governance, risk management and control processes using a systematic and disciplined approach. LGSS IARM assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- promoting appropriate ethics and values within the organisations;
- ensuring effective organisational performance management and accountability;
- communicating risk and control information to appropriate areas of the organisations; and
- coordinating the activities of and communicating information among the Audit Committees, external and internal audit and management.

4.6 The internal audit activity evaluates the design, implementation and effectiveness of the organisations' ethics-related objectives, programmes and activities. It also assesses whether the information technology governance of the organisations supports the organisations' strategies and objectives.

4.7 The internal audit activity also evaluates the potential for the occurrence of fraud and how the organisations manage fraud risk.

5. INTERNAL AUDIT AND RISK MANAGEMENT STAFFING

5.1 The Head of LGSS IARM will be professionally qualified (CMIIA, CCAB or equivalent) and will be suitably experienced.

5.2 The LGSS Managing Director will review the performance appraisal of the Head of LGSS IARM and feedback will also be sought from the chairs of the Audit Committees.

5.3 The Head of LGSS IARM ensures that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plans.

5.4 LGSS IARM will be appropriately staffed in terms of number, grade, qualification levels and experience to enable the Councils' audit plans to be delivered effectively. This will be achieved through the recruitment of staff suitably skilled and experienced for the post appointed to and through the Council's performance appraisal and development programme.

5.5 Internal auditors will possess the knowledge, skills and other competencies needed to perform their individual responsibilities. Internal auditors will enhance their knowledge, skills and other competencies through continuing professional development. The Head of LGSS IARM will obtain competent advice and assistance if the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of an engagement.

5.6 Internal auditors will have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but will not all have the expertise of a person whose primary responsibility is detecting and investigating fraud. There will be a specific fraud and investigation internal audit team within LGSS IARM.

5.7 Internal auditors will have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

5.8 The Head of LGSS IARM will decline a consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of the engagement.

5.9 Internal auditors will apply the care and skill expected of a reasonably prudent and competent internal auditor.

5.10 The Head of IARM ensures that resources are sufficient by matching the staffing levels to the requirements of the approved plans.

5.11 LGSS IARM is not responsible for services outside of the delivery of Internal Audit. Where staff transfer internally to Internal Audit the Head of Internal Audit will ensure they do not audit activities they were previously responsible for, for at least 18 months. This includes transfers after periods of secondment whilst undertaking professional training.

5.12 Assurance engagements for functions over which the Head of LGSS IARM has responsibility will be overseen by a party outside the internal audit activity.

6 RESPONSIBILITIES OF MANAGEMENT

6.1 All levels of management have a role to identify key risks to their service and to ensure these risks are effectively mitigated to an adequate degree in accordance with the councils' stated risk appetites. Management is also responsible for ensuring that staff are aware of the processes and procedures required to operate the internal control systems.

6.2 All managers can assist the process of internal audit by:

- providing access at all reasonable times to premises, personnel, documents and assets that the internal auditors consider necessary for the purposes of their work;
- giving information and explanations that are sought by the internal auditors in the course of their work;
- providing input to both the audit plans and the Terms of Reference for each review, to ensure attention is focused on areas of greatest risk;

- early notification of LGSS IARM of plans for change, including new operational systems and processes;
- implementing agreed actions arising from audit recommendations in a timely and effective manner;
- notifying suspicions of fraud, theft, or other irregularity, in accordance with the Councils' Anti-fraud and Corruption Strategies. Pending investigation and reporting, the relevant Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration;
- ensuring that where key systems are managed by an external organisation that contractual documentation identifies, in consultation with the Head of LGSS IARM, the internal audit arrangements for those key systems.

6.3 When the Head of LGSS IARM concludes that management has accepted a level of risk that may be unacceptable to the organisation, the Head of LGSS IARM will discuss the matter with senior management. If the Head of LGSS IARM determines that the matter has not been resolved, the Head of LGSS IARM will communicate the matter to the Audit Committee. It is not the responsibility of the Head of LGSS IARM to resolve the risk.

7 AUDIT SERVICES & CONTEXT

7.1 The Head of LGSS IARM is required to manage the provision of a complete audit service to the Authorities. This includes:

- preparing annual plans, including resource requirements, in consultation with senior management, for review and approval by senior management and the relevant Audit Committee. These plans will be prepared using a risk based approach, aligned to Council risk registers, taking account of the risk maturity of the organisation and the assurance framework. They will include a documented risk assessment and will explain the approach to using any other sources of assurance and any work required to place reliance upon those other sources. The risk-based plans will incorporate or be linked to a strategic or high level statement of how the internal audit service will be delivered in accordance with this charter and how it links to the organisational objectives and priorities. The plan will also explain how LGSS IARM's resource requirements have been assessed;
- where the Head of LGSS IARM believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences will be brought to the attention of the relevant Audit Committee;
- providing suitably skilled and experienced staff to undertake internal audit reviews;
- working in conjunction with the authorities' external auditors under the concept of the "managed audit", whereby external audit places reliance on the work of LGSS IARM;
- undertaking internal audit reviews, including Value for Money reviews, in accordance with the approved Annual Plans and the Internal Audit Manual;
- agreeing any amendments to the Annual Plan, in response to the Councils' business needs, with senior management. Any such amendments will be reported to the relevant Audit Committee;

- considering accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisations' operations ('Consulting Services' can be defined as 'the provision of audit advice and guidance provided outside of normal planned audit / assurance activity'). Accepted engagements will be included in the plan;
- seeking approval from the relevant Audit Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement;
- assessing all requests for non-audit activity particularly where this activity may introduce a conflict of interest or impair independence. Where it is assessed that the non-audit activity does provide a potential conflict the activity will not be performed unless appropriate mitigation activities are put in place to minimise the potential impact of the conflict;
- providing an audit opinion on each individual review undertaken for each Council together with an annual audit opinion on the adequacy of the internal control framework operating within the Councils;
- responding to requests for support, advice and guidance on implementing and/or improving control procedures for current and new systems.

7.2 The Audit Committees will make appropriate enquiries of management and the Head of LGSS IARM to determine whether there are inappropriate scope or resource limitations.

7.3 The Head of LGSS IARM will also provide an audit opinion on each individual review undertaken for external clients together with an annual audit opinion on the adequacy of the internal control framework operating within those external organisations.

7.4 The LGSS IARM Service will be provided by an in house service.

8 RISK MANAGEMENT

8.1 The LGSS IARM team evaluate the effectiveness and contribute to the improvement of risk management processes through the internal auditor's assessment of the extent to which:

- organisational objectives support and align with each organisation's mission;
- significant risks are identified and assessed, including the risk of fraud;
- appropriate risk responses are selected that align risks with the organisations' risk appetite; and
- relevant risk information is captured and communicated in a timely manner across the organisations, enabling staff, management, Cabinet and the Audit Committees to carry out their responsibilities.

8.2 The internal audit activity will evaluate risk exposures relating to the organisations' governance and operations systems regarding the:

- achievement of the organisations' strategic objectives;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations and programmes;

- safeguarding of assets; and
- compliance with laws, regulations, policies, procedures and contracts.

8.3 During consulting engagements, internal auditors will address risk consistent with the engagement's objectives and will be alert to the existence of other significant risks. Internal auditors will incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisations' risk management processes.

8.4 When assisting management in establishing or improving risk management processes, internal auditors do not assume any management responsibility by actually managing risks.

9 AUDIT REPORTING FRAMEWORK

9.1 All LGSS IARM activity is undertaken to assist management fulfil their objectives of delivering services and contributing to the overall objectives of the Council. Outputs from LGSS IARM work range from informal advice to formal written reports. The LGSS IARM reporting process allows auditee management to have the opportunity to agree the factual accuracy of report content and to discuss the action plan. Final reports are issued to auditee management which include the engagement's objectives and scope, applicable conclusions and identify agreed actions showing responsibilities and implementation dates.

9.2 Final reports also include an opinion regarding the level of assurance that can be given for the control environment of the system or unit being audited.

9.3 Final reports issued to parties outside the organisations include limitations on distribution and use of the results.

9.4 In addition to meetings about individual pieces of work, regular liaison meetings are held with each director (or executive director) or their nominee to discuss at a summary level, any issues or themes arising and to agree the timing and content of planned work.

9.5 Outstanding recommendations are followed up every quarter and the results of this follow up process, including whether senior management has accepted the risk of not taking action, are reported to the Audit Committees.

9.6 LGSS IARM report to the Audit Committees in accordance with the reporting timetable agreed with the Committees. This includes three quarterly progress reports and an annual audit report which incorporates the following:

- an annual audit opinion;
- a summary of the work that supports the opinion;
- a statement on conformance with the UK Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme (see 10.6 below).

9.7 The annual audit opinion and report will be used to inform the annual governance statement.

9.8 In addition, the Head of LGSS IARM will provide a report annually to senior management and the Audit Committees outlining the contents and any updates to the Internal Audit Charter, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

10 QUALITY OF SERVICE

10.1 The LGSS IARM Section operates in accordance with the Public Sector Internal Audit Standards. These include specific reference to the Code of Ethics which internal auditors in UK public sector organisations must conform to. This Code of Ethics includes the following principles: Integrity, Objectivity, Confidentiality and Competency. Breaches of the Code of Ethics will be evaluated and administered according to the Institute of Internal Auditors' Disciplinary Procedures. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of the Code of Ethics. If individual internal auditors have membership of a professional body then he or she must also comply with the relevant requirements of that organisation.

10.2 Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. They must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life. Adherence to expected standards will be subject to management overview through actions 10.3 and 10.4 below.

10.3 Internal review of work standards is undertaken through a system of management review involving senior audit staff and the Head of LGSS IARM. This incorporates review of all audit documentation and reports prior to release to the relevant auditee manager. Appropriate evidence of review is documented and retained. The Head of LGSS IARM is responsible for reviewing and approving the final audit report before it is issued and for deciding to whom and how it will be disseminated. If these duties are delegated, the Head of LGSS IARM retains overall responsibility.

10.4 If not otherwise mandated by legal, statutory or regulatory requirements, prior to releasing results to parties outside the organisation, the Head of LGSS IARM will:

- assess the potential risk to the organisation;
- consult with senior management and / or legal counsel as appropriate; and
- control dissemination by restricting the use of the results.

10.5 The Head of LGSS IARM is responsible for communicating the final results of consulting engagements to clients. During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they will be communicated to senior management and the relevant Audit Committee.

10.6 Quality questionnaires are issued to auditees at the end of each audit review. Completed questionnaires are recorded and monitored against LGSS IARM's Performance Indicator for Customer Satisfaction. Regular liaison meetings are also held with senior management across the Councils to discuss quality issues.

10.7 A suite of performance indicators and targets has been developed to monitor the quality of the service provided. These indicators are subject to review by the Audit Committees within the Councils' performance management processes.

10.8 A quality assurance and improvement programme has been developed by the Head of LGSS IARM, which includes both internal and external assessments and covers all aspects of the internal audit activity. Internal auditors can report that their engagements are "conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing"*, only if the results of the quality assurance and improvement programme support the statement.

10.9 Periodic self-assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. Any areas of non-compliance are reported to the Audit Committee.

10.10 External review of the work of LGSS IARM takes place through the following mechanisms:

- the Councils' External Auditors who keep the performance of LGSS IARM under continuous review to enable reliance to be placed on its work as part of the statutory external audit of the Council's accounts;
- the use of benchmarking to compare performance with other County Councils across the country;
- external assessment of LGSS IARM will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Head of LGSS IARM will agree the scope of external assessments with an appropriate sponsor, e.g. the Section 151 Officer or chair of the Audit Committee as well as with the external assessor or assessment team. The external assessment may be in the form of a full external assessment, or a self-assessment with independent external validation.

10.11 The results of the quality assurance and improvement programme are reported by the Head of LGSS IARM to senior management and the Audit Committees in the annual report.

11 STRUCTURE AND LOCATION

11.1 The LGSS IARM Service is within the LGSS Law, Property and Governance directorate and is located at John Dryden House, Northampton; Shire Hall, Cambridge and City Hall, Norwich. LGSS IARM reports to the LGSS Director of Law, Property and Governance.

PUBLIC SECTOR INTERNAL AUDIT STANDARDS
SELF ASSESSMENT 2013-14 - LGSS INTERNAL AUDIT NORWICH

2013 PSIAS Requirements	Evidence of Achievement	Action Plan for Development
Code of Ethics: *Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.* • *Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement* • *Objectivity – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.* • *Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so* • *Competence – Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.*	The staff appraisal system considers these issues; where areas of concern are identified these will be set as action points as part of the PADP process. To date no significant points of conflict have been identified. All Internal Audit staff have familiarised themselves with the new Public Sector Internal Audit Standards, which are available via the shared folders. In addition, every year they are required to sign the code of ethics from the standards, covering requirements to ensure compliance with ethics for internal auditors. Staff are rotated on regular basis across audit areas. An Internal Audit staff away day considered the role of Internal Audit within the organisation and considered the organisations aims and objectives etc. These sessions will be held periodically going forwards to ensure that all staff maintain their understanding of the Code of Ethics.	.
1000 Purpose, Authority and Responsibility ….*Purpose, authority and responsibility of Internal Audit is formally defined by the organisation in a charter consistent with these standards.*	An Audit Charter, which takes account of the new Public Sector Internal Audit Standards which were effective from April 1st 2013, has been prepared.	

2013 PSIAS Requirements	Evidence of Achievement	Action Plan for Development
...This charter is reviewed periodically and approved by senior management and the relevant boards. *...The chief audit executive should discuss the Definition of Internal Auditing, the Code of Ethics and the Standards with senior management and the board.* *….The internal audit charter must cover the arrangements for appropriate resourcing.* *...The nature of consulting services must be defined in the internal audit charter.* *...The internal audit charter must define the role of internal audit in any fraud-related work.* *...The internal audit charter must include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.*	The charter was approved by the relevant committees at Cambridgeshire and Northamptonshire county councils during 2014. Resource levels with Internal Audit and Risk Management (IARM) are assessed on an annual basis as part of the Internal Audit planning process Resource levels have been reviewed by the Head of IARM and a re-structure of LGSS IARM in the Northampton, Cambridge and Norwich offices is imminent. Internal Audit has the capacity to undertake consultancy type reviews as requested by senior management of the Council. The Audit Charter defines audit responsibilities in relation to fraud. This is elaborated within the Authority's Anti-Fraud Policy. LGSS IARM is not responsible for services outside of the delivery of Internal Audit. Where staff transfer internally to Internal Audit, the Head of Internal Audit will ensure they do not audit activities they were previously responsible for, for at least 18 months. This includes transfers after periods of secondment whilst undertaking professional training. Work is assigned by Audit Managers to avoid potential conflicts of interest. No conflicts have arisen to date	Report the outcome of the restructure to Audit Committee

2013 PSIAS Requirements	Evidence of Achievement	Action Plan for Development
1100. Independence and Objectivity		
...The internal audit activity must be independent and internal auditors must be objective in performing their work	The Audit Charter sets out and confirms the independence and objectivity of Internal Audit.	
...The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity	The Head of Internal Audit and Risk Management (HIARM) has direct access to those charged with governance; the Audit Committee, the Chief Executive, S151 Officer and Chair of the Audit Committee. Reports are made in HIARM's own name to management and to the Audit Committee.	
….*Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.*	No conflict of interest between operational responsibilities and audit has been found. The size of the Internal Audit section means that controlled rotation of audit work within the team is the norm. All staff have signed a declaration of interest form in the past, but this is not done annually.	All staff to complete an annual declaration of interests form

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
Audit Committee ...The chief audit executive must communicate and interact directly with the board (Audit Committee). (1111) .	An independent Audit Committee exists within the Council chaired by a Councillor. The terms of reference for the Committee have been formally approved and are regularly reviewed. They include responsibility for the review of the Annual Governance Statement. The Audit Committee endorses the Annual Audit Plan and monitors the delivery of this. Internal Audit uses a risk-based approach with the Internal Audit Plan being based on the corporate and service Risk Registers. The Audit Committee endorses this approach. The HIARM attends Audit	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
	Committee meetings, reports on the outcome of Internal Audit work, identifies necessary changes to the Audit Plan, and presents an Annual Report and opinion or assurance on the internal control and risk management framework. The responsibilities of Internal Audit staff and Members, particularly those of the Audit Committee, are laid out in the Audit Charter. There are training sessions for Audit Committee members and specific training is provided upon request.	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
Staffing, training and continuing professional development (CPD) *...Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities (1200)*	The skills and competencies required of each post are determined through job descriptions and people specifications and have been reviewed in preparation for the planned restructure of IA&RM. Actual skills and competencies have been assessed and individual training and development plans have been agreed through the formal PADP appraisal process.	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
1300 Quality Assurance *….. The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.*	All Internal Auditors are aware of their individual responsibilities for due professional care. Arrangements are in place to monitor this: ▪ Managers conduct a robust review of audit files and draft reports ensuring that the work completed is in accordance with the original scope of work agreed and to the desired quality. ▪ The HIARM or an Audit	The Quality Assurance and Improvement Programme requirements have been incorporated within the revised Audit Charter and will be implemented, including an external assessment within five years.

	Manager reviews all reports with a moderate or limited assurance level following on from this review prior to the draft / final reports being issued. ▪ Performance of individual auditors to exercise due professional care is and will continue to be included within the PADP process. ▪ Performance measures are defined and results reported to the Audit Committee. ▪ Internal quality reviews are undertaken by Internal Audit Managers and the HIARM. ▪ Post audit questionnaires are issued to each auditee with each draft report, the results of which are summarised in the annual report.	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
2000. Undertaking Audit Work ….*Planning* The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. …*Approach* The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process. ….*Recording and Assignments* Internal auditors must document relevant information to support the conclusions and engagement results. Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.	Terms of reference are prepared and agreed with management for each audit. A risk-based approach is used and an audit assurance opinion is given for every audit. Issues are discussed with management as they arise and at post audit discussions. Standards of working papers are specified and checked as part of the file review. Internal Audit uses a time recording system. Reports are produced for management information. Adequate working papers supporting conclusions drawn and recommendations made are maintained and retained on file. Reports are issued to appropriate Executive Heads / Heads of	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
	Service. Progress of management in implementing agreed recommendations are monitored by Internal Audit via a method of quarterly follow up and reporting to the Audit Committee by the HIARM.	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
2010 Audit Strategy and Planning *The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.*	An Audit Strategy was previously reported to Audit Committee prior to internal audit transferring to LGSS. The LGSS Strategy complies with the PSIAS and has been formally endorsed by the Cambs and Northants audit committees as part of the planning process. The risk-based Audit Plan has been prepared in accordance with the Strategy. The Corporate and Service Risk Registers have been used as the basis of the Internal Audit Plan. This has been assessed by the HIARM. Available resources have been compared with the resource need as part of the audit planning process. The plan has been endorsed by the Audit Committee.	Incorporate the LGSS Audit Strategy when the next annual audit plan is reported.
Performance, quality and effectiveness …. The chief audit executive must establish policies and procedures to guide the internal audit activity. (2040) ….The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. (2030) Interpretation: Appropriate refers to the mix of knowledge, skills and other	Policies and procedures are defined in an audit manual. Performance indicators are reported to management and the Audit Committee. Audits are assigned according to the skills mix required and there is adequate supervision by the Audit Manager. Post audit questionnaires are issued with each draft report and are summarised in the annual	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan. …The chief audit executive should share information and co-ordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts. (2050)	report. Liaison with External Audit occurs in order to minimise the potential for duplication and ensure where reliance upon Internal Audit work is required, that the correct level of Internal Audit coverage occurs.	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
2100 Nature of Work *The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.*	Internal Audit contributes to and prepares the Annual Governance Statement. The Annual Report by the Head of Internal Audit documents the contribution of Internal Audit to governance and risk management. Coverage from the Annual Internal Audit Plan evaluates the adequacy and effectiveness of controls.	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
2200 Engagement Planning *Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.*	The engagement planning process is documented within the Audit Manual. This incorporates all PSIAS requirements.	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
2300 Performing the Engagement *Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.*	The engagement performance process is documented within the Audit Manual. This incorporates all PSIAS requirements.	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
2400. Communicating Results *…The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and deciding to whom and how it will be disseminated. When the chief audit executive delegates these duties, he or she retains overall responsibility.* *...Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.* *...Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.* *Interpretation:* *Opinions at the engagement level may be ratings, conclusions or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.* *….The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.* *The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.* *The annual report must incorporate:* *the opinion;* *a summary of the work that supports the opinion; and* *a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement*	All Internal Audit reports are issued in the name of the HIARM. Audit reports give an opinion on risks and controls, using approved methodology. The scope of each audit is set out in each audit report. Post audit discussions are held with relevant auditees prior to the production of a draft report. Recommendations are prioritised according to risk. Draft reports are discussed with management and action plans agreed in response to recommendations made. Reports are issued to appropriate managers. Where necessary, issues are referred to the Risk Manager. Assurances are sought from managers on delivery of agreed actions. An escalation procedure has been defined. Where necessary, the opinion is revised in the light of the delivery of agreed actions. An Annual Report to support the Annual Governance Statement is presented to the Audit Committee. The report includes the opinion on the control environment and any qualifications to that opinion. The work on which the opinion is based is set out in the report. The report highlights significant	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
programme.	issues and key themes arising from audit work in the year. Interim progress reports are submitted to the Audit Committee. The status of the implementation of recommendations is submitted to the Audit Committee.	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
2500 Monitoring Progress *The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.*	A follow up process in place and the results are reported to each Audit Committee.	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
2600 Communicating the acceptance of risks *When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.*	The HIARM reports on the outcomes of all audits to the Audit Committee, including those where risks are accepted by management.	