NORWICH
City Council

Statement of accounts for the year ending 31 March 2011

Contents

Explanatory Foreword **1**
1. Who we are and what we do 1
2. Objectives, performance and plans 3
3. Statement of Accounts 9
4. Significant Features of the Accounts 10
5. Overview of funding, expenditure & service provision 10
6. Net Cost of Services – actual cost compared to budgeted 11
7. Significance of any pensions liability disclosed 12
8. Current Borrowing facilities & capital borrowing 13
9. Impact of current climate 13
10. Sustainability reporting 13

Independent Auditor's Report to the Members of Norwich City Council **16**
1. Opinion on the financial statements 16
2. Respective responsibilities of the Head of Finance and auditor 16
3. Basis of Audit Opinion 16
4. Conclusion on arrangements for securing economy, efficiency & effectiveness in the use of resources 17
5. Conclusion 17

Statement of Responsibilities for the Statement Of Accounts **18**
1. The Council's Responsibilities 18
2. The Head of Finance's Responsibilities 18
3. Certificate of Head of Finance 18

Certificate Of Adoption Of The Statement Of Accounts **18**

Movement in Reserves Statement **19**

Comprehensive Income and Expenditure Statement **21**

Balance Sheet **22**

Cash Flow Statement **23**

Notes to the Accounts **24**
1. Transition to IFRS 24
2. Accounting Standards that have been issued but have not been adopted 31
3. Critical Judgments in Applying Accounting Policies 31
4. Assumptions made about future and other major sources of estimation uncertainty 31
5. Material Items of Income and Expense 32
6. Events after the Balance Sheet Date 32
7. Adjustments between Accounting Basis and Funding Basis under regulations 33
8. Transfers to/from Earmarked and Other Reserves 36
9. Other Operating Expenditure 37
10. Financing and Investment Income and Expenditure 37
11. Taxation and Non-Specific Grant Income 37
12. Property, Plant and Equipment 38
13. Investment Properties 41
14. Intangible Assets 42
15. Borrowing & Investments 42
16. Long Term Investments 44
17. Long Term Debtors 45
18. Short Term Investments 46
19. Assets Held for Sale 46
20. Short Term Debtors 46
21. Cash & Cash Equivalents 46
22. Short Term Creditors 47
23. Long Term Creditors 47
24. Provisions 47
25. Usable Reserves 47
26. Unusable Reserves 48

27. Cash Flow Statement – Operating Activities ... 51
28. Cash Flow Statement – Investing Activities ... 52
29. Cash Flow Statement – Financing Activities ... 52
30. Amounts Reported for Resource Allocation Disclosure ... 52
31. Trading Operations ... 55
32. Agency Services ... 56
33. Member Allowances ... 56
34. Officers Remuneration ... 57
35. External Audit Costs ... 59
36. Grants Income ... 60
37. Capital Expenditure & Capital Financing ... 61
38. Leases ... 61
39. Private Finance Initiatives & Similar Charges ... 63
40. Impairment Losses ... 65
41. Termination Benefits ... 65
42. Defined Benefit Pension Schemes ... 65
43. Related Parties ... 68
44. Contingent Liabilities ... 69
45. Nature & Extent of Risks Arising from Financial Instruments ... 69

Housing Revenue Account Income & Expenditure Statement ... 73

Notes to Housing Revenue Account ... 74

1. Adjustments between Accounting Basis & Funding Basis under statute ... **Error! Bookmark not defined.**
2. HRA Council Dwellings ... 74
3. Housing Valuation ... 75
4. Major Repairs Reserve ... 75
5. HRA Capital Expenditure ... 75
6. HRA Capital Receipts ... 76
7. Depreciation ... 76
8. Impairment & Revaluation Losses ... 76
9. Housing Subsidy ... 77
10. Pensions Reserve ... 77
11. Rent Arrears ... 77

The Collection Fund Revenue Account ... 78

Notes to the Collection Fund Statement ... 79

1. Income from Business Rates ... 79
2. Council Tax ... 79
3. Contribution to Collection Fund Surpluses & Deficits ... 79

Accounting Policies ... 80

1. General Principles ... 80
2. Accruals of Income & Expenditure ... 80
3. Cash & Cash Equivalents ... 80
4. Prior Period Adjustments, Changes in Accounting Policies & Estimates & Errors ... 80
5. Charges to Revenue for Non-Current Assets ... 80
6. Employee Benefits ... 81
7. Events After the Balance Sheet Date ... 82
8. Financial Instruments ... 83
9. Government Grants & Contributions ... 84
10. Investment Property ... 85
11. Jointly Controlled Operations & Jointly Controlled Assets ... 85
12. Leases ... 86
13. Overheads & Support Services ... 87
14. Intangible Assets ... 87
15. Property, Plant & Equipment ... 88
16. Private Finance Initiative (PFI) & Similar Contracts ... 90
17. Provisions, Contingent Liabilities ... 90
18. Reserves ... 91
19. Revenue Expenditure Funded from Capital under Statute (REFCUS) ... 91

20. VAT ... 91
Annual Governance Statement 2010/11 ... 92
1. Scope of responsibility ... 92
2. The purpose of the governance framework ... 92
3. The governance framework ... 92
4. Review of effectiveness ... 97
5. Significant governance issues ... 100
6. Statement by Leader of the Council & Chief Executive ... 102

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 137,000 people.

Norwich is an innovative, creative city with big ambition for both the place and the people who live here. The fastest growing economy in the east of England, it is home to the headquarters of 50 major companies, is in the top 10 shopping destinations in the country, and is the regional cultural capital. Yet in sharp contrast to this outward economic prosperity, Norwich has a low-wage economy and some of the highest levels of deprivation of any urban area in the country.

Norwich's position as a regional centre means there are high levels of inward travel into the City for work, shopping, cultural and leisure activities. This means that many of the services the City Council provides are used by people who live outside of the City, placing additional pressures on Council resourcing. The Norwich area is also due for significant housing growth which will provide additional demands on the Council's resources in the future.

Following 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.

Summary of the economic picture
- "Gross value added" (GVA) per capita in Norwich is one of the highest in the region
- £8m investment secured for the city through a ground breaking partnership with the Homes and Communities Agency (HCA)
- Around 133,000 people work in the greater Norwich Area and 50,000 workers commute to the city each day
- 38% of the jobs in the county are based in the greater Norwich area
- Over 6,000 businesses based in the urban area and more than 70 national or regional headquarters including Aviva, Virgin Money, Unilever, KLM UK, the BBC and ITV
- Norwich is ranked one of the top 10 cities in the UK for employment in knowledge intensive businesses e.g. financial services, health and the sciences, and creative industries
- £3.5m National Skills Academy for Financial Services
- One of the highest graduate retention rates in the country
- Improving transport infrastructure, including Norwich International Airport only 15 minutes from the city centre with worldwide and domestic links
- Home to the highly regarded University of East Anglia, City College Norwich and Norwich University College of Arts
- Ranked the best shopping venue in the eastern region and in the top eight in the UK, with retail generating £1.02 billion per annum – the highest in the region
- 30.5% of Norwich working age population is qualified to degree level and above, higher than the national and regional averages.

Summary of the social picture

- Levels of socio-economic deprivation are the third highest in the region and 70th (out of 326) in the country
- Eight of the city Council's 13 wards and 63% of its residents are in the 20% most deprived nationally
- Above average rates of homelessness
- 25% of housing is Council rented compared to only 5.7% in Norfolk and there are above average rates of working age benefit claimants
- Lower than national and countywide average educational attainment scores at all levels (key stages 1-3) and at GCSE
- Average rates of 75% of school leavers staying on to further education compared with 60% across Norfolk
- 7% of working age population is claiming incapacity benefit / unemployment support allowance
- Reducing levels of crime in the city
    - Proportion of Norfolk's crime that occurs in Norwich has been reduced from 40% to 30%
    - Perceptions of antisocial behaviour as a problem have reduced from 38% to 19.9%
    - Overall crime reduced by 4% in 2010/11
    - Norwich has been named second safest city in the country for household thefts.

Summary of the health picture
- The health picture overall for Norwich is mixed, with life expectancy overall similar to the national average
- This masks huge differences within the city, for example a difference of 7.2 years between people in the healthiest and least healthy wards
- Many key health measures are significantly worse in Norwich than in the rest of the county
- Significant health issues with high levels of teenage pregnancy, mental health problems and drug and alcohol misuse
- High levels of adult smoking, physical inactivity and adult obesity
- Low levels of childhood obesity and diabetes
- Lower than average children's population and higher than average young people's population (16-24 years)
- Lower than average road deaths and injuries

Summary of the cultural picture
- Highest level of culture per capita in the UK
- Prime examples of architecture, including Norwich12, the UK's finest collection of heritage buildings in a medieval cityscape
- Major sporting facilities including football, athletics, Olympic swimming pool
- Three regional media businesses (BBC, Anglia and Archant)
- High profile arts calendar including the Norfolk and Norwich Festival and Contemporary Art Norwich
- Writer's Centre Norwich delivering world-class literary events
- Bidding for UNESCO City of Literature accreditation
- Highly regarded arts institutions including Norwich Castle Museum and Art Gallery, Norwich University College of Arts and the Sainsbury Centre for Visual Arts
- Five theatres including the Theatre Royal – the most successful regional theatre in the UK
- 75 formal play areas and 17 all weather games areas

Summary of the environmental picture
- Four designated air quality management areas
- High levels of green space, including 18 allotment sites, 23 parks, 68 open spaces and 59 Nature areas
- 75% resident satisfaction levels for parks and open spaces
- 88% of the 17 county wildlife sites owned by the city Council have been assessed as being in 'positive conservation management'
- Approximately 300,000 trees
- Cycling activity continues to increase across a range of measures and the cycling to motor activity is now at its best for four years at just over 10%
- Increased household recycling and composting to approximately 40% and significantly reduced waste going to landfill per household
- Norwich City Council has reduced its carbon footprint by more than 10% since the start of its carbon management programme

The City Council has approximately 750 full time equivalent (FTE) employees, who provide a range of different services for Norwich residents and visitors including:

- Street cleansing, waste collection and recycling services
- Planning and regeneration 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 political make up of the Council, following the local election held on 5 May 2011, is as follows:

- Labour - 18 seats
- Green Party - 15 seats
- Liberal Democrats - 4 seats
- Conservatives - 2 seats.

Therefore the Council has a minority administration – no one political party has an overall majority of seats.

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

- Leader of the Council and cabinet member for culture, sport, adult services, partnerships and strategy.
- Cabinet member for resources and deputy leader
- Cabinet member for planning and transportation
- Cabinet member for customer services
- Cabinet member for parks and open spaces
- Cabinet member for housing
- Cabinet member for neighbourhoods and environment.

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. Objectives, performance and plans

The Council's corporate plan 2010-12 sets out the strategic aims and priorities of the Council. The diagram below summarises the Council's strategic aims:

Diagram 1 – *Norwich City Council – Priorities and outcomes 2010-12*

Within the corporate plan there are the following priorities and promises within each strategic aim:

Strategic Aim	**Priorities**	**Promises (key projects and activities to support our priorities**
Strong and prosperous city (SPC)	To deliver • A dynamic local economy • A strong cultural offer • Sustainable growth and development	• SPC1 – support the development of the local economy through the creation of at least 330 new jobs and 250 businesses through our externally funded programmes • SPC 2 – work with the City Centre Partnership to extend the empty shop fronts programme to Westlegate • SPC 3 – work with the HCA to: o start the construction of 100 new affordable homes o complete the eco-retrofit of more than 800 Council homes, including loft insulation, replacement windows and doors o complete the Memorial Gardens restoration o seek to secure planning permission for the Three Score site at Bowthorpe and agree plans for 1200 new homes • SPC4 – to maximise the capital funding available to build additional affordable homes in the City. • SPC 5 – improve traffic flows, walking and cycling through the completion of the £3.3m St Augustine's gyratory system • SPC 6 – provide an additional £50,000 funding for economic development projects in the city

Strategic Aim	Priorities	Promises (key projects and activities to support our priorities
		• SPC 7 – review the city's many assets to ensure they are maintained and their value is maximised.
Safe and healthy neighbourhoods (SHN)	To deliver • Better access to green spaces and leisure • More active and engaged communities and neighbourhoods • A safer and cleaner city	• SHN 1 – open a new skate park in Eaton Park with funding from the HCA by the end of May 2010 • SHN 2 – increase the access, visibility and responsiveness of city Council staff and contractors working in communities • SHN 3 – introduce four neighbourhood teams to bring services closer to local people • SHN 4 – allocate £40,000 for further participatory budgeting exercises across the four neighbourhood areas • SHN 5 – provide free swimming provision for all Go 4less cardholders in 2010/11 • SHN 6 – improve our recycling and composting rates with the introduction of food waste recycling to more than 55 per cent by March 2012 • SHN 7 – increase the number of new windows, kitchens, doors and boilers
Opportunities for all (OFA)	To • Provide support to people during the recession • Increase pride in the city • Increase access and opportunity	• OFA 1 – invest more than £175,000 in financial inclusion work to help reduce the impacts of the recession on local people • OFA 2 – extend the concessionary bus fare scheme so that it starts one hour earlier at 8.30am • OFA 3 – achieve at least a 6 per cent reduction per year in the city Council's carbon footprint • OFA 4 – support the establishment of the Norwich Independent Climate Change Commission (NICCC) and formally consider its recommendations • OFA 5 – aim to reach the 'achieving' level of the Equalities Framework for Local Government by March 2012 • OFA 6 – promote the city by pursuing our bid to become UK City of Culture 2013.
One Council (OC)	To be a Council that is: • Customer focused • Continuously improving • Cost conscious	• OC 1 – keep average Council tax increases to around one penny per day in 2010/11 • OC 2 – to reshape the organisation to realise the necessary savings to meet the targets within the Council's medium term financial strategy, protecting services wherever possible. • OC 3 – achieve the equivalent of a two star rating for our housing landlord services by April 2011. • OC 4 – continue to improve our financial management and secure an unqualified Value for Money assessment. • OC 5 – maintain top level performance for the processing of planning applications • OC 6 – implement new customer service standards to improve responsiveness.

During 2010/11 (the first year of the current corporate plan) overall progress against the corporate plan priorities was very good with all of our key projects and activities either completed, on track or only showing slight cause for concern. Performance against our key performance measures also showed a positive picture with strong improvement in a number of key areas and in a small number of areas where performance was more mixed, work is underway to address this.

The next few pages will summarise the performance of the Council within each of the strategic aims of the corporate plan during 2010/11 and highlight where further work is needed and also describe the major challenges the Council has had to successfully overcome in the last year.

During 2010/11:

Strong and Prosperous City

- The Council become the first local Council in the country to sign a groundbreaking 10-year collaboration and investment agreement with the Homes and Communities Agency (HCA). This agreement will deliver more than 1,300 homes and 1,800 jobs through a number of housing and broader regeneration projects. The projects completed last year include the refurbishment of the city's war memorial to the delight of local veterans.
- Alongside this, and despite the housing downturn, 192 affordable homes were built through the creative use of Council-owned land, working in partnership with housing associations, and by maximising the use of Section 106 agreements with private developers. However, the Council's plans to build new Council homes in the City for the first time since 1992 were halted after the funding stream was withdrawn.
- As part of the Greater Norwich Development partnership, the Council and its partners made best use of growth area funding to redevelop a major city centre site – St Augustine's. This £3.3 million pound project has opened up the north of the city centre, making it 'development ready'. And, at a time when developers are finding it difficult to invest, a land swap instead of cash was also used to help make the project happen.
- The Council has also run an innovative empty shop programme in conjunction with the City Centre Partnership, to animate empty shop front windows by filling them with art installations.

Opportunities for all

- The Council has worked hard over the last year to mitigate the effects of the recession. Despite having to make major savings, the Council has maximised external funding to help deliver important initiatives. Local Enterprise Growth Initiative Programme money was used to provide support to small business start-ups. This has resulted in the creation of more than 540 new businesses. An innovative Learning, Employment and Accommodation Project (LEAP) has given unemployed homeless people in Norwich the opportunity to learn new skills and get a job and a home.
- The Council's financial inclusion programme has helped hundreds of people by providing money fairs, debt advice, free family events, benefits take-up campaigns, and fuel poverty and warm homes initiatives.
- The Council's families unit (FIP), provided significant support to families with multiple problems, and was recognised by The Department for Education as one of the top 10 performing FIPs in the country based on outcomes. It is estimated that its work has achieved a social saving in excess of £12 million.
- The Council's intensive work to make Norwich a low carbon city continued in the last year. An independent climate change commission was established and carried out a citywide consultation on how, as a society, we need to change in order to make Norwich more resilient. This has raised the awareness of environmental issues across the city and is now being used to inform the Council's next environmental strategy. The Council has also:
    - begun the eco retrofit of 800 Council homes to make them more energy efficient
    - hosted eco awards across the city to recognise environmental excellence in different sectors
    - been commended as an example of best practice by the Carbon Trust and Salix for our innovative use of low carbon technology. Initiatives have included voltage optimisation, liquid pool covers and LED lighting solutions, and these have resulted in a 10 per cent reduction in carbon emissions and increased building efficiency
    - run a successful and diverse programme of energy and affordable warmth work – including improvements to around 2,500 Council homes
    - implemented the Carbon Trust's Local Authority carbon management programme
    - implemented the Energy Saving Trust's Local Authority one-ton programme, including a fleet review and policy benchmarking against other local authorities.
- Norwich also beat off 25 other contenders to become one of just four finalists for UK City of Culture 2013. Despite not winning, the bid has increased the City's national profile, showcased artistic talent and brought arts and cultural groups closer together. As well as helping to unite the city behind a common cause, this has also heralded a new era of cultural activity and partnership working in the city and helped to increase visitor numbers by 30 per cent. The city has also bid to become the first English UNESCO city of literature and has cleared the first hurdle.

Safe and Healthy Neighbourhoods

- The Council implemented a new neighbourhood working model based on four neighbourhood teams, each led by a neighbourhood manager, to engage more closely with local people and focus services on the specific needs of their local communities.
- A new £300,000 exhibition standard skate park was opened in Eaton Park with funding from the Homes and Communities Agency and the Council provided free swimming to its least well off residents.
- The Council also launched weekly food waste recycling collections with the aim of taking recycling levels past 50%. Work continues to rollout this service across the city.
- However, the Council's programme to increase the numbers of new windows, kitchens, doors and boilers in Council homes and plans to implement a property enhancement scheme to reward tenants who look after their homes were delayed by the loss of the contractor. Work is now progressing following the appointment of interim contractors.

One Council

- The Council has continued to make significant improvements to its key services in the last year, for example:
  - o following a successful lean review benefits processing times have been cut from an average of more than 37 days to less than 10
  - o the Council is now in the top 10 of authorities in the country for reducing the amount of waste sent to landfill. The amount of waste produced per person has reduced by 18kg – the biggest improvement in the country and following the successful rollout of our new food waste service by the third quarter of the year the Council was achieving a recycling rate of over 40%
  - o our work to become more customer focused has continued to show significant results with the levels of avoidable contact having been successfully reduced and the Council now exceeding its target for overall customer satisfaction (96% satisfied).
  - o performance of the planning service in processing applications improved considerably last year reaching top quartile performance for the first three quarters of the year and, while performance in the final quarter of the year slipped due to the impact of unexpected staff absence and increased demand, performance for the year as a whole was significantly higher than in previous years.
  - o the Council was the first in the country to sign up and launch the Food Standard Agency's national food hygiene rating scheme
  - o the Council has achieved QUEST (UK Quality Scheme for Sports and Leisure) commended status for its leisure centre
  - o the Council's housing service has also been awarded the 'customer service excellence standard' and an advice and assistance visit by the Audit Commission was carried out in March 2011. The Audit Commission, said the Council has "very enthusiastic" staff, members and senior management, which are "a credit to the organisation". This was attributed as the reason the Council has "a very positive story to tell considering how far you have come" since the last formal inspection in 2009. Some of the key areas identified as strengths, included the following:
    - Customer focussed and professional staff.
    - Good quality information for tenants
    - A better understanding of customer needs through improved consultation.
    - A clear framework for resident involvement offering a wide range of opportunities including tenant mystery shoppers and inspectors who assess our customer services and way repairs, maintenance and improvement work to homes and communal areas is carried out.
    - Strong performance in collecting rents, reducing arrears and providing debt and money advice.
    - Service standards, which have been agreed with tenants, and are being met.

- Further work continues to improve services in other areas such as the re-let times for Council homes which remain below target.
- Despite building up strong reserves through prudent financial planning, the recession had a dramatic impact on the Council's income from interest, planning and other fees. This, alongside changes in government policy on concessionary bus fares, meant the Council had to save £6 million from its general fund budget for 2010/11 (against a gross controllable spend of approximately £55 million). A wide-ranging transformation and efficiency programme was quickly put into place. The result was £6 million of general fund savings for 2010/11 successfully delivered without any significant impact on frontline services. The programme included:

- a new HR business partner model
  - a new shared legal service with two other Councils
  - a move away from cash payments
  - reshaping the Council's strategic services
  - renegotiating our support services contracts
  - reshaping management structures
  - implementing a corporate enforcement model
  - developing a corporate business support model.
- The principles used for the first phase of the transformation and efficiency programme were then developed into a new target operating model – 'the lean blueprint'. Using this model, the Council developed a further £3.5 million of savings for 2011-12 from management, back office and efficiency savings which have now been successfully delivered.

Major challenges

There was nothing easy about the last year. The Council had to respond to some major challenges. Orders were approved by both houses of parliament to make Norwich a unitary Council and local elections deferred. The Council established an implementation executive and work began at a pace. Then a change of government and a successful legal challenge in the High Court saw the orders quashed. This meant 13 of the Council's 39 Councillors were removed from office with immediate effect, including all opposition group leaders and half of the cabinet. In a hung Council this could have resulted in significant problems. However, the Council acted decisively to put in place governance arrangements to run the organisation effectively with the remaining 26 elected members. The Council then successfully arranged a local election within a few weeks.

Norwich was also one of 150 local authorities across the country to face challenges resulting from the national collapse of Connaught. Again, the Council acted swiftly to transfer its environmental contracts to the relevant subcontractor and to let emergency contracts for housing work to ensure key services continued. The Council has now let interim contracts for housing work. Throughout the process, the Council communicated regularly and effectively with its customers to make sure they were fully informed and worked tirelessly to deliver key services.

Future Plans

Our plans for 2011/12 include:

To complete delivery of our current corporate plan projects and activities including:

- To continue to deliver the agreed projects to realise new homes and jobs through our innovative HCA agreement
- To complete the eco-retrofit of 800 Council homes
- To continue our ongoing 5 year programme of review of our commercial assets
- To complete work to increase the access, visibility and responsiveness of city Council staff and contractors working in communities, including improving our joint working on anti social behaviour and community safety with Norfolk Police
- To complete work to improve our recycling and composting rates and achieve a rate of more than 55% by March 2012
- To complete our programme of new windows, kitchens, doors and boilers in Council homes and finalise the implementation of our new home maintenance initiative
- To continue to deliver our carbon management programme so that we achieve the 6% per annum reduction in our emissions
- To put in place a new single equality strategy and action plan in line with the new Equality Act
- To deliver the next phase of our ongoing transformation and efficiency programme to continue to reshape the organisation and realise the necessary savings in line with our medium term financial strategy
- To deliver the next phase of our housing improvement plan including improving our re-let times for Council homes
- To continue to improve our planning service, including completing a lean review on our approach to formal applications, and reclaim top quartile performance.
- To complete implementation of new customer service standards and continue to reduce avoidable contact and improve customer satisfaction

As part of agreeing the budget for 2011/12 Council agreed to commence a consultation on the future role and shape of the Council in the summer of 2011. This consultation exercise will include the future priorities of the Council which will be used to inform the development of a new corporate plan 2012-15 and the development of the Council's future budgets.

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 2011. This foreword intends to give a general guide to the significant matters reported in the statements.

The Statements of Accounts for 2010/11 have been prepared in accordance with the 'Code of Practice on Local Council Accounting in the United Kingdom 2010'. This sets out the principles and practices of accounting required to prepare accounts that 'present fairly' the financial position and transactions of a local Council.

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 2011, as follows:

- **Statement of Responsibilities for the Statement of Accounts** which sets out the respective responsibilities of the Council and the Head of Finance for the accounts.
- **Movement in Reserves Statement** showing the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
- **Comprehensive Income and Expenditure Statement (CIES)** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **The Housing Revenue Account (HRA)** which summarises the income and expenditure in respect of the provision of local Council housing.
- **The Collection Fund Revenue Account** which shows the total level of income received by the Council from Non-Domestic Rates and Council Tax and how this has been distributed to all the authorities it has been collected for, including the Council.

- **Accounting Policies** which detail the legislation and principles on which the Statement of Accounts has been prepared.
- **The Annual Governance Statement** which recognises records and publishes Norwich City Council's governance arrangements.

4. Significant Features of the Accounts

PENSION FUND

The pension liability included in the Balance Sheet on page shows a significant reduction from £164m to £82m. This is principally due to the fact that the financial assumptions at 31 March 2011 are more favourable than they were at 31 March 2010, and pension increases are being linked to (lower) Consumer Prices Index (CPI) rather than Retail Prices Index (RPI) from June 2010. The mortality assumptions have also been changed. The combined effect of these factors serves to decrease the value of the liabilities and thus have a positive impact on the IAS19 position.

In terms of changes to the Comprehensive Income and Expenditure Statement the change from RPI to CPI has been included under the heading Non Distributed Costs and the reduction in liabilities has been included as a past service credit. The value of this credit is £32.952m.

HOUSING STOCK VALUATION

The Council has a significant stock of 15,691 social houses. These properties are valued in the accounts using an adjustment factor which is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm's-length transaction, after proper marketing. This adjustment is called Existing Use Value - Social Housing (EUV-SH) and changed from 46% to 39% in 2010-11, and has an impact of £102.113m on the valued of council dwellings.

The change in value of Council Dwellings on the Balance Sheet on Page [ ] is a fall from £[ ]m to £[ ]m, of this the majority change relates to revaluation losses of £[ ]m. Of this amount, £[ ]m was charged to the HRA Income and Expenditure.

5. Overview of funding, expenditure & service provision

The major funding streams for the Council's activities in the year were as follows:

Funding	£000	%
Benefit Subsidy	72,589	29.95%
Pension Liabilities & Returns	50,747	20.94%
Housing Rents	48,233	19.90%
Revenue Support Grant & Business Rates	15,914	6.57%
Council Tax	9,083	3.75%
Other Income	45,796	18.90%
Total	**242,362**	**100.00%**

The major types of expenditure incurred by the Council's activities in the year were as follows:

Expenditure	£000	%
Capital Charges	136,171	58.28%
Benefits & Transfer Payments	73,531	31.47%
Employees	31,136	13.33%
Premises & Buildings	27,861	11.93%
Supplies & Services	26,799	11.47%
Pension Interest	21,149	9.05%
Other expenditure *	(83,012)	(35.53)%
Total	**233,635**	**100.00%**

** Largely items charged to other expenditure heads but reversed out of the income & expenditure statement.*

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

Service Expenditure & Income	£000	%
Housing (Council)	162,457	57.03%
Housing (Non-Council)	66,465	23.33%
Cultural, Environmental, & Planning Services	22,531	7.85%
Central Services to the Public	20,928	7.35%
Highways, Roads & Transport	9,166	3.22%
Corporate & Democratic Services	3,478	1.22%
Subtotal Expenditure	**284,845**	**100.00%**
Service Income	(162,536)	86.94%
Non-Distributed amounts	(24,406)	13.06%
Subtotal Income	**(186,942)**	**100.00%**
Net Service Expenditure & Income	**97,903**	

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)	(6,850)	98,921	105,771
Housing (Non-Council)	3,017	3,325	308
Cultural, Environmental, & Planning Services	21,428	14,717	(6,711)
Central Services to the Public	6,613	3,827	(2,786)
Highways, Roads & Transport Services	3,154	134	(3,020)
Corporate & Democratic Services	2,267	1,385	(882)
Non-Distributed amounts	-	(24,406)	(24,406)
Net Cost of Services	**29,627**	**97,903**	**68,275**

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

Housing (Council)

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

- Impairment £113,041: Unbudgeted charge (included in the cost of services but reversed out elsewhere in the CIES) due to reduced valuation of housing stock resulting from an increase in the discount to open market value for use as social housing.
- Repairs and Maintenance £(1,940): Under-spend due to contractual difficulties following the national collapse of Connaught referred to under major challenges above.
- Revenue Contribution to Capital £(2,645): No contribution to capital expenditure due to low level of capital expenditure as a result of contractual difficulties following re-provisioning

Housing (Non-Council)

This includes income and expenditure relating to private sector housing, social housing other than the Council's own, homelessness, housing advice, and the Choice Based Lettings service. Major variances include:

- Housing Benefit payments £2,591: Increase in benefit payments in response to claims received
- Housing Benefit subsidy £(2,634): Increase in government subsidy covering increased claims
- Revenue Expenditure Funded from Capital £1,797: Capital grant expenditure not budgeted for (included in the cost of services but reversed out elsewhere in the CIES)

- Capital Grants Applied £(834): Funding for capital expenditure (included in the cost of services but reversed out elsewhere in the CIES).
- Increased income £(357): Recovery of costs in respect of the Choice Based Lettings scheme, and recovery of overpayments from Housing Benefit.
- Employee costs £(179): Savings from posts held vacant

<u>Cultural, Environmental, & Planning Services</u>

This includes income and expenditure relating to culture, street sweeping and waste collection, parks and open spaces, food safety, planning, economic development, public health and licensing. Major variances include:

- Capital Grants Applied £(2,785): Funding for capital expenditure (included in the cost of services but reversed out elsewhere in the CIES).
- Employee costs £(435): Savings from posts held vacant
- Income from fees and charges £(342): Income earned in excess of budget amounts

<u>Central Services to the Public</u>

This includes income and expenditure relating to Council tax and benefit administration. Major variances include:

- Council Tax Benefit and Subsidy £(678): Savings from increase of benefit subsidy over benefit costs
- Employee costs £(250): Savings from posts held vacant
- Support services £(322): Savings from reduction in support service costs allocated

<u>Highways, Roads & Transport Services</u>

This includes income and expenditure relating to roads, footways, parking and concessionary fares. Major variances include:

- The under-spend is due to the reduced payments to the Bus Operators. The budget was set by advice from our consultations MCL. However, due to the adverse winter weather there was less demand for concessionary travel resulting in payments to the bus operators being reduced.

<u>Corporate & Democratic Services</u>

This includes income and expenditure relating to the corporate management and democratic accountability of the Council. There are no significant underlying variances.

<u>Non-Distributed amounts</u>

This includes income and expenditure that cannot meaningfully be distributed over the services listed above. Major variances include:

- Pension Fund Adjustments £(33,299)m: Adjustments (included in the cost of services but reversed out elsewhere in the CIES) not budgeted for, resulting from changes in pension arrangements summarised below and set out in detail in Note 40.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in Norfolk Pension Fund by £32.8m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

7. Significance of any pensions liability disclosed

Details of the Council's pension liability calculated under IAS19 are shown at note 40 of the core financial statements

Effectively the pension scheme is in deficit by £82.8m 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.

The basis of the valuation of the pension changed from Retail Price Index (RPI) to Consumer Price Index (CPI), and the effect of this has been to reduce the pension liability by £32.8m. This reduction has been credited to non-distributable costs within the net cost of services.

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.

During 2010/11 no external borrowing was undertaken, with all capital transactions financed by internal resources. Cumulatively, some £31.36m external borrowing has been deferred in this way as at 31 March 2011. This was a planned response to the turmoil in the financial markets to ensure capital security was maintained and the risk of loss reduced.

The Council will require external funding at 1 April 2012 to fund the HRA settlement due to the change in the financing of the HRA. The amount of additional external funding required will be in the region of £140m. The Council is currently exploring the most cost efficient method of raising these funds.

Total Borrowing (including temporary and long term borrowing) is analysed as follows:

	Debt at 31-Mar-10 £000	Loans Raised £000	Loans Repaid £000	Interest Accrued £000	Debt at 31-Mar-11 £000
PWLB	70,019	-	-	-	70,019
UK Banks	13,451	-	-	486	13,937
Other Financial Intermediaries	462	-	-	-	462
Local Government	38	-	(29)	-	9
Household Sector	111	-	-	-	111
European Investment Bank	8,235	-	-	497	8,732
Total	**92,316**	**-**	(29)	**983**	**93,270**

9. Impact of current climate

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

The grant settlement for the next three years means that the Council has to make major savings which are detailed in the table below.

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

10. Sustainability reporting

The Council is committed to addressing environmental issues, the breadth and depth of the Council's programme of action and the progress that is being made is set-out below.

Energy Consumption
Reducing environmental and financial cost to the Council is important to provide a resource efficient and effective service. Therefore the Council has taken steps to reduce our emissions from its facilities and services by 30% by the end of 2012/13. In order to achieve this objective the Council has enrolled the support of the Carbon Trust, SALIX and the Energy Saving Trust. Work has already started to review services, buildings and our actions to ensure that energy and resources are being used efficiently.

With regard to Council owned buildings, the Council has achieved:
- Over 10% decrease in CO_2 emissions from our baseline year 2006/7
- Voltage optimisation of City Hall
- Insulation works at City Hall

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

The Council has received recognition from the CLG (Communities and Local Government) as having the highest decrease in CO_2 emissions per capita in the south and east of the UK as well as being one of the highest nationally, whilst at the same time having one of the highest population growths

Future actions include:
- Voltage optimisation of Riverside Leisure Centre
- LED lighting retrofitting and PIR sensors at St Andrews
- Adapt T8 lighting fittings to T5 lighting fittings, a more efficient form of lighting
- Fleet Review
- Other lighting improvements

The Council has targets to reduce emissions across our services by 30% by the end of 2012/13. Vehicles are a huge contributor to the national carbon footprint, therefore our transport plans set out to cater for all the transport needs of a vibrant and growing regional centre. They include all modes of transport, and aim to tackle existing problems and prevent new ones.

Transport achievements include:
- Public consultation on the Norwich Area Transport Strategy (NATS) and its publication
- St Augustine's Gyratory
- Bus priority measures on Newmarket Road
- Lady Julian Bridge
- Grapes Hill Bus Lane
- Real time information on bus stops
- 2% decrease in transport emission per capita

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

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

Achievements in respect of waste recycling include:
- Continued delivery of the Maximum Landfill Diversion scheme
- Top ten Council for waste reduction per head (9%)
- Increased our recycling rate to over 40%
- New food waste collection service
- New energy efficient fleet
- Efficient zonal collection rounds
- GIS and In Cab monitoring

- Continued media campaigns on waste reduction and recycling

The Council will continue to implement our integrated waste management strategy and achieve a 55% recycling target by 2012/13.

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

Achievements include:

- New allotment guidance
- Mousehold Heath: further heath land areas were brought back into positive management through the removal of invasive scrub, and by scraping off top soil
- Ongoing development of the Grapes Hill Community Garden
- IT systems for the natural environment (Trees)
- Marston Marshes: final phase of habitat restoration programme
- 85% of the sites owned by Norwich City Council in positive conservation management

Pollution Reduction
Pollution lowers our environmental quality and affects our health.
Achievements include:

- Continued development of air quality improvements in our air quality management areas
- Designing out traffic problems
- Sweet Briar Marshes: the Natural Areas Officer contributed to a large scale project involving Anglian Water, Natural England, Norwich City Council and a private landowner to resolve a long-running pollution problem affecting the Sweet Briar Marshes Site of Special Scientific Interest

This year's environmental results come at a time when the Council is facing significant financial challenges. Making sure the Council uses natural resources wisely, emitting less CO_2 and recycling as much as possible all present the Council with fantastic opportunities to make financial savings as well as protect our environment, thus the Council will endeavour to exploit these efficiencies to their full potential.

Independent Auditor's Report to the Members of Norwich City Council

1. Opinion on the financial statements

I have audited the accounting statements of Norwich City Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Norwich City Council 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.

2. Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Authority'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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

3. Scope of the Audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting 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 Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

<u>Opinion on accounting statements</u>
In my opinion the accounting statements:
■ give a true and fair view of the state of Norwich City Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
■ have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

<u>Opinion on other matters</u>
In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

<u>Matters on which I report by exception</u>
I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

4. Conclusion on arrangements for securing economy, efficiency & effectiveness in the use of resources

Authority's responsibilities

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.

Auditor's responsibilities
I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion
I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the
Audit Commission in October 2010, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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.

5. Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am 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 ending 31 March 2011.

Certificate
I certify that I 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.

Robert Murray
District Auditor

Audit Commission
3rd Floor, Eastbrook
Shaftesbury Road
Cambridge
CB2 8BF

Date:

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 Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts;

2. The Head of Finance's Responsibilities

The Head of Finance 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 Head of Finance 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 Head of Finance 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 Head of Finance

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 2011 and its income and expenditure for the year then ended.

Signed: Date:

Philippa Dransfield BA (Hons), FCA
Deputy S151 Officer

Certificate Of Adoption Of The Statement Of Accounts

I confirm that these accounts were approved by the Audit Committee at the meeting held on 30 September 2011

Signed: Date:

Stephen Little
Signed on behalf of Norwich City Council
Chair of meeting approving the Statement of Accounts for 2010/11

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	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
Balance at 31 March 2009 (restated)	**7,284**	**2,475**	**7,265**	**1,215**	**-**	**1,878**	**20,117**	**725,810**	**745,927**
<u>Movement in reserves during 2009/10</u>									
Surplus/ (deficit) on provision of services	(5,711)	-	13,898	-	-	-	8,187	-	8,187
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(80,131)	(80,131)
Total Comprehensive Income & Expenditure	**(5,711)**	**-**	**13,898**	**-**	**-**	**-**	**8,187**	**(80,131)**	**(71,945)**
Adjustments between accounting basis & funding basis under regulations (note 7)	2,489	-	(15,731)	463	-	(636)	(13,415)	13,415	-
Net Increase/ Decrease before Transfers to Earmarked Reserves	**(3,222)**	**-**	**(1,833)**	**463**	**-**	**(636)**	**(5,228)**	**(66,716)**	**(71,945)**
Transfers to/from Earmarked Reserves (note 8)	153	(153)	-	-	-	-	-	-	-
Transfers Between Reserves	47	-	-	13	-	-	60	(73)	(13)
Other Adjustments	32	-	7	(13)	-	11	37	(244)	(206)
Increase/Decrease in 2009/10	**(2,990)**	**(153)**	**(1,826)**	**463**	**-**	**(625)**	**(5,131)**	**(67,033)**	**(72,164)**
Balance at 31 March 2010 carried forward	**4,294**	**2,322**	**5,439**	**1,678**	**-**	**1,253**	**14,986**	**658,777**	**673,763**

	General Fund Balance	Earmarked General Fund Balance	Housing Revenue Account	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
Balance at 31 March 2010 (restated)	**4,294**	**2,322**	**5,439**	**1,678**	**-**	**1,253**	**14,986**	**658,777**	**673,763**
<u>Movement in reserves during 20010/11</u>									
Surplus/ (deficit) on provision of services	22,700	-	(102,263)	-	-	-	(79,563)	-	(79,563)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	52,426	52,426
Total Comprehensive Income & Expenditure	**22,700**	**-**	**(102,263)**	**-**	**-**	**-**	**(79,563)**	**52,426**	**(27,137)**
Adjustments between accounting basis & funding basis under regulations (note 7)	21,974	-	110,315	11,087	7,354	178	106,961	(106,961)	-
Net Increase/ Decrease before Transfers to Earmarked Reserves	**726**	**-**	**8,052**	**11,087**	**7,354**	**178**	**27,398**	**(54,535)**	**(27,137)**
Transfers to/from Earmarked Reserves (note 8)	34	(22)	-	-	-	(12)	-	-	-
Transfers between reserves	(47)	-	-	206	-	-	159	(159)	-
Other Adjustments	(91)	-	(1)	(2)	-	(24)	(118)	5	(113)
Increase/Decrease in 2010/11	**622**	**(22)**	**8,051**	**11,291**	**7,354**	**142**	**27,439**	**(54,694)**	**(27,250)**
Balance at 31 March 2011 carried forward	**4,916**	**2,300**	**13,490**	**12,969**	**7,354**	**1,395**	**42,425**	**604,088**	**654,513**

Comprehensive Income and Expenditure Statement

	Notes	2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000	2009/10 (Restated) Gross Expenditure £000	2009/10 (Restated) Gross Income £000	2009/10 (Restated) Net Expenditure £000
Central Services to the Public		20,928	17,102	3,826	19,806	16,636	3,170
Cultural, Environmental & Planning Services		22,351	7,634	14,717	27,262	7,444	19,818
Highways, Roads & Transport Services		9,166	9,032	134	8,857	7,837	1,020
Local Council Housing (HRA)	**5**	162,457	63,536	98,921	47,287	64,236	(16,949)
Other Housing Services		66,465	63,140	3,325	63,481	60,219	3,262
Corporate & Democratic Core		3,478	2,093	1,385	3,550	3,611	(61)
Non-Distributed Costs	**5**	(24,406)		(24,406)	194	-	194
Cost of Services		**260,439**	**162,537**	**97,903**	**170,437**	**159,983**	**10,454**
Other Operating Expenditure	**9**			409			844
Financing and Investment Income and Expenditure	**10**			8,391			9,086
Taxation and Non-Specific Grant Income	**11**			(27,139)			(28,571)
(Surplus) / Deficit on Provision of Services				**79,563**			**(8,187)**
(Surplus) / deficit on revaluation of non-current assets	**12**			(438)			(4,528)
(Surplus) / deficit on revaluation of available for sale financial assets				-			-
Actuarial (gains) / losses on pension assets / liabilities	**41**			(51,988)			84,603
Other adjustments							56
Other Comprehensive (Income) and Expenditure				**(52,426)**			**80,131**
Total Comprehensive (Income) and Expenditure				**27,137**			**71,945**

Balance Sheet

	Notes	31 March 2011 £000	31 March 2010 (restated) £000	1 April 2009 (restated) £000
Property, Plant & Equipment	12	735,899	870,408	837,753
Investment Property	13	34,984	35,289	34,097
Intangible Assets	14	77	-	-
Assets Held for Sale	19	-	-	-
Long term Investments	16	7,869	5,500	10,229
Long Term Debtors	17	9,464	8,433	7,646
Long Term Assets		**788,294**	**919,630**	**889,725**
Short Term Investments	18	43,708	16,415	18,135
Assets Held for Sale	19	4,856	10,200	28,081
Short term Debtors	20	9,852	21,971	21,828
Cash and Cash Equivalents	21	13,257	1,618	64
Current Assets		**71,673**	**50,204**	**68,108**
Bank Overdraft		-	(1,499)	-
Short Term Borrowing		(1,255)	(1,255)	(5,000)
Short Term Creditors	22	(20,467)	(18,220)	(21,411)
Provisions		-	-	-
Current Liabilities		**(21,722)**	**(20,974)**	**(26,411)**
Long Term Creditors	23	(9,917)	(10,779)	(12,028)
Long term Borrowing	EF8	(93,270)	(92,316)	(92,626)
Other Long Term Liabilities		(82,809)	(164,391)	(76,908)
Provision	24	(1,762)	-	-
Capital Grants Receipts in Advance		(3,978)	(7,610)	(3,933)
Long Term Liabilities		**(191,736)**	**(275,096)**	**(185,495)**
Net Assets		**646,509**	**673,764**	**745,927**
Usable Reserves	25	42,421	14,986	20,117
Unusable Reserves	26	604,088	658,777	725,809
Total Reserves		**646,509**	**673,764**	**745,927**

Cash Flow Statement

	Notes	2010/11 £000	2009/10 (restated) £000
Net (surplus) or deficit on provision of services		(79,563)	8,187
Adjustments to net surplus or deficit on provision of services for non-cash movements	27	345,248	309,496
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	(235,811)	(308,599)
Net cash flows from Operating Activities	27	**29,874**	**9,084**
Investing Activities	28	(21,239)	540
Financing Activities	29	4,503	(9,569)
Net (Increase) or decrease in cash and cash equivalents		**13,138**	**55**
Cash and cash equivalents at the beginning of the reporting period	21	119	64
Cash and cash equivalents at the end of the reporting period	21	**13,257**	**119**

Notes to the Accounts

1. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Opening 1 April 2009 Balance Sheet	**2009/10 Statements £000**	**Adjustments Made £000**
Property, Plant and Equipment	861,390	(23,637)
Investment Properties	52,689	(18,592)
Long Term Debtors	6,390	1,256
Current Assets Held for Sale	-	28,081
Short term Creditors	(22,192)	781
Long term Creditors	(11,698)	(330)
Capital Grants Received in Advance	-	(3,933)
Capital Contributions Deferred	(4,543)	4,543
Unapplied Capital Grants and Contributions	(5,253)	5,253
Capital Grants Unapplied	-	3,375
Earmarked Reserves General Fund	(832)	(1,643)
Revaluation Reserve	(33,212)	12,565
Capital Adjustment Account	(782,450)	(1,280)
Deferred Capital Receipts	-	(1,840)

31 March 2010 Balance Sheet	**2009/10 Statements £000**	**Adjustments Made £000**
Property, Plant and Equipment	875,087	(4,648)
Investment Properties	56,554	(21,296)
Long Term Debtors	7,063	1,370
Short term Investments	(18,015)	1,600
Current Assets Held for Sale	-	10,200
Short term Debtors	21,997	(26)
Cash & Cash Equivalents	-	1,618
Bank Overdraft	(1,481)	(18)
Short term Creditors	(21,868)	3,648
Long term Creditors	(12,599)	1,820
Other Long term Liabilities	(435)	433
Capital Grants Received in Advance	-	(7,610)
Capital Contributions Deferred	(4,543)	4,543
Unapplied Capital Grants and Contributions	(5,602)	4.349
Earmarked Reserves General Fund	(737)	(1,585)
Capital Grants Unapplied	-	(1,253)
Revaluation Reserve	(39,721)	14,830
Capital Adjustment Account	(794,975)	(4,329)
Deferred Capital Receipts	-	(1,698)

2009/10 Comprehensive Income and Expenditure Statement Net expenditure / (income)	**2009/10 Statements £000**	**Adjustments Made £000**
Cultural, Environmental, Regulatory and Planning Services	20,336	(518)
Local Council Housing (HRA)	(16,553)	(396)
Corporate and Democratic Core	125	(186)
Non-Distributed Costs	(773)	967
Financing and Investment Income and Expenditure	11,945	(2,929)
Surplus or deficit upon revaluation of non-current assets	(7,142)	3,074

Movement in Reserves Statement	**Adjustments Made £000**
Adjustments between accounting basis & funding basis under regulations	3,057

Leases – Council as Lessor

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has eight property leases where the accounting treatment has changed following the introduction of the Code.

The Council leases the Theatre Royal to third parties. The lease term is for 125 years, with 120 remaining years. The lease is at nil rent payable if the lessees comply with the cultural clauses in the leases. The lease was previously classified as operating leases, but under the Code, due to the peppercorn rent and the length of the lease this has been classified as an asset disposal.

As a consequence of classifying the property of the lease as a disposal, the financial statements have been amended as follows:

- The Council has disposed of the asset and recognised a loss on disposal in the Comprehensive Income and Expenditure Statement (CIES)
- The depreciation charge relating to the building has been reversed within Cultural, Environmental, Regulatory and Planning Services.
- The revaluation reserve in respect of the property has been transferred to the Capital Adjustment Account, which has been reflected in the Balance Sheet as at 1 April 2009
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

The land known as Millennium Plain is jointly owned by Norfolk County Council and Norwich city Council, the land is leased to The Forum Trust for 125 years, with 112 years remaining. The lease is at nil rent payable, under the code, due to the peppercorn rent and the length of the lease, this has been classified as an asset disposal. As the land was previously derecognised in the Council’s balance sheet no adjustment has been necessary.

The Council leases Cinema City to third parties. The lease term is for 125 years, with nil rent payable for the first 30 years. The lease was previously classified as operating leases, but under the Code, the lease of the buildings element of the property has been classified as a finance lease.

As a consequence of classifying the buildings relating to Cinema City lease as a finance lease the financial statements have been amended as follows:

- The Council has disposed of the buildings element of the property and debited the carrying value of the property to the CIES
- The net present value of the future rental income stream relating to the buildings has been credited to the CIES as the sale proceeds, and has been debited to Long Term debtors and credited to Deferred Capital Receipts
- The deferred rental income that relates to the land has been divided over the term of the lease, the amount that relates to the period up to 31 March 2011 has been credited to the CIES with a debit to Long Term Debtors.
- The depreciation charge relating to the building has been reversed within Cultural, Environmental, Regulatory and Planning Services.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- These adjustments have been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

Of the remaining six leases classified as finance leases, one relates to a building that is classified as Other Land & Buildings, whilst the others are Investment Properties. The adjustments to the financial statements are broadly similar to those detailed above with the exceptions being no deferred income and no depreciation on investment properties

The lease reclassifications have resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	**Adjustments Made £000**
Property, Plant and Equipment	(13,704)
Investment Properties	(1,079)
Long Term Debtors	1,256
Short Term Debtors	9
Revaluation Reserve	11,480
Capital Adjustment Account	3,232
Deferred Capital Receipts Reserve	(1,194)

31 March 2010 Balance Sheet (including adjustments made to opening 1 April 2009 Balance Sheet)	**Adjustments Made £000**
Property, Plant and Equipment	(14,876)
Investment Properties	(1,206)
Long Term Debtors	1,318
Revaluation Reserve	12,963
Capital Adjustment Account	3,113
Deferred Capital Receipts Reserve	(1,321)

2009/10 Comprehensive Income and Expenditure Statement Net expenditure / (income)	**Adjustments Made £000**
Cultural, Environmental, Regulatory and Planning Services	(357)
Financing and Investment Income and expenditure	54
Surplus or deficit upon revaluation of non-current assets	1,578

Movement in Reserves Statement	**Adjustments Made £000**
Adjustments between accounting basis & funding basis under regulations	303

Leases – Council as Lessee

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.

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).

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.

The Council reviewed all its leases and identified two leases that meet the criteria of a finance lease.

The Council leases part of The Forum building from The Forum Trust. The lease is for 125 years with 115 years remaining. The lease is at nil rent payable; under the code, due to the peppercorn rent and the length of the lease, this has been classified as finance lease. As the area within The Forum was previously recognised in the Council's balance sheet no adjustment has been necessary.

The financial statements have been amended for the other finance lease as follows:

Opening 1 April 2009 Balance Sheet	**Adjustments Made £000**
Property, Plant and Equipment	1,669
Short term Creditors	(57)
Long term Creditors	(1,693)
Capital Adjustment Account	81

31 March 2010 Balance Sheet (including adjustments made to opening 1 April 2009 Balance Sheet)	**Adjustments Made £000**
Property, Plant and Equipment	1,576
Short term Creditors	(60)
Long term Creditors	(1,633)
Capital Adjustment Account	45

2009/10 Comprehensive Income and Expenditure Statement	**Adjustments Made £000**
Local Authority Housing (HRA)	(68)
Financing and Investment Income and Expenditure	105

Movement in Reserves Statement	**Adjustments Made £000**
Adjustments between accounting basis & funding basis under regulations	(37)

Investment Properties

The Code adopts the accounting requirements of IAS 40 Investment Property. The definition of investment properties is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Due to the strict definition of an Investment Property, the Council undertook a review of the assets it had classified previously as investment properties to ensure compliance with the code.

As a result of this review assets became reclassified as property, plant and equipment. Some assets were found to be erroneously capitalised and these were written off to the Capital adjustment account, any revaluation reserve in respect of these assets was written out of the revaluation reserve to the capital adjustment account. As the valuation basis is different for the two classifications, the reclassified assets were revalued at 1 April 2009 and 31 March 2010.

As investment Properties are held at fair value, no revaluation reserve is held in respect of these properties, consequently any revaluation reserve held in respect of investment properties is written out of the revaluation reserve to the capital adjustment account.

As a consequence of the reclassification and revaluation the financial statements have been amended as follows:

Opening 1 April 2009 Balance Sheet	**Adjustments Made £000**
Property, Plant and Equipment	15,220
Investment Properties	(17,513)
Current Assets Held for Sale	1,259
Revaluation Reserve	816
Capital Adjustment Account	218

31 March 2010 Balance Sheet (including adjustments made to opening 1 April 2009 Balance Sheet)	**Adjustments Made £000**
Property, Plant and Equipment	18,570
Investment Properties	(20,090)
Current Assets Held for Sale	435
Revaluation Reserve	867
Capital Adjustment Account	218

2009/10 Comprehensive Income and Expenditure Statement	**Adjustments Made £000**
Cultural, Environmental, Regulatory and Planning Services	32
Local Authority Housing (HRA)	(383)
Non-Distributed Costs	(967)
Financing and Investment Income and Expenditure	(1,455)
Surplus or deficit on revaluation of non-current assets	1,027

Movement in Reserves Statement	**Adjustments Made £000**
Adjustments between accounting basis & funding basis under regulations	(188)

The net change to the Cost of Services consists of the removal of the revaluation gains relating to investment properties to Financing and Investment Income and Expenditure (£755k). The net change to Financing and Investment Income and expenditure also includes revaluation gains of £1,225k on investment properties, which previously were credited to the revaluation reserve, but under the code are required to be charged to the Comprehensive Income and Expenditure Statement.

The net increase in the Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge from the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

Assets Held for Sale

Assets are presented as 'held for sale' if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use.

Paragraph 4.9.2.13 of the Code lists specific criteria, all of which have to be met:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups)
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to the current value
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn

The fact that an asset might take more than a year to sell will not automatically mean that it fails to meet the 'available for immediate sale' criterion if the delay is caused by events or circumstances beyond the Council's control and there is sufficient evidence that the Council remains committed to its plan to sell the asset (or disposal group). If an asset can retain its classification as held for sale but will take more than a year to dispose of, it is presented on the Balance Sheet as a non-current asset.

As investment properties are held for capital appreciation, these cannot be reclassified as Held for Sale.

Due to the strict definition of an Asset Held for Sale, the Council undertook a review of the assets it had classified previously as Surplus Assets to ensure compliance with the code as an Asset Held for Sale. It also reviewed assets held as Property, Plant and Equipment which the Council had resolved to sell prior to the 1 April 2009 and 31 March 2010.

As a result of this review assets became reclassified, as a consequence of the reclassification and revaluation the financial statements have been amended as follows:

Opening 1 April 2009 Balance Sheet	**Adjustments Made £000**
Property, Plant and Equipment	(26,822)
Investment Properties	(1,259)
Current Assets Held for Sale	28,081

31 March 2010 Balance Sheet (including adjustments made to opening 1 April 2009 Balance Sheet	**Adjustments Made £000**
Property, Plant and Equipment	9.612
Investment Properties	(9,612)

There was no impact on the Comprehensive Income and Expenditure Statement or the Movement on Reserves

Cash and Cash Equivalents

The definition of cash in the Code is "cash on hand and demand Deposits. The definition of cash equivalents is "short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value".

Qualifying investments will have a short maturity. IAS 7 suggests that this would be a period of three months or less from the date of acquisition of the investment. Beyond this point, the risk increases that there might be a change in value of the investment.

As a consequence of reclassifying short term investments as cash equivalents and cash held by the Council previously netted off the bank overdraft the financial statements have been amended as follows:

1 April 2009 there is no adjustment required.

31 March 2010 Balance Sheet	**2009/10 Statements £000**	**Adjustments Made £000**
Short Term Investments	18,015	(1,600)
Cash and Cash Equivalents	-	1,618
Bank Overdraft	(1, 481)	(18)

<u>Government Grants</u>

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

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

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of government grants deferred which were previously recognised as income in 2009/10 have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures, as these are all receipted in the previous period.
- A grant was received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

This has resulted in the financial statements being amended as follows:

Opening 1 April 2009 Balance Sheet	**Adjustments Made £000**
Capital Contributions Deferred	4,543
Unapplied Capital Grants and Contributions	5,253
Capital Grants Received in Advance	(3,933)
Short term Creditors	838
Long Term Creditors	1,363
Capital Grants Unapplied	(1,878)
Earmarked reserves	(1,643)
Capital Adjustment Account	4,543

31 March 2010 Balance Sheet	**Adjustments Made £000**
Balance Sheet	
Capital Contributions Deferred	4,543
Unapplied Capital Grants and Contributions	5,602
Capital Grants Received in Advance	(5,865)
Short term Creditors	116
Long Term Creditors	1,469
Capital Grants Unapplied	2,053
Earmarked reserves	(6,333)
Capital Adjustment Account	(1,585)

2009/10 Comprehensive Income and Expenditure Statement

Cultural Environmental and Planning	(1,928)
Corporate and Democratic Core	(141)

Movement in Reserves Statement	**Adjustments Made £000**
Adjustments between accounting basis & funding basis under regulations	(2,059)

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

Heritage Assets - Financial reporting Standard 30
The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the accounts as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 accounts. However, the Council is required to make disclosure of the estimated effect of the new standard in these accounts. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's balance sheet in the 2011/12 accounts.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are a number of items of civic regalia and portraits as well as the Lord Mayor's State Coach. These are not currently recognised in the financial statements.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements, including the 2010/11 comparative information. The Council anticipates that it will be able to recognise the heritage assets on the balance sheet using as its base a detailed insurance valuation which is based on market valuation.

The amount to be recognised is expected to be material, the last valuation of civic plate & regalia was done for insurance purposes in February 2008, which resulted in the following values:

	£000
Civic Plate	6,376
Regalia	1,005
	7,381

The Council owns many portraits and a mayoral coach which have not been valued recently; the values will be obtained for the 2011/12 Statement of Accounts.

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.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. 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 £236,949 for every year that useful lives had to be reduced
Pensions Liability	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 effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £26.08m However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had increased by £11.04m as a result of estimates being corrected as a result of experience and decreased by £43.56m
Arrears	At 31 March 2011, the Council had a balance of sundry debtors for £2.654m A review of significant balances suggested that an impairment of doubtful debts of ranging from 10% to 100% (£1.06m) 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 of doubtful debts would require an additional £643,125 to set aside as an allowance.

5. Material Items of Income and Expense

The following material items of income and expenditure are included in the Comprehensive Income and Expenditure Statement.

Revaluation losses of £122.26 million have been charged as expenditure against the local authority (HRA) net cost of service. These primarily result from a downward revision in the proportion of vacant possession value used to calculate the value of the Council's social housing from 46% to 39%. The comparative expenditure figure for 2009/10 includes a credit for reversal of previous revaluation losses of £11.8 million.

A past service gain of £32.952 million has been credited to expenditure against non-distributed costs in net cost of services. This reflects the announcement that from 1 April 2011 public service pensions are to be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). Further details can be found in note 38.

The Council has revisited its view on the useful economic life of the assets contained in the PFI and reduced this from the 15 years of the contract to 5 years. This has resulted in an extra depreciation charge during 10/11 of £8.196m, which is charged to Non-distributed costs. This extra depreciation has no impact on the General Fund balance as it is reversed out to the Capital Adjustment Account through the Movement in Reserves Statement.

6. Events after the Balance Sheet Date

Cabinet on 16 March 2011 approved the reclassification and appropriation of 113 Council-owned residential properties from the General Fund to the Housing Revenue Account (HRA) with effect from 1 April 2011. This followed a review of the powers under which these properties had been acquired and held, and their current and anticipated use. The appropriation assigns the £7m value of these properties to the HRA, so that the associated charges for capital will now fall on the HRA along with the costs and rent income arising from these properties

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

	Usable Reserves						
2010/11	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	(13,414)	(1,705)	-	-	-	(15,119)	15,119
Revaluation Losses on Property, Plant and Equipment	325	(112,055)	-	-	-	(111,729)	111,729
Movement in Market Value of Investment Properties	524	-	-	-	-	524	(524)
Capital Grants and Contributions Applied	3,019	2,081	-	-	-	5,100	(5,100)
Movement in Donated Assets Account	80	-	-	-	-	80	(80)
Revenue expenditure funded from capital under statute	(2,017)	-	-	-	-	(2,017)	2,017
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	(6,755)	(5,681)	-	-	-	(12,436)	12,436
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement							
Statutory provision for the financing of capital investment	3,438	60	-	-	-	3,498	(3,498)
Capital expenditure charged against the General Fund and HRA balances	1	-	-	-	-	2,494	(2,494)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	388	-	-	-	(388)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	210	210	(210)
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	7,160	7,250	(14,250)	-	-	160	(160)
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	1,443	-	-	1,443	(1,443)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(18)	(23)	41	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,689)	-	1,689	-	-	-	-

2010/11	Usable Reserves 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
Transfers from Deferred Capital Receipts reserve	(20)	-	-	-	-	(20)	20
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	427	-	-	-	-	427	(427)
Transfer to the Capital receipts Reserve upon receipt of cash	10	-	(10)	-	-	-	-
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(9,846)	-	(9,846)	9,846
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	2,492	-	2,492	(2,492)
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	71	553	-	-	-	625	(625)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	26,202	(1,965)	-	-	-	24,237	(24,237)
Employer's pension contributions and direct payments to pensioners payable in the year	4,195	1,169	-	-	-	5,363	(5,363)
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	47	-	-	-	-	47	(47)
Total Adjustments	21,974	(110,315)	(11,087)	(7,354)	(178)	(106,961)	106,961

2009/10 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
	Usable 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	(5,013)	(198)	-	-	-	(5,211)	5,211
Revaluation Losses on Property, Plant and Equipment	103	9,075	-	-	-	9,808	(9,808)
Movement in Market Value of Investment Properties	1,099	307	-	-	-	1,407	(1,407)
Capital Grants and Contributions Applied	5,195	550	-	-	-	5,745	(5,745)
Revenue expenditure funded from capital under statute	(4,282)	(339)	-	-	-	(4,621)	4,621
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	(953)	(2,651)	-	-	-	(3,604)	3,604
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement							
Statutory provision for the financing of capital investment	3,971	(163)	-	-	-	3,808	(3,808)
Capital expenditure charged against the General Fund and HRA balances	-	5,970	-	-	-	5,970	(5,970)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	210	-	-	-	(210)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	846	846	(846)
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	1,128	3,564	(4,741)	-	-	(49)	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	2,421	-	-	2,421	(2,421)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	-	(49)	49	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,,808)	-	1,808	-	-	-	-
Transfers from Deferred Capital Receipts reserve	(9)	-	9	-	-	-	-
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							
Transfer to the Capital receipts Reserve upon receipt of cash							

2009/10 comparative figures	Usable Reserves						
	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
Adjustment involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA	-	(991)	-	991	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	(991)	-	(991)	991
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	(42)	648	-	-	-	606	(606)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,694)	(1,472)	-	-	-	(8,166)	8,166
Employer's pension contributions and direct payments to pensioners payable in the year	4,439	850	-	-	-	5,289	(5,289)
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	10	-	-	-	-	10	(10)
Total Adjustments	**(2,565)**	**15,731**	**(463)**	**-**	**636**	**13,340**	**(13,340)**

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 2009/10 and 2010/11.

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
General Fund							
Insurance Reserve	681	(349)	359	691	-	-	691
Building Control Reserve	151	(105)	-	46	-	-	46
Revenue Grants Unexpended Reserve	1,643	(305)	247	1,585	(125)	103	1,563
Total	2,475	(759)	596	2,322	(125)	103	2,300

Transfers between other reserves of £206, 000 in the Movement in Reserves Statement comprise of Decent Home Loan repayments £192,000 (2009/10 nil) and Housing Act Advance repayments f £14,000 (2009/10 £13,000). Also a one off adjustment in 2010/11 between the general fund and the collection fund of £47,000 relating to an accounting error correction

9. Other Operating Expenditure

	2010/11 £000	2009/10 £000
Payments to the Government Housing Capital Receipts Pool	1,689	1,808
(Gains)/Losses on the disposal of non-current assets	(1,474)	(1,160)
Other Operating Expenditure	194	196
Total	**409**	**844**

10. Financing and Investment Income and Expenditure

	2010/11 £000	2009/10 £000
Interest payable and similar charges	7,715	7,846
Pension interest cost and expected return on pension assets	4,983	6,285
Interest Receivable and similar income	(1,289)	(1,679)
Income and expenditure in relation to investment properties and changes in their fair value	(3,199)	(2,989)
Other investment income	51	(447)
Impairment of Soft Loans	130	
Total	**8,391**	**9,016**

11. Taxation and Non-Specific Grant Income

	2010/11 £000	2009/10 £000
Council tax income	(9,229)	(9,033)
Non domestic rates	(13,896)	(12,789)
Non-ring fenced government grants	(4,001)	(2,952)
Capital grants and contributions	(12)	(3,797)
Total	**(27,139)**	**(28,571)**

12. Property, Plant and Equipment

Movements on Balances

Movements in 2010/11	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2010	722,736	122,722	24,840	2,586	12,647	89	1,107	**886,727**	17,043
Additions	4,328	215	1,007	-	2,238	-	-	**7,788**	793
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(2,039)	2,423	-	-	-	-	-	**384**	-
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(121,951)	(926)	-	-	-	-	-	**(122,877)**	-
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	15	143	-	-	-	-	-	**158**	-
Derecognition – Disposals	(1,658)	(278)	(958)	-	-		-	**(2,894)**	-
Derecognition - Other	-	-	(80)	-	-	-	-	**(80)**	-
Assets Reclassified (to) / from Held for Sale	(3,226)	(84)	-	-	-	-	-	**(3,310)**	-
Other Movements in Cost or Valuation	(73)		-	-	1,107	-	(1,107)	**(73)**	-
At 31 March 2011	**598,133**	**124,215**	**24,810**	**2,586**	**15,992**	**89**	**-**	**765,824**	**17,836**
Accumulated Depreciation & Impairment									
At 1 April 2010	(663)	(4,133)	(9,314)	(737)	(1,469)	-	-	**(16,316)**	(6,093)
Depreciation charge	(10,966)	(2,715)	(10,006)	(62)	(531)	-	-	**(24,279)**	(1,244)
Depreciation written out to the Surplus/Deficit on Provision of Services	10,781	95	-	-	-	-	-	**10,876**	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on Provision of Services	(473)	(79)	-	-	-	-	-	**(553)**	-
Impairment losses / (reversals) recognised in Revaluation Reserve	-	54	-	-	-	-	-	**54**	
Derecognition – Disposals		-	140	-	-	-	-	**140**	-
Derecognition - Other	73	-	80	-	-	-	-	**153**	-
At 31 March 2011	(1,248)	(6,778)	(19,101)	(799)	(2,000)	-	-	**(29,925)**	(7,337)
Net Book Value									
At 31 March 2011	596,884	117,438	5,709	1,787	13,992	89	-	**735,899**	10,499
At 31 March 2010	722,072	118,589	15,525	1,848	11,176	89	1,107	**870,416**	10,949

Comparative Movements in 2009/10	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2009	709,502	100,699	24,197	2,585	12,134	-	-	**849,117**	16,675
Additions	16,642	643	643	-	357	199	1,107	**19,591**	368
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,631	2,539	-	-	-	-	-	**4,170**	-
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(23,960)	(157)	-	-	-	(110)	-	**(24,227)**	-
Prior year revaluation decrease reversals recognised in the Surplus / (Deficit) on the Provision of Services	22,655	430	-	-	200	-	-	**23,285**	-
Derecognition – Disposals	(1,607)	(128)	-	-	-	-	-	**(1,735)**	-
Assets Reclassified (to) / from Held for sale	(2,128)	18,697	-	-	(44)	-	-	**16,525**	-
At 31 March 2010	**722,735**	**122,723**	**24,840**	**2,585**	**12,647**	**89**	**1,107**	**886,726**	**17,043**
Accumulated Depreciation & Impairment									
At 1 April 2009	(453)	(1,951)	(7,338)	(675)	(949)	-	-	**(11,366)**	(4,902)
Depreciation charge	(11,061)	(2,211)	(1,977)	(62)	(522)	-	-	**(15,833)**	(1,192)
Depreciation written out to the Surplus/Deficit on Provision of Services	10,851	28	-	-	-	-	-	**10,879**	-
Impairment losses / (reversals) recognised in Revaluation Reserve	-	-	-	-	-	-	-	-	-
Derecognition – Disposals	-	-	-	-	-	-	-	-	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
At 31 March 2010	**(663)**	**(4,134)**	**(9,315)**	**(737)**	**(1,471)**	**-**	**-**	**(16,320)**	**(6,094)**
Net Book Value									
At 31 March 2010	722,072	118,589	15,525	1,848	11,176	89	1,107	**870,406**	10,949
At 31 March 2009	709,049	98,748	16,859	1,910	11,185	-	-	**837,751**	11,773

DRAFT

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.

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	**Council dwellings**	**Other Land & Buildings**	**Community assets**	**Infrastructure**	**Vehicles, Plant, & Equipment**	**Vehicles, Plant, & Eqpt (PFI)**	**Surplus properties**	**Total PPE**
Valued at historical cost	-	-	13,992	1,786	3,406	2,303	-	**21,488**
Valued at current value	-	-	-	-	-	-	-	**-**
2010-11	590,148	13,180	-	-	-	-	-	**603,328**
2009-10	99	4,668	-	-	-	-	89	**4,856**
2008-9	-	99,442	-	-	-	-	-	**99,442**
2007-8	6,638	-	-	-	-	-	-	**6,638**
2006-7	-	148	-	-	-	-	-	**148**
Total	**596,884**	**117,438**	**13,992**	**1,786**	**3,406**	**2,303**	**89**	**735,899**

Analysis of holdings:

	2010/11	**2009/10**
Council Dwellings	15,564	15,625
Cottage Properties (HRA)	127	144
Council Garages	4,096	4,202
Non-operational Assets		
Trading	279 items	279 items
Other	62 items	62 items
Cottage Properties	135	135
Community Assets		
Parks & Open Spaces	180.26 hectares	180.26 hectares
Civic Portraits	115 items	115 items
Civic Regalia	218 items	218 items
Lord Mayor's State Coach	1	1
Sports/Community Centres	15	15
Caravan Site	1	1
Yacht Station	1	1

	2010/11	**2009/10**
Other Land & Buildings		
City Hall & other Administrative Buildings	12	12
Cemeteries	2	2
Car Parks	18	18
Provision Market	1	1
Nurseries	1	1
Housing Shops	132	132
Operational Trading	51	51
Allotments	42.89 hectares	42.89 hectares
Natural Areas	305 hectares	305 hectares
Children's Day Nursery	1	1
Stewardship Properties	95	95
Museums	3	3
Swimming Centre	1	1

13. 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

	2010/11 £000	2009/10 £000
Rental income from investment property	9,107	3,787
Direct operating expenses arising from investment property	(5,129)	(2,225)
Total	**3,978**	**1,562**

The variance between the income and expenditure between 2009/10 and 2010/11 is due to the proceeds of asset sales of £5,528,898 and carrying value of £3,433,590 being included within income and expenditure respectively. £120,000 and £205,800 respectively during 2009/10.

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.

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	-
2010-11	9,589
2009-10	16,744
2008-9	1,235
2007-8	1,484
2006-7	5,932
Total	**34,984**

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

	2010/11 £000	2009/10 £000
Balance at start of the year	35,286	34,096
Additions:		
Purchases	218	143
Disposals	(1,025)	(278)
Net gains / (losses) from fair value adjustments	505	1,424
Transfers (to) / from Property, Plant & Equipment	-	(99)
Balance at end of year	**34,984**	**35,286**

14. 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 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. The software is Answerlink 3g and its expected useful life is 7 years.

The carrying amount of intangible assets is amortised on a straight-line basis, no amortisation was charged in the year in line with the accounting policy

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

	2010/11 £000
Balance at the start of the year	
• Gross carrying amount	-
• Accumulated amortisation	-
• Additions	77
• Purchases	-
Amortisation for the period	-
Net Carrying amounts at the end of the year	**77**
Comprising:	
• Gross carrying amount	77
• Accumulated amortisation	-
	77

15. Borrowing & Investments

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

	Long-Term		Current	
	31-Mar-11 £000	31-Mar-10 £000 (restated)	31-Mar-11 £000	31-Mar-10 £000 (restated)
Financial liabilities at amortised cost	100,634	100,427	2,003	2,658
Trade Creditors	-	-	20,985	13,584
Total borrowings	**100,634**	**100,427**	**22,988**	**16,242**
Loans & receivables	11,716	9,183	43,767	18,025
Unquoted equity investment at cost	824	824	-	-
Trade Debtors	-	-	8,266	12,979
Total investments	**12,540**	**10,007**	**52,033**	**31,004**

Trade Debtors 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 £4.869m in long term and £23.193m in short term loans and receivables is due increased money available to invest as a result of increased property sales and decreased capital works.

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

Norwich City Council has 5 bonds with maturity dates between 1971 and 1972 with values between £500 and £1,500. No interest is payable. The bonds have no observable market price. The Council has valued the asset at fair value deemed to be the redemption value of £6,500 as at 31 March 2010.

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 2010 of 7.745% 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

	2010/11			
	Financial Liabilities measured at amortised cost £000	**Financial Assets Loans and receivables £000**	**Assets & Liabilities at Fair Value through Profit & Loss £000**	**Total £000**
Interest expense	7,715	-	-	7,715
Reductions in fair value	-	-	(4)	(4)
Total expenses in Surplus or Deficit on the Provision of Services	7,715	-	(4)	7,711
Interest Income	-	(1,289)	-	(1,289)
Increases in fair value	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,289)	-	(1,289)
Net gain/(loss) for the year	7,715	(1,289)	(4)	6,422

	2009/10			
	Financial Liabilities measured at amortised cost £000	**Financial Assets Loans and receivables £000**	**Assets & Liabilities at Fair Value through Profit & Loss £000**	**Total £000**
Interest expense	7,846	-	-	7,846
Reductions in fair value	-	(97)	-	(97)
Total expenses in Surplus or Deficit on the Provision of Services	7,846	(97)	-	7,749
Interest Income	(1,705)	-	-	(1,705)
Increases in fair value	-	(20)	-	-
Total income in Surplus or Deficit on the Provision of Services	(1,705)	(20)	-	(1,725)
Net gain/(loss) for the year	6,140	(117)	-	6,023

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:

	31 March 2011		31 March 2010 (restated)	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	102,636	129,773	103,085	128,281
Financial liabilities including Trade Creditors	**123,622**	**150,758**	**116,669**	**141,865**
Loans & receivables	55,483	62,834	27,208	26,850
Loans & receivables including Trade Debtors	**63,749**	**71,100**	**40,187**	**39,829**

The maturity analysis of financial liabilities, excluding PFI and finance leases, is as follows:

	2010/11 £m	2009/10 £m
Repayable between:		
1 & 2 years	17,775	-
2 & 5 years	8,810	17,261
Between 5 & 10 years	16,000	24,810
Between 10 & 20 years or more	30,261	26,261
20 years or more	19,948	23,948
	92,794	**92,289**

16. Long Term Investments

	2010/11 £000	2009/10 £000	2008/09 £000
Building Societies	-	-	7,341
Banks	7,025	4,656	2,034
Norwich Airport Ltd	824	824	824
Other Related Companies	20	20	30
	7,869	**5,500**	**10,229**

Building Societies & Banks
Investments of £7 million in 2010/11 Banks that are for periods longer than one year are included as long term investments on the balance sheet. These will mature between April 2012 and August 2012.

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 2007 and draft balance sheet for 2008. 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 SORP 2008 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 £19,650 consists of loans made to the Trust.

17. Long Term Debtors

	2010/11			2009/10	2008/09
	Debtors	**Provision for Bad Debt**	**Net Debtors**	**Net Debtors**	**Net Debtors**
	£000	**£000**	**£000**	**£000**	**£000**
Advances for House Purchase: Council Houses Sold	11	-	11	27	40
Norfolk County Council Transferred Debt	2,437	-	2,437	2,688	2,952
Deferred Capital Receipt Sale of Airport Shares	400	-	400	400	400
Deferred Capital Receipt – Livestock Market	449		449		
Decent Home Loans	2,640	-	2,640	2,619	2,157
Finance Lease > 1 year	1,530	-	1,530	1,112	1,096
Housing Benefit Overpayments	2,974	(1,328)	1,646	1,224	841
SALIX	105	-	105	105	-
Legal	246	-	246	28	-
	10,792	**(1,328)**	**9,464**	**8,203**	**7,486**

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 - 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.

18. 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:

	2010/11 £000	2009/10 £000	2008/09 £000
Banks	7,597	1	1
Building Societies	34,107	16,414	18,134
Local Authority	2,004	-	-
Total Short Term Investments	**43,708**	**16,415**	**18,135**

19. Assets Held for Sale

	Current		Non-current	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	**10,200**	**28,081**	**-**	**-**
Assets newly classified as held for sale:				
Property, Plant & Equipment	3,310	2,343	-	-
Assets declassified as held for sale:				
Property, Plant & Equipment	-	(18,743)		
Additions	5	-	-	-
Assets sold	(8,659)	(1,481)	-	-
Other movements		-	-	-
Balance outstanding at year-end	**4,856**	**10,200**	**-**	**-**

Assets held for sale are valued at historical cost of £6,444,000.

20. Short Term Debtors

	2010/11 £000	2009/10 £000 (restated)	2008/09 £000
Central Government Bodies	2,686	13,962	13,915
Other entities & individuals	5,857	5,942	6,157
Other Local Authorities	1,309	2,067	1,757
Total	**9,852**	**21,971**	**21,819**

21. Cash & Cash Equivalents

	2010/11 £000	2009/10 £000 (restated)	2008/09 £000
Cash held by Council	43	18	-
Bank current accounts	114	-	-
Short term deposits with banks	8,100	1,600	64
Short term deposits with building societies	2,000	-	-
Short term deposits with Debt Management Office	2,000	-	-
Short term deposits with local authorities	1,000	-	-
Total Cash & Cash Equivalents	**13,257**	**1,618**	**64**

22. Short Term Creditors

	2010/11 £000	2009/10 £000 (restated)	2008/09 £000 (restated)
Central Government Bodies	546	443	35
Other Local Authorities	2,072	128	1,357
Other entities & individuals	17,849	17,649	20,019
Total Short Term Creditors	**20,467**	**18,220**	**21,411**

23. Long Term Creditors

	2010/11 £000	2009/10 £000 (restated)	2008/09 £000 (restated)
Developer Contributions	3,053	2,667	2,514
Lease Liability	7,363	8,112	9,515
Rent Prepayments	500	-	-
Total Long Term Creditors	**9,916**	**10,779**	**12,029**

24. Provisions

	Other Provisions £000
Balance at 1 April 2010	-
Additional provisions made in 2010/11	1,762
Balance at 31 March 2011	**1,762**

New Deal for Communities

There is a risk that the Council may be required to return some of the £35.2 million grant received from the Department for Communities and Local Government (DCLG). The Council has now conducted a review of the grant position and estimates that there could be £1.371 million of expenditure that has exceeded the approved grant funding. The final figure is still subject to a degree of uncertainty and has still to be finalised with DCLG. In addition to the above there is a further amount of £1.227 million which represents a capital receipt that may have been used for project expenditure without formal consent from the Government Office East (now disbanded). The Council has reviewed its position and does not agree with the view that consent was not given. Nevertheless this amount (£1.227 million) will also form part of negotiations to be undertaken with DCLG in resolving this issue and is included in the provision.

At present the Council is withholding a sum of £1.438 million from NELM to mitigate the risk of this claw back. In addition the Council is owed £0.836 million by DCLG, which has been agreed.

It is anticipated that this issue will be concluded during 2012

25. Usable Reserves

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

26. Unusable Reserves

	2010/11 £000	2009/10 £000 (restated)	2008/09 £000 (restated)
Revaluation Reserve	24,335	24,840	20,647
Capital Adjustment Account	662,300	799,355	785,828
Financial Instruments Adjustments Account	(2,308)	(2,933)	(3,539)
Deferred Capital Receipts	2,262	1,698	446
Pensions Reserve	(82,801)	(164,389)	(76,908)
Collection Fund Adjustment Account	300	206	239
Total Unusable Reserves	**604,088**	**658,777**	**726,713**

<u>Revaluation Reserve</u>

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.

	2010/11 £000	£000	2009/10 £000
Balance at 1 April		**24,856**	**20,647**
Upward revaluation of assets	438		4,545
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	-		(4)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**438**	**4,541**
Difference between fair value depreciation & historical cost depreciation	(777)		(296)
Accumulated gains on assets sold or scrapped	(182)		(36)
Amount written off to the Capital Adjustment Account		**(959)**	**(332)**
Balance at 31 March		**24,335**	**24,856**

<u>Capital Adjustment Account</u>

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.

	2010/11		2009/10
	£000	£000	£000
Balance at 1 April		**799,334**	**783,731**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(24,832)		(14,897)
Revaluation losses on Property, Plant & Equipment	(111,863)		8,873
Revenue expenditure funded from capital under statute	(2,017)		(4,621)
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	(12,436)		(3,526)
Difference between historic cost & carrying value depreciation	777		
Net written out amount of the cost of non-current assets consumed in the year		**(150,371)**	**(14,171)**
Adjusting amounts written out of the Revaluation Reserve		182	377
Net written out amount of the cost of non-current assets consumed in the year		**(150,189)**	**(13,794)**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital Expenditure	1,443		2,421
Use of the Major Repairs Reserve to finance new capital expenditure	2,492		9,879
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	5,101		6,203
Application of grants to capital financing from the Capital Grants Unapplied Account	209		-
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	3,498		3,691
Capital expenditure charged against the General Fund & HRA balances	-		5,970
		12,743	**28,164**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		524	1,128
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		80	-
Other		(192)	70
Balance at 31 March		**662,300**	**799,299**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council tax. In the Council’s case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 16 years.

	2010/11 £000	2009/10 £000
Balance at 1 April	**2,933**	**3,539**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(625)	(723)
	2,308	2,816
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	-	117
Balance at 31 March	**2,308**	**2,933**

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.

	2010/11 £000	2009/10 £000
Balance at 1 April	**1,698**	**1,640**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	567	80
Transfer to the Capital Receipts Reserve upon receipt of cash	(3)	(21)
Balance at 31 March	**2,262**	**1,698**

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.

	2010/11 £000	2009/10 £000
Balance at 1 April	**(164,388)**	**(76,908)**
Actuarial gains or (losses) on pensions assets & liabilities	51,951	(84,613)
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	23,786	(8,419)
Employer's pensions contributions & direct payments to pensioners payable in the year	5,363	5,456
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	452	85
Other	39	11
Balance at 31 March	**(82,801)**	**(164,388)**

The 'Other' represents the difference between the actuarial assumption of added years pensions to be paid to current pensioners, based on pensioner figures at January 2011, and that actually paid. This difference is due to pensioners having passed away during January and March 2011

Collection Fund Adjustment Account

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

	2010/11 £000	2009/10 £000
Balance at 1 April	206	239
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	47	(33)
Transfer from other reserves	47	-
Balance at 31 March	**300**	**206**

27. Cash Flow Statement – Operating Activities

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

	2010/11 £000	2009/10 £000 (restated)
Depreciation	24,826	5947
Impairment and downward valuations	110,901	-
Reductions in the fair value of soft loans (non Subsidiary) made in the year	130	222
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	(126)	(125)
Increase in provision for doubtful debts re: Loans and Advances	(177)	304
Increase in Interest Creditors	952	(1,258)
Increase in Creditors	1,563	(3,543)
Decrease in Interest Debtors	338	312
Decrease in Debtors	7,038	1,028
Pension Liability	(29,600)	2,877
Contributions to / (from) Provisions	1,762	-
Carrying amount of non-current assets sold	12,436	3,532
Loans relating to deferred capital receipts	(160)	-
Carrying amount of short and long term investments sold	215,969	299,240
Movement in Investment Property values	(604)	(1,225)
	345,248	**309,496**

The adjustment for items in the net surplus or deficit on the provision of services is comprised of:

	2010/11 £000	2009/10 £000 (restated)
Capital grants credited to surplus or deficit on the provision of services	(5,513)	(4,632)
Proceeds from sale of short and long term investments	(215,969)	(299,240)
Proceeds from the sale of property, plant and equipment and investment properties	(14,329)	(4,727)
	(235,811)	**(308,599)**

The cash flows for operating activities include the following items:

	2010/11 £000	2009/10 £000 (restated)
Interest received	(1,426)	(1,892)
Interest paid	8,666	8,773
	7,240	**6,881**

28. Cash Flow Statement – Investing Activities

	2010/11 £000	2009/10 £000
Purchase of property, plant & equipment, investment property & intangible assets	(7,692)	(19,453)
Purchase of short term & long-term investments	(245,969)	(293,240)
Other payments for investing activities	(100)	(625)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	14,343	4,740
Other Capital Cash Receipts	329	8,309
Capital grants received	1,881	1,569
Proceeds from short term & long-term investments	215,969	299,240
Other receipts from investing activities	-	
Net cash flows from investing activities	**(21,239)**	**540**

29. Cash Flow Statement – Financing Activities

	2010/11 £000	2009/10 £000
Other receipts from financing activities	-	
Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts	(1,403)	(1,658)
Repayments of short- & long-term borrowing	-	(5,000)
Other payments for financing activities	5,906	(2,911)
Net cash flows from financing activities	**4,503**	**(9,569)**

30. 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 Best Value Accounting 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 recorded in the budget reports for the year is as follows:

Directorate Income & Expenditure 2010/11	Chief Executive	Corporate Resources	Regeneration & Development	Housing Revenue	Non-service	Not Reported	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(766)	(2,211)	(23,193)	(61,849)	-	-	(88,018)
Government Grants	(532)	(76,001)	(6,870)	3,755	-	-	(79,650)
Total Income	**(1,298)**	**(78,212)**	**(30,063)**	**(58,094)**	**-**	**-**	**(167,668)**
Employment expenses	1,842	9,301	2,673	6,716	-	-	20,532
Operational Expenses	2,206	76,636	29,382	21,725	-	-	129,949
Support Service recharges	(768)	(5,071)	8,051	5,251	-	-	7,463
Total Expenditure	**3,280**	**80,866**	**40,106**	**33,692**	**-**	**-**	**157,944**
Net (Income) / Expenditure	**1,982**	**2,654**	**10,043**	**(24,403)**	**-**	**-**	**(9,724)**

Directorate Income & Expenditure 2009/10	Chief Executive	Corporate Resources	Regeneration & Development	Housing Revenue	Non-service	Not Reported	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(423)	(3,533)	(21,035)	(64,733)	-	-	(89,725)
Government Grants	(398)	(72,386)	(5,352)	3,616	-	-	(74,520)
Total Income	**(821)**	**(75,919)**	**(26,387)**	**(61,117)**	**-**	**-**	**(164,245)**
Employment expenses	2,161	8,042	4,641	5,779	-	-	20,623
Operational Expenses	2,504	72,794	31,387	32,117	-	-	138,802
Support Service recharges	(1,245)	(4,070)	6,473	4,479	-	-	5,637
Total Expenditure	**3,420**	**76,767**	**42,501**	**42,375**	**-**	**-**	**165,063**
Net (Income) / Expenditure	**2,599**	**848**	**16,114**	**(18,742)**	**-**	**-**	**818**

<u>Reconciliation of Directorate Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement</u>

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

	2010/11 £000	2009/10 £000
Net expenditure in the Directorate Analysis	(9,724)	818
Net expenditure of services & support services not included in the Analysis	(18,028)	(17,656)
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	107,315	9,917
Allocation of Recharges	0	9
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	18,340	19,467
Cost of Services in Comprehensive Income & Expenditure Statement	**97,903**	**12,555**

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.

2010/11

	Directorate Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(88,018)	(801)	-	4,068	-	(84,751)	(4,068)	(88,819)
Surplus or deficit on associates & joint ventures	-	-	-	-	-	-	-	-
Interest & investment income	-	-	(17,434)	17,456	-	22	(17,456)	(17,434)
Income from Council tax	-	-	(9,083)	9,083	-	-	(9,083)	(9,083)
Government Grants & contributions	(79,650)	(17,563)	-	18,056	-	(79,156)	(18,056)	(97,212)
Total Income	**(167,667)**	**(18,364)**	**(26,517)**	**48,663**	**-**	**(163,885)**	**(48,663)**	**(212,548)**
Employment expenses	20,532	-	(32,952)	-	-	(12,420)	-	(12,420)
Other service charges	129,949	147	2,244	(732)	-	131,607	732	132,339
Support Service recharges	7,463	189	-	(1,117)	-	6,535	1,117	7,652
Depreciation, amortisation & impairment	-	-	136,177	14	-	136,191	(14)	136,177
Interest Payments	-	-	28,863	(29,120)	-	(256)	29,120	28,863
Precepts & Levies	-	-	194	(63)	-	131	63	194
Payments to Housing Capital Receipts Pool	-	-	1,689	(1,689)	-	-	1,689	1,689
Gain or Loss on Disposal of FixedAssets	-	-	(2,383)	2,383		-	(2,383)	(2,383)
Total Expenditure	**157,944**	**336**	**133,832**	**(30,323)**	**-**	**261,788**	**30,323**	**292,111**
(Surplus) / deficit on the provision of services	**(9,723)**	**(18,028)**	**107,315**	**18,340**	**-**	**97,903**	**(18,340)**	**71,563**

2009/10 Comparatives

	Directorate Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(89,725)	(973)		4,068		(86,630)	(4,068)	(90,698)
Surplus or deficit on associates & joint ventures								
Interest & investment income			(11,358)	11,358			(11,358)	(11,358)
Income from Council tax			(8,836)	8,836			(8,836)	(8,836)
Government Grants & contributions	(74,520)	(17,238)		19,735	(10)	(72,033)	(19,735)	(91,768)
Total Income	**(164,245)**	**(18,211)**	**(20,194)**	**43,998**	**(10)**	**(158,663)**	**(43,998)**	**(202,661)**
Employment expenses	20,624	-	-	-	237	20,861	-	20,861
Other service charges	138,802	286	4,622	(1,165)	51	142,596	1,165	143,761
Support Service recharges	5,637	269		(285)	(269)	5,352	285	5,637
Depreciation, amortisation & impairment			774	1,454		2,228	(1,454)	774
Interest Payments			23,872	(23,827)		46	23,827	23,872
Precepts & Levies			195	(59)		135	59	195
Payments to Housing Capital Receipts Pool			1,808	(1,808)		-	1,808	1,808
Gain or Loss on Disposal of Non-current Assets			(1,160)	1,160		-	(1,160)	(1,160)
Total Expenditure	**165,063**	**555**	**30,112**	**(24,531)**	**19**	**171,219**	**24,531**	**195,749**
(Surplus) / deficit on the provision of services	**818**	**(17,656)**	**9,917**	**19,467**	**9**	**12,555**	**(19,467)**	**(6,912)**

31. Trading Operations

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

	2010/11			2009/10
	Expenditure	**Income**	**(Surplus) /Deficit**	**(Surplus) /Deficit**
	£000	**£000**	**£000**	**£000**
Car Parks	3,021	(4,466)	(1,445)	(2,073)
Industrial Estates	416	(895)	(479)	(317)
Corporate Estates	70	(2,927)	(2,857)	(970)
Civic Halls	438	(168)	271	413
Markets	819	(1,551)	(732)	(419)
Yacht Station	28	(5)	23	1
Net (Surplus) / Deficit	**4,792**	**(10,012)**	**(5,219)**	**(3,365)**

Other than for Markets, the income and expenditure of the remaining trading operations for 2010/11 and 2009/10 have been consolidated within Net Cost of Services in accordance with SERCOP.

32. 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 2010/11 and 2009/10 are as follows

Highways	**2010/11 £000**	**2009/10 £000**
Expenditure	2,512	6,753
Income	(2,546)	(6,646)
(Surplus) paid over to Norfolk County Council/ Deficit reimbursed to Norwich City Council	(34)	107

On-Street Car parking	**2010/11 £000**	**2009/10 £000**
Expenditure	1,160	1,148
Income	(1,199)	(1,215)
(Surplus) paid over to Norfolk County Council	(39)	(67)

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 and the Norfolk Joint Records Committee are not material.

The Council acts as agent for all the Norfolk Council's in respect of Concessionary bus fares, the Council pays the respective bus operators for service provision and obtains reimbursement from the other participating Norfolk Council's and as such expenditure and income excluded from the Council's Income and expenditure Account for 2010/11 and 2009/10 is as follows:

	2010/11 £000	**2009/10 £000**
Payments to bus operators	6,703	6,558
Receipts from other Norfolk Councils	6,703	6,558

33. Member Allowances

The total of members' allowances paid in the year was £301,857 (2009/10 £309,013) in accordance with the Members' Allowance Scheme as set out in Appendix 16 of the Council's Constitution.

34. Officers Remuneration

Senior Officers' Remuneration

2010/11

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	131,058	-	-	131,058	27,302	158,360
Deputy Chief Executive	94,692	-	-	94,692	19,926	114,618
Director of Regeneration & Development *	94,835	-	-	94,835	19,926	114,761
Assistant Director Neighbourhood Development	57,636	-	66,517	124,153	11,528	135,681
Assistant Director City Development	68,977	-	87,106	156,083	57,974	214,057
Director of Transformation	82,103	-	17,972	100,075	16,641	116,716
Head of Communications & Cultural Services	76,003	-	-	76,003	16,489	92,492
Head of Finance	75,074	-	-	75,074	15,803	90,877
Head of Strategy & Programme Management	53,454		-	53,454	11,425	64,879
	733,832	**-**	**171,595**	**905,427**	**197,014**	**1,102,441**

2009/10

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	129,901	117	-	130,017	26,608	156,625
Deputy Chief Executive	94,727	22	-	94,750	19,419	114,169
Director of Regeneration & Development	94,922	-	-	94,922	19,405	114,327
Assistant Director Neighbourhood Development	54,126	-	-	54,126	11,041	65,167
Assistant Director City Development	72,000	-	-	72,000	14,721	86,721
Director of Transformation	94,621	25	-	94,646	19,405	114,051
Head of Communications & Cultural Services	71,859	-	-	71,859	14,062	85,921
Head of Finance	70,994	-	-	70,994	14,554	85,548
	683,150	**164**	**-**	**683,315**	**139,214**	**822,529**

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	2010/11	2009/10
£50,000 to £54,999	10	4
£55,000 to £59,999	6	8
£60,000 to £64,999	5	3
£65,000 to £69,999	2	2
£70,000 to £74,999	1	2
£75,000 to £79,999	3	-
£90,000 to £94,999	2	3
£100,000 to £104,999	1	-
£124,000 to £124,999	1	-
£130,000 to £134,999	1	1
£155,000 to £ 159,999	1	**-**
	33	**23**

During 2010/11, eleven members of staff received remuneration of £50,000 or more due to redundancy payments in addition to their salary

35. External Audit Costs

In 2010/11 and 2009/10 the following fees were payable by the Council to the Audit Commission:

	2010/11 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	233	283
Fees payable to the Audit Commission in respect of statutory inspection	2	18
Fees payable to the Audit Commission for the certification of grant claims & returns	127	196
Fee payable to the Audit Commission in respect of other services provided	29	-
Total	**391**	**497**

36. Grants Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £000	2009/10 £000
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	(2,018)	(2,952)
Housing Planning Delivery Grant	-	(872)
Local Council Business Growth Incentive (LABGI)	-	(57)
NNDR Administration Grant	(284)	(297)
Area Based Grant	(1,422)	(2,615)
Other Grants (Non Capital)	(277)	(341)
Capital Grants & Contributions		
Local Enterprise Growth Initiative	(408)	(180)
Home and Communities Agency	(3,566)	(1,107)
Capital Grant Income (from Govt bodies)	(1,031)	(144)
Other Capital Grant Income (EU grants)	(16)	-
Capital Grants & contribution income (from non Gov't)	(388)	(705)
Total	**(9,411)**	**(9,271)**
Credited to Services		
Negative Subsidy payable to Secretary of State	6,273	3,840
Supporting Families	(86)	(78)
Housing Benefit Administration Grant	(1,576)	(1,671)
Norwich Connect PFI Income	(1,429)	(1,429)
Concessionary Bus Fares	(2,346)	(910)
Homelessness Grant	(351)	(231)
Improvement East	(128)	(29)
Home and Communities Agency	(166)	(30)
New Deal for Communities	-	(255)
EU current grants	(46)	-
Other Revenue Grants & Contributions (from Gov't)	(1,142)	(1,479)
Other Non Govt revenue grants and contributions	(62)	(140)
Capital Grants & Contributions(REFCUS expenditure)		
Local Enterprise Growth Initiative	-	(500)
Home and Communities Agency	-	(325)
Capital Grants & contribution income (from non Gov't)	(80)	(1,671)
Total	**(1,137)**	**(4,908)**

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:

Capital Grants Received in Advance	2010/11 £000	2009/10 £000	2008/09 £000
Big Lottery Fund	-	12	12
Playbuilder Grant	-	26	-
Norwich & Homes & Communities Agency Strategic Partnership	2,002	5,568	-
LEGI	66	24	24
East of England Development Agency	28	28	28
Developers Contributions	1,862	1,952	3,869
Total	**3,958**	**7,610**	**3,933**

37. Capital Expenditure & Capital Financing

	2010/11 £000	2009/10 £000
Capital Investment		
Property, Plant & Equipment	7,788	19,493
Investment Property	219	241
Assets Held for Sale	5	-
Intangible Assets	77	-
Revenue Expenditure Funded from Capital Under Statute	2,014	4,621
	10,103	**24,355**
Sources of Finance		
Capital Receipts	(1,403)	(2,421)
Government Grants & Other Contributions	(5,393)	(3,686)
Housing Revenue Account Major Repairs Allowance	(2,493)	(9,879)
Revenue Contributions & Minimum Revenue Provision *	(1,724)	(9,834)
	(11,013)	**(25,820)**
Increase/(decrease) in Capital Financing Requirement	**(910)**	**(1,465)**
Opening CFR	**101,434**	**102,899**
Closing CFR	**100,524**	**101,434**

With effect from 1 April 2004 the system of capital controls based upon credit approvals was replaced with a system whereby each local Council has a borrowing limit determined by the level of debt which it can afford. The new 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 in 2010/11 is £1.723m (2009/10 £3.9m) and this represents a provision against the Council's underlying debt that has been acquired to finance capital expenditure.

38. Leases

Council as Lessee

Operating Leases

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

	31 March 2011		31 March 2010	
	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings
	£000	£000	£000	£000
Future Rental Liabilities				
Not later than one year	194	1,894	166	1,822
Later than one year & not later than five years	159	2,247	118	2,770
Total	**353**	**4,141**	**284**	**4,592**

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 £79,515

	2010/11 £000	2009/10 £000
Minimum Lease payments		
Contingent Rents		
Sublease payments receivable		
Total		

In the current year the Council reports obligations in respect of Finance leases as a lessee of £1.633m (2010/11 £1.694m) in addition to those disclosed above and in the note concerning the PFI contract.

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:

	2010/11 £000	2009/10 £000
Future Rental Liabilities		
Not later than one year	3,570	3.706
Later than one year & not later than five years	11,751	12,738
Over five years	75,870	78,323
Total	**91,191**	**94,767**

In addition to the above, there are 127 properties where the rent is in perpetuity that amounts to £294,009 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. In 2010/11 £x contingent rents were receivable by the Council (2009/10 £x).

Finance Leases

The Council leases out nine properties on a finance lease, the treatment of eight of these, including those treated as disposals, is outlined in note 1. The ninth finance lease was entered into in November 2010, the lease is for 50 years with the first two years rent free, followed by four years of reduced rent and the remaining forty-four years at market rent.

As a consequence of classifying the buildings relating to this lease as a finance lease the following entries have been made in the financial statements

- The Council has disposed of the buildings element of the property and debited the carrying value of the property to the CIES
- The net present value of the future rental income stream relating to the buildings has been credited to the CIES as the sale proceeds, and has been debited to Long Term debtors and credited to Deferred Capital Receipts
- The deferred rental income that relates to the land has been divided over the term of the lease, the amount that relates to the period up to 31 March 2011 has been credited to the CIES with a debit to Long Term Debtors.

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 comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2010/11 £000	2009/10 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	16	15
Non-current	1,197	1,053
Unearned finance income	2,505	2,009
Unguaranteed residual value of property	139	139
Gross investment in the leases	3,857	3,216

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 March 2011	**31 March 2010**	**31 March 2011**	**31 March 2010**
	£000	**£000**	**£000**	**£000**
Future Rental Liabilities				
Not later then one year	96	42	16	15
Later than one year & not later than five years	161	197	120	55
Later than five years	3,601	2,976	1,130	926
Total	**3,858**	**3,217**	**1,266**	**997**

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

39. Private Finance Initiatives & Similar Charges

On the 15 April 2002 the Council commenced a 15 year partnership agreement with Steria UK Ltd for the delivery of a managed service, infrastructure upgrades, business process re-engineering (BPR) and new ICT (consequent upon BPR). The agreement gives the opportunity for the Council and Steria to work together to improve back and front office service delivery by the implementation of innovative software and infrastructure. The transfer involved approximately 30 employees and the 2010/11 payment was £8.52m. All services continue to be delivered from existing Council premises.

Any plant and equipment installed at the end of the contract will be transferred to the Council. The Council only has the right to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract. There have been no changes in this arrangement during 2010/11.

Property, Plant and Equipment – The assets used to provide telephony and IT services across the Council are recognised on the Council's Balance sheet. Movements in their fair value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 12.

Payments – The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet performance standards in any year but which is otherwise fixed. The unitary charge payable in 2010/11 totalled £6.102m (£7.543m in 2009/10 including lifecycle costs of (£0.793m) capitalised in PPE as additions in year, repayment of liability (£2.263m) made up of £0.919m of finance cost and £1.343m of lease repayment, service costs (£4.947m) charged to CIES, and contingent rents £1.9m (this is a positive charge in early years due to calculations in the model and adjustments to the unitary payment, charged to CIES as reduction to service costs). The service charge amount in 2010/11 of £4.947m did not include a credit relating to performance deductions within the year (£nil in 2009/10)

There are provisions within this PFI arrangement which may affect the amount, timing and certainty of future cash flows, these are as follows:

- The benchmarking exercise is due to be carried out in 2015. There is a risk that an increase/decrease in unitary charge could result from this exercise.

- The contract is subject to an annual inflationary increase and therefore higher than anticipated inflation levels would lead to higher payment levels
- PFI credits are received from the DCLG, a failure to provide the DCLG with their required information could result in a loss of these credits to the Council.
- Any future BPR will be subject to change control processes which could result in both costs for the change and for future operating expenditure increases/decreases resultant from the change. These costs are unknown. Any proposed changes are subject to scrutiny and approval of the Business Change Board.

Value of Assets held under PFI contract is:

	31 March 2011 £000	**31 March 2010 £000**
Carrying amount at 1 April	10,950	11,773
Additions	793	368
Depreciation	(1,244)	(1,191)
Carrying Value at 31 March	10,499	10,950

Value of liabilities resulting from PFI contract is:

	31 March 2011 £000	**31 March 2010 £000**
Value at 1 April	7,821	9,478
Finance lease costs	919	1,114
Finance lease rental	(2,263)	(2,771)
Carrying Value at 31 March	6,477	7,8221

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

PFI Creditor	**31 March 2011 £000**	**31 March 2010 £000**
Due within one year	684	1,343
Due within 2-5 years	4,635	3,890
Due within 6-10 years	1,158	2,588
Total	**6,477**	**7,821**

31 March 2011	**Gross Payments**	**Interest**	**Service Charge**	**Life Cycle Costs**	**Payments less Interest, service charge & life cycle costs**
	£000	**£000**	**£000**	**£000**	**£000**
Payments to be made within one year	7,577	761	4,963	1,169	684
Payments to be made between 2 & 5 years	31,009	2,340	22,329	1,705	4,635
Payments to be made between 6 & 10 years	5,637	128	4,294	57	1,158
	44,223	**3,229**	**31,586**	**2,931**	**6,477**

31 March 2010	Gross Payments	Interest	Service Charge	Life Cycle Costs	Payments less Interest, service charge & life cycle costs
	£000	£000	£000	£000	£000
Payments to be made within one year	8,011	918	4,955	795	1,343
Payments to be made between 2 & 5 years	32,855	2,798	23,295	2,872	3,890
Payments to be made between 6 & 10 years	11,370	432	8,290	60	2,587
	52,236	**4,148**	**36,540**	**3,727**	**7,821**

40. Impairment Losses

During 2010/11, the Council has recognised an impairment loss of £133,323 in relation to its refuse collection vehicles. Upgrades to the Council's other waste processing facilities mean that the vehicles cannot now be used to their full capability and capacity. The recoverable amount of the vehicles has been reduced to their value in use and the impairment loss charged to the Cultural, Environmental, Regulatory and Planning line in the Comprehensive Income and Expenditure Statement. Value in use was determined by reference to the value that the Council received for the sales of three similar vehicles.

During the year the Council carried out adaptations at a cost of £367,756 (2009/10 £1,039,086) to a number of council dwellings under Disabled Facilities legislation. No individual adaptation was significant in value. As advised by the District Valuer these adaptations added no value to the dwellings, therefore this expenditure was impaired as shown in note 12.

41. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £1,411,371.13 (£161,573 in 2009/10). This was payable to 51 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.

42. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme (LGPS), administered by Norfolk County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions relating to Retirement Benefits

The Council recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

	2010/11 £000	2010/11 £000	2009/10 £000	2009/10 £000
Income & Expenditure Account				
Net Cost of Services				
Current service cost		4,183		2,056
Curtailments		(5,629)		53
Past service cost		(27,323)		25
Net Operating Expenditure		**(28,769)**		**2,134**
Interest cost		21,149		15,981
Expected return on assets in the scheme		(16,166)		(9,696)
Net charge to the Income & Expenditure Account		**(23,786)**		**8,419**
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with IAS19	23,786		(8,419)	
Actual amount charged against the General Fund Balance for pensions in the year	5,357	29,143	5,456	(2,963)
Employers' contributions payable to the scheme		**5,357**		**5,456**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £51,988,000 (actuarial loss £84,603,000 2009/10) were included in the Comprehensive Income and Expenditure Statement.

Reconciliation of present value of the scheme liabilities:	**2010/11 £000**	**2009/10 £000**
At 1 April	(367,520)	(234,919)
Current service Cost	(4,183)	(2,056)
Interest Cost	(21,149)	(15,981)
Contributions by Members	(1,419)	(1,410)
Actuarial Gains / (Losses)	63,256	(123,344)
Benefits Paid	10,834	10,268
Past service Costs	31,707	(78)
Liabilities Extinguished on Settlements	44,316	-
Liabilities Assumed in a Business Combination	(54,341)	-
At 31 March	**(298,499)**	**(367,520)**

Reconciliation of fair value of the scheme assets	**2010/11 £000**	**2009/10 £000**
At 1 April	203,132	158,011
Expected rate of return	16,166	9,696
Actuarial Gains / (Losses)	(11,305)	38,731
Employer Contributions	5,851	5,552
Contributions by Members	1,419	1,410
Benefits Paid	(10,834)	(10,268)
Assets Distributed on Settlements	(37,095)	-
Assets Acquired in a Business Combination	48,365	-
At 31 March	**215,699**	**203,132**

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

The actual return on scheme assets in the year was £18,615,000 (2009/10 £48,435,000)

	2006/07 £000 Restated	2007/08 £000 Restated	2008/09 £000	2009/10 £000	2010/11 £000
Present Value of Liabilities	(276,000)	(243,457)	(234,920)	(367,519)	(298,498)
Fair Value of Scheme Assets	220,797	203,340	158,012	203,132	215,699
(Deficit) in Scheme	(55,203)	(40,117)	(76,908)	(164,387)	(82,799)

The Council has elected not to restate the fair value of scheme assets for 2004/2005 and 2005/06 as permitted by IAS19.

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £298,498,000 has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £82,799,000. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contribution expected to be made to the scheme by the Council for the year to March 2012 is £4,534,700

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31 March 2010.

The principle assumptions used in their calculations have been:

	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.5%	7.8%
Bonds	4.9%	5.0%
Other	5.5%	5.8%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	21.2yrs	20.8yrs
Women	23.4yrs	24.1yrs
Longevity at 65 for future pensioners		
Men	23.6yrs	22.3yrs
Women	25.8yrs	25.7yrs
Rate of inflation	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%
Rate of increase in pensions	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%
Take up of option to convert annual pension into retirement lump sum		
Pre-April 2008 service	50%	50%
Post-April 2008 service	75%	75%

History of experience gains & losses

The actuarial gains identified as movements on the pension reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 % Restated	2007/08 % Restated	2008/09 %	2009/10 %	2010/11 %
Differences between expected & actual return on assets	(0.54)	(11.47)	(35.73)	19.07	1.14
Experience gains & losses on liabilities	2.86	1.33	0.13	(0.17)	14.59

Further information is available in point 6 of the Accounting Policies.

43. 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.

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits, Council tax bills). Grants received from government departments are set out in the subjective analysis in note 34 on reporting for resources allocation decisions.

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2010/11 is shown in note 31.During 2010/11, works and services to the value of £11,098 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, £556,343 was approved by members as grants to voluntary organisations. Of the organisations that received grant funding, seventeen 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 interests are recorded in the Register of Members' Interest.

A grant totalling £5,000 was also made to an organisation in which a member of senior management had a position on the governing body. The member of senior management did not take part in any discussion or decision relating to the grant

During 2010/11, works and services to the value of £27,542 were commissioned from companies in which 2 officers had an interest. Contracts were entered into in full compliance with the Council's standing orders.

Companies and joint ventures – the Council has interests in:

i. NELM Development Trust Limited (North Earlham Larkman and Marlpit), this is a 10 year, £35.2m, 'New Deal for Communities' initiative that funds community regeneration, it is entirely funded by central government. NELM activity commenced in 2000/01 and the Council is the accountable body.
ii. Two companies, Legislator 1656 and 1657 Ltd, which the Council has shares in and are related to developments at Norwich Airport.

For (i) and (ii) 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.

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 £155,070. There have also been a number of transactions on behalf of the Strategic Partnerships with the Highways Agency, disclosed in Note 31; and the Norwich & HCA Strategic Partnership, with expenditure of £195,253 and income of £165,770. These transactions are included in council budgets, and have gone through the budget setting process led by service managers and have been agreed at full council.

44. Contingent Liabilities

45. 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.

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 30 March 2010 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2010/11 was set at £106m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £86m. 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.

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 2011/12 was approved by Full Council on 31 March 2011 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 £000 31 March 2011	**Historical experience of default % 31 March 2011**	**Estimated maximum exposure to default £000 31 March 2011**	**Estimated maximum exposure to default £000 31 March 2010**
Customers	4,079		1,059	1,197

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 £1.9m of the £2.654m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2011 £000	**31 March 2010 £000**
Less than three months	753	1,084
Three to six months	125	250
Six months to one year	321	98
More than one year	709	133
Total	1,908	1,565

The Council initiates a legal charge on property where clients cannot afford to pay immediately. The total collateral at 31 March 2011 was £246,045 (31 March 2010 nil).

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:

	2010/11 £m	2009/10 £m
Repayable between:		
Less than one year	41,208	9,525
Between 1 & 2 years	16,414	5,500
	57,622	**15,025**

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 disclosed in note 15

All trade and other payables (£0.3m) are due to be paid in less than one year and are not shown in the table above

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	69
Impact on Surplus or Deficit on Provision of Services	69
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)	9,402

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

Price risk

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

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

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

The shares are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £41,200 gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 2010/11

More detail on this is shown in note 16

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.

Housing Revenue Account Income & Expenditure Statement

	Notes	2010/11 £000	2009/10 (restated) £000
Expenditure			
Repairs & Maintenance		10,205	15,637
Supervision & Management		16,218	16,025
Rents, Rates, Taxes & Other Charges		5,991	9,300
Negative Subsidy payable to Secretary of State		6,273	4,170
Depreciation & Impairment of Non-current Assets		123,605	1,266
Debt Management Costs		41	42
Movement in Allowance for Bad Debts		227	847
Total Expenditure		162,559	47,287
Income			
Dwelling Rents		48,230	47,141
Non-dwelling Rents		2,364	2,138
Charges for Services & Facilities		3,118	2,763
Contributions towards expenditure		9,926	12,194
Total Income		63,638	64,236
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		**98,921**	**(16,949)**
HRA services share of Corporate & Democratic Core		306	293
HRA share of the other amounts included in the whole Council Net Cost of Services but not allocated to specific services		-	(140)
Net (Income)/Cost of HRA Services		**99,227**	**(16,796)**
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Expenditure		(1,569)	(913)
Pensions Interest and expected return on pensions assets		1,183	1,357
Financing & Investment Income & expenditure		3,422	3,180
Taxation & Non-Specific Grant Income		-	(726)
(Surplus)/deficit for the year on HRA services		**102,263**	**(13,898)**

Movement in Reserves Statement (Housing Revenue Account)

	2010/11 £000	2009/10 £000
Balance at 31 March 2010	5,439	7,265
Movement in reserves during Year		
Surplus/ (deficit) on provision of services	(102,263)	13,996
Other Comprehensive Income & Expenditure	-	-
Total Comprehensive Income & Expenditure	(102,263)	13,996
Adjustments between accounting basis & funding basis under regulations (note 7 main accounts)	110,315	(15,731)
Net Increase/ Decrease before Transfers to Earmarked Reserves	8,051	(1,735)
Transfers to/from Earmarked Reserves (note 8 main accounts)	-	-
Transfers between reserves	-	-
Other Adjustments	-	(91)
Increase/Decrease in Year	8,051	(1,826)
Balance at 31 March carried forward	13,490	5,439

Notes to Housing Revenue Account

1. HRA Council Dwellings

At 31 March 2011 there were 15,691 HRA Council dwellings, of which 996 were sheltered units (including Good Neighbour Schemes).

	31 March 2011 Total	31 March 2010 Total
Parlour houses	335	346
Non-parlour houses	5,920	5,942
Non-traditional houses	284	284
Bungalows	337	338
Cottage properties	127	144
Flats	6,751	6,775
Maisonettes	519	522
Flats in tower blocks	422	422
Sheltered/Good Neighbour housing units	996	996
	15,691	**15,769**
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	**15,769**	**15,831**
Right to Buy sales	(35)	(36)
Other Dwelling Sales	(39)	-
Conversions	(6)	-
Demolitions	-	(26)
Transfer to Registered provider of Social Housing	(1)	-
New Dwellings in HRA	3	-
Stock as at 31 March	**15,691**	**15,769**

2. Housing Valuation

	31 March 2011 £000	31 March 2010 £000 (restated)
Operational Assets:		
Council Dwellings (HRA)	589,599	714,375
Other Land & Buildings	13,436	12,179
	603,035	**726,554**
Non-operational Assets	6,966	8,435
	610,001	**734,989**

There are a number of Council dwellings belonging to the General Fund whose value amounts to £6.638m (2009/10 £7.698m). 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 £596.237m (2009/10 £722.073m).

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% (2009/10 54%). 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 2011 was £1,458,763,000 (1 April 2010 £1,501,354,250)

3. Major Repairs Reserve

	2010/11 £000	2009/10 £000
Balance brought forward at 1 April	-	-
Depreciation charge for the year	(10,906)	(10,870)
Financing of capital expenditure for the year	2,493	9,879
Excess of depreciation over MRA	1,059	991
Balance carried forward at 31 March	**(7,354)**	**-**

4. HRA Capital Expenditure

	2010/11 £000	2009/10 £000
Capital Investment		
Operational Assets	4,375	16,642
Non-operational Assets	30	539
Intangible assets	77	
Total HRA Capital Expenditure	**4,483**	**17,181**
Sources of Finance		
Major Repairs Allowance	2,493	9,879
Revenue Contributions	-	5,970
Capital Receipts	-	805
Government Grants & Other Contributions	1,990	526
	4,483	**17,181**
Increase/(decrease) in Capital Financing Requirement	**-**	**-**
Opening Capital Financing Requirement	**460,480**	**460,545**
Closing Capital Financing Requirement	**460,480**	**460,545**

The Capital Financing Requirement for the HRA changed during 2009/10 due to circumstances unrelated to HRA capital expenditure and funding. During 2009/10 an area of land was appropriated by the HRA from the general fund and a separate area of land was appropriated by the general fund from the HRA. The difference in value of the two areas of land of £65,000 has resulted in a reduction of the HRA capital financing requirement, although the whole council's remains unchanged in relation to these appropriations.

5. HRA Capital Receipts

In 2010/11 total capital receipts from the disposal of HRA assets were:

	2010/11 £000	2009/10 £000
Land	1,723	1,110
Council dwellings	5,503	2,271
Total	**7,226**	**3,381**

6. Depreciation

As permitted by Code, the Major Repairs Allowance (based upon the Building Research Establishment's calculation of the cost of replacing each element of the stock at the end of its useful life), adjusted by the omission of the Geographic Adjustment Factor, has been adopted as a reasonable estimate of depreciation for HRA dwellings.
The amount of depreciation charged for the year was £10,906k (2009/10 £10,870k)

	2010/11 £000	2009/10 £000
Operational Assets		
Council dwellings	10,066	10,851
Other land & buildings	839	19
	10,906	**10,870**

7. Impairment & Revaluation Losses

During the year there were £552,831 of impairment costs (2009/10 £1,857,422) relating to HRA assets. Revaluation losses amounted to £122,260,317 (2009/10 gain £11,804,727), the major part of the revaluation loss is due to the increase of 7% in the regional adjustment factor; the losses attributable to this amount to £102,113,410.

8. Housing Subsidy

HRA subsidy of £6,272,671 (2009/10 £4,170,507) was payable to the Department for Communities and Local Government, and is made up of the following elements:

	2010/11 £000	2009/10 £000
Allowance for Management	10,132	9,884
Allowance for Maintenance	17,002	16,959
Allowance for Major Repairs	9,846	9,879
Charges for Capital	6,361	6,411
Other Items of Reckonable Expenditure	14	14
Subtotal Subsidy Receipts	**43,355**	**43,148**
Guideline Rent	(49,486)	(48,099)
Interest on Receipts	(2)	(3)
Subtotal Subsidy Payments	**(49,488)**	**(48,102)**
Prior Year Income	(139)	783
Total Housing Subsidy Receipts/(Payments)	**(6,272)**	**(4,171)**

9. Pensions Reserve

As set out in the Statement of Accounting Policies, 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.

10. Rent Arrears

Rent arrears at 31 March 2011 were £2.49m (2009/10 £2.46m). The provision for doubtful debts (rents) at 31 March 2011 was £1.3m (2009/10 £1.3m). Amounts written off during the year amounted to £0.2m (2009/10 £0.2m).

The Collection Fund Revenue Account

	Notes	31 March 2011 £000	31 March 2010 £000
Income			
Income from Council Tax		50,144	48,682
Transfer from General Fund:			
Council Tax benefits		14,790	13,905
Transitional relief		-	(1)
Discounts for prompt payment		-	-
Income collectable from business ratepayers		70,657	70,028
		135,591	**132,614**
Expenditure			
Precepts & Demands:			
Norfolk County Council		46,048	44,946
Norfolk Police Authority		7,687	7,423
Norwich City Council		9,083	8,836
Distribution of Estimated Surplus for Previous Years:			
Norfolk County Council		506	959
Norfolk Police Authority		84	157
Norwich City Council		99	187
Business Rates:			
Payment to National Pool		70,383	69,749
Costs of Collection		274	278
Bad & Doubtful Debts:			
Write Offs of uncollectable amounts		377	241
Allowance for impairment		727	(222)
		135,268	**132,554**
Collection Fund Balance b/fwd at 1 April		1,751	1,691
Prior Year Adjustment		-	-
Surplus / (Deficit) for the year		323	60
Collection Fund Balance c/fwd at 31 March	**3**	**2,074**	**1,751**

Notes to the Collection Fund Statement

1. Income from Business Rates

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

The total non-domestic rateable value at 31 March 2011 was £197,505,215 (2009/10 £171,444,722). The national non-domestic rate multiplier for 2010/11 was 41.4p in the £ (2009/10, 48.5p in the £). The small business multiplier for eligible businesses in 2010/11 was 40.7p in the £ (2009/10, 48.1p 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	2010/11 Calculated Number of Properties in Band	2009/10 Calculated Number of Properties in Band
Up to £40,000	A	14,304.01	14,178.44
£40,001 to £52,000	B	14,246.24	14,173.56
£52,001 to £68,000	C	5,827.16	5,721.82
£68,001 to £88,000	D	2,928.55	2,851.70
£88,001 to £120,000	E	2,269.42	2,238.62
£120,001 to £160,000	F	1,062.32	1,029.38
£160,001 to £320,000	G	946.00	944.50
Over £320,000	H	88.80	96.00
		41,672.50	**41,234.02**
Collection Rate		0.965 x	0.97 x
		40,213.96	**39,997.00**
Contribution in Lieu (relating to Crown Properties)		0.00	0.00
Tax Base		**40,213.96**	**39,997.00**

The tax rate per Band D property was £1,562.10 (2009/10 £1,530.25).

3. Contribution to Collection Fund Surpluses & Deficits

The surplus on the Collection Fund will be distributed in subsequent financial years between Norwich City Council, Norfolk County Council and Norfolk Police Authority in proportion to the value of the respective precept made on the Collection Fund.

	2010/11 £000	2009/10 £000
Norfolk County Council	1,520	1,286
Norfolk Police Authority	254	212
Norwich City Council	300	253
Surplus Carried Forward	**2,074**	**1,751**

Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/2011 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010/11, 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.

2. 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.

3. 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 in [specified period, no more than 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.

4. 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.

5. 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 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.

6. 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 current 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 provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme
The Local Government 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 bond [name of bond or index of bonds]).

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

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

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

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

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

Discretionary Benefits

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

7. 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.

8. 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 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 the voluntary organisations, 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.

9. 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.

Area Based Grant
Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

10. 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 annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the 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.

11. 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.

12. 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.

13. 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 *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the 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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

14. 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.

15. 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.

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

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer The exception to this is the ICT PFI asset which is depreciated straight line over the 15 year life of the contract
- infrastructure – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals & Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

16. Private Finance Initiative (PFI) & Similar Contracts

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

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

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

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

17. Provisions, Contingent Liabilities

Provisions

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

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

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

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

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

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

18. 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.

19. 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.

20. 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.

Annual Governance Statement 2010/11

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.

In October 2008 Norwich City Council approved and adopted an updated 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's website at www.norwich.gov.uk.

This statement explains how Norwich City Council has complied with the principles of the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the council's review of the effectiveness of its system of internal control and the preparation of an annual governance statement to accompany the statement of accounts.

2. The purpose of the governance framework

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

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

The governance framework has been in place at Norwich City Council for the year ended 31 March 2011 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 the corporate plan 2010-12. The plan is available on the council's website at www.norwich.gov.uk.

  The City of Norwich Partnership brings together a range of key public, private and voluntary organisations to decide on an overall vision and priorities for the city.

  The sustainable community strategy, which sets out long-term plans to improve the quality of life for local people, will be delivered and monitored by the City of Norwich Partnership. The strategy sets out the vision, themes and strategic objectives that meet the priorities of the people in Norwich.

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

  The corporate plan sets out the city council's strategic aims and priorities. The current corporate plan 2010-12 was approved by Council on the 30 March 2010.

  On the 22 February 2011 the policy and budget framework 2011-12 was approved by Council. This included a review of the corporate plan in parallel with the development of the city council budget for 2011-12 to ensure that there would be adequate resources to continue the effective delivery of the key corporate priorities. The plan was also reviewed in light of the changing national policy and regulatory context for the city council.

  The corporate plan was always intended to last until 2012 and despite the fact some of the wider context had changed the strategic aims and priorities remain current and appropriate for the council. Therefore no significant changes to the plan were made, although four corporate policies were slightly amended.

  The delivery of the corporate priorities within the corporate plan is managed through strategic priority plans for each service area and monitored through the council's performance management and reporting system. These strategic priority plans also set out specific service based priorities and actions for each service area within the council.

  Strategic priority plans have been reviewed for 2011-12 in line with the proposed changes to the corporate plan priorities and in accordance with the development of the draft budget for 2011-12 to ensure the necessary resources are in place for their delivery.

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

  Performance management in the council continues to be improved with a more focussed corporate plan setting out priorities and supported by a strategic management framework. The new plan has sharpened the number of promises and commitments and the service and team planning process designed to more explicitly reflect these priorities. The corporate plan is underpinned by strategic priority plans (SPPs) 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 much more into the service planning process, and are now required to sign off SPPs 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 revised corporate plan and supporting plans for 2010-12. Each service has a high level dashboard charting progress against their service plan priorities. This is used to strengthen our performance reporting processes to the cabinet, scrutiny, corporate leadership team and all managers. Performance is reported quarterly to cabinet.

The council's budget policy and processes are designed to identify efficiencies and savings. During 2009-10 and 2010-11 the council carried out a major transformation programme overseen by the corporate improvement and efficiency board (CIEB), which included members from Local Government Improvement and Development (formerly the IDeA) and Improvement East. Since its creation, the board has examined detailed council plans for how to reduce costs and become more efficient, without affecting service delivery. This included a comprehensive approach to reviewing contract and purchasing costs and a downsizing of senior management, which has helped contribute to saving £10 million and building up prudent levels of reserves.

The board agreed in January 2011 that it no longer needed to meet, although improvement and efficiency work would continue under the transformation programme.

To improve landlord services Norwich set up a housing improvement board in 2009, independently chaired and attended by staff, residents and representatives of other agencies (including GO East and the Audit Commission). The board sought to identify barriers to improvement and to work with the council to deliver improvements to services.

In order to gauge its progress, the council invited the Audit Commission's Advisory Services to carry out a piece of work to identify strengths and weaknesses in its rate and extent of service improvement, and to identify any areas for further improvement.

In April 2011 the Audit Commission reported that the council has made significant progress to improve the landlord service over the last two years. Good progress has been made in delivering the improvement plans and implementing the recommendations from the housing inspection in 2009. Although there is some way to go, in general, services for tenants have improved.

The council is a member of HouseMark, which is the main benchmarking organisation for social housing. Norwich is a major subscriber and also a member of the HouseMark major housing organisations forum which meets quarterly to discuss housing issues and shape good practice.

The council is currently preparing its annual performance report 2010-11, which is intended to be published alongside the statement of accounts.

- 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:

  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.

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

  In 2007 the council adopted the new model code of conduct for local authority members, which includes the ten general principles of standards in public life.

  There is a separate code of conduct for staff (updated in October 2009) which is supported by HR policies and procedures. New staff are given a copy of the code of conduct and other key policies, and there are regular reminders to staff regarding compliance with the policies. Staff 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 and updating standing orders, financial regulations, the scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:

The head of law and governance (as the council's monitoring officer) is responsible for regularly reviewing and keeping up to date the council's constitution in conjunction with the corporate governance group. Proposals for changes are discussed by members at the constitution working party, before being approved by council.

The scheme of delegations was last updated by full council in March 2010. Work began on reviewing financial regulations and contract procedure rules in 2010 and new versions will be in place during 2011.

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

  CIPFA recommends the inclusion of a specific statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA '*Statement on the Role of the Chief Financial Officer in Local Government (2010).* A review of our arrangements against the CIPFA statement found that in most respects the council's arrangements comply with the five principles in the statement.

  The head of finance has been a member of the corporate leadership team since January 2011. Prior to this the head of finance considered that the arrangements covered by the council's chief finance officer protocol in the constitution delivered the same impact as the CIPFA requirements.

  The protocol refers to the arrangements and understandings between the head of finance (as chief financial officer), members and the corporate leadership team which are designed to ensure the effective discharge of the council's business and functions.

  Under the protocol, the chief finance officer will:

  - Be alerted by members and officers to any issue(s) that may become of concern to the council
  - Have advance notice of all relevant meetings of the council at which a binding decision of the council may be made
  - Have the right to attend any meeting of the council (including the right to be heard) before any binding decision is taken by the council.
  - Ensure the other statutory officers (head of paid service and monitoring officer) are kept up to date with relevant information regarding any financial management issues, accounts and audit regulations, proposed expenditure or actions which might lead to a loss or deficit
  - Meet with the head of paid service and monitoring officer to consider and recommend action in connection with corporate governance issues and other matters of concern regarding any financial management issues.

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

  The council has had an audit committee since 2007, with terms of reference covering internal and external audit, risk management, accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference are in line with the guidance and can be found in article 17 of the council's constitution.

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

  The head of law and governance (as monitoring officer) is responsible for advising whether decisions of the cabinet are in accordance with the budget and policy framework.

  In relation to an executive function, the head of law and governance and head of finance have responsibility for ensuring that all proposals, decisions and actions incurring expenditure are lawful.

Corporate policies and strategies, which are subject to regular review, are available on the council intranet. Staff 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. Officer responsibilities and actions are controlled through individual departmental authorisations under the scheme of delegations.

- 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, e.g. housing benefit fraud, insurance fraud.

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

  Members - the council has been awarded the EERA Members Development Charter which recognises the council's good practice in its approach to members' development/training.

  The 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.

  Managers have had the opportunity to participate in modular 'manager development' programmes which have been designed to build on existing skills and abilities. These have now been reviewed and future management training will be aligned to the management competencies which the council has developed. There is an annual staff appraisal system through which learning and development needs for all staff are identified. Individual management development needs are assessed as part of the process.

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

  Tenants have a range of ways to be involved. 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.

  Strengthening of the formal involvement structure by allowing co-opted members to join the Citywide Board has led to more tenants joining.

  In addition to the Talk Back panel there is a database of about 400 tenants and leaseholders who have expressed an interest in some sort of involvement, and are available to be called on for various activities.

  Any public consultations that are planned for the year have to be included in service priority 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's website.

- Incorporating good governance arrangements in respect of partnerships 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 works extensively with its insurer Zurich Municipal (ZM) to improve its risk management processes, including training for members and managers.

  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 the audit committee.

  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. During 2010-11 ZM carried out an exercise to review and challenge all service risk registers.

  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.

  During 2010-11 the council's business continuity arrangements were reviewed by an independent consultant against BS25999, the British standard for business continuity management. Against the seven modules in the British standard the council scored between 23% and 79%, with an overall result of 60%. A summary of the findings was reported to audit committee on 22 March 2011, which heard that the council's public protection officer is using the findings to prioritise the work needed to improve the council's arrangements against the standard.

  The council's corporate business continuity plan was successfully invoked in September 2011 due to the loss of a major contractor. A review of the actions taken by the council was reported to council on 28 September 2010 and audit committee on 17 January 2011.

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 authority who have responsibility for the development and maintenance of the governance environment, the work of internal audit and the audit manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The council has undertaken a review of its governance framework in accordance with best practice advice as published by CIFPA/SOLACE in meeting the requirements of the Accounts and Audit Regulations 2006.

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

The council and cabinet

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

During 2010-11 the cabinet received regular reports on the wider economic situation and approved the 'lean' blueprint for transforming the council and moving forward with a programme of savings and efficiencies.

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

Performance monitoring reports are comprehensive, covering achievement against the council's detailed priority actions and performance measures detailed in the corporate plan 2010-12.

The council's constitution working party recommends to cabinet and council any changes to the constitution. On 22 March 2011 full council approved changes to the constitution, including monitoring officer arrangements and the scheme of delegations. It also asked the constitution working party to carry out a fundamental review of the constitution during 2011-12.

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, the right to review council policies, and to consider service plans. The statutory annual report on the work of scrutiny committee in 2010-11 was presented to scrutiny committee on 17 March 2011 which recommended that it should be adopted by full council at a later date. The report was received by full council on 28 June 2011.

The audit committee

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

The committee receives reports on corporate risks, the work of internal audit, including the audit manager'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 chair of the standards committee presents an annual report to standards committee and full council. The annual report for 2010-11 was presented to standards committee on 17 June 2011 and to full council on 28 June 2011.

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

The monitoring officer's annual report supports the assurance statements included in the annual governance statement. It provides a review of the monitoring officer's work as part of the council's governance arrangements and system of internal control. The annual report of the monitoring officer covering the period September 2009 to September 2010 was presented to standards committee on 17 December 2010. In order to bring future annual reports in line with the civic year, the monitoring officer produced an interim report covering the period September 2010 to March 2011. This was endorsed by members of the standards committee in September 2011 and will be submitted to council in January 2012.

The monitoring officer's overall opinion was that the systems of internal control administered by the monitoring officer including the code of corporate governance and the council's constitution were adequate and effective during 2010-11 for the purposes of the latest regulations.

Chief finance officer

The chief finance officer is a statutory appointment, and the current responsibilities of this role rest with the head of finance. 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.

The role of the chief finance officer is the subject of the CIPFA statement on the role of the chief financial officer in local government. The head of finance has assessed his role against the principles in the statement and in most respects the detailed requirements are met. Although the head of finance did not join the corporate leadership team until January 2011, compensating arrangements were in place as covered by the chief financial officer protocol. Further details can be found in 'financial management arrangements' in section 3 of this statement. Any areas requiring further action are detailed in section 5 of this statement.

Internal audit

Internal audit is an in-house 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. If additional resources or technical expertise is required the internal audit function can be supplemented by external suppliers.

It has previously been reported that internal audit is not meeting the requirements of the Code of Practice for Internal Audit in Local Government in the UK 2006. This is referred to under section 5 – significant governance issues (see below).

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

The audit manager's annual report was presented to audit committee in June 2011; the audit opinion was that there was adequate assurance on the internal control environment for 2010-11. However, the audit plan was not completed and this is referred to in section 5.

Corporate governance group

This is an internal officer group chaired by the deputy chief executive which is responsible for reviewing all aspects of the council's governance arrangements. Membership of the group includes the council's monitoring officer, head of finance, and head of procurement and service improvement. The group aims to meet quarterly.

Other explicit review/assurance mechanisms

The Audit Commission is the appointed external auditor, which provides a further source of assurance by reviewing and reporting upon the council's financial statements, internal control processes, and any other matters relevant to their statutory functions and codes of practice. Their annual governance report 2009-10 was presented to audit committee on the 18 October 2010, and the annual audit letter 2009-10 was issued in November 2010. The annual report on the certification of claims and returns 2009-10 was issued to officers in February 2011 and has been revised for the completion of residual certification work.

For 2009-10 the Audit Commission's work resulted in unqualified accounts, although significant extra work was required by the auditors due to errors in the financial statements. The value for money conclusion was qualified because the council did not meet the minimum standard for two of the nine criteria - financial reporting and internal control. Further details can be found in section 5.

The Leader of the Council and Chief Executive have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and plans to address weaknesses and ensure continuous improvement of the system are set out in the following section:

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):

Audit Commission annual audit and inspection letter 2009-10

Each year the Audit Commission publishes an annual audit letter which provides an overall summary of their assessment of the council and areas where the council needs to improve its performance.

The letter, which was issued in November 2010, also refers to the findings in the Audit Commission's annual governance report, which was presented to audit committee on 26 October 2010.

In summary, the district auditor gave an unqualified opinion on the council's 2009-10 financial statements. However, the financial statements presented for audit contained a number of material errors.

With regard to the value for money conclusion, the district auditor issued a qualified 'except for' conclusion because the council did not have adequate arrangements for:

- timely and reliable financial reporting that meets the need of internal users, stakeholders and local people; and
- managing its risks and maintaining a sound system of internal control.

The district auditor also commented on the significant risks to the council's future financial resilience and recommended that the council should "continue to develop and deliver the savings programme and medium term financial strategy to ensure the necessary savings are achieved."

An outline of the Audit Commission's findings and the council's response are summarised below, for which a detailed action plan has been completed.

Significant Issue	Proposed Action	Date
Issues with financial reporting and financial statements, including: • material errors in accounts presented for audit • basis for some asset valuations • cash flow statement certification and adoption arrangements for accounts	The Audit Commission made 8 recommendations. Some are substantially complete, and it was the intention to address the remainder as part of the 2010-11 closedown process. However, the implementation of IFRS has caused a number of delays in addressing the recommendations made by the Audit Commission in their 2009-10 annual governance report, including issues relating to fixed assets, PFI and leases. The council is taking appropriate action to ensure that these are addressed during the 2011-12 financial year, to be completed by 31 March 2012.	March 2012

Significant Issue	Proposed Action	Date
Internal audit - issues around compliance with the code of practice and timeliness of audits and reporting.	Three recommendations. Options to address the longer-term resourcing issues with internal audit are currently being considered and a report will be presented to cabinet. Timely annual report to be presented to audit committee	March 2012 June 2011
Improvements needed to the system for accounting for fixed assets	Five recommendations made. These are either being reviewed or will be addressed as part of the 2010-11 closedown process	March 2012
Inadequate internal controls relating to: • accounts receivable • reconciliations • payroll • property repairs • cash suspense accounts	Eleven recommendations made. These are mostly complete. A small number will be addressed as part of the 2010-11 closedown process	June 2011
In 2009-10 the council successfully managed an £8m budget gap. However, the tighter fiscal environment will continue to put pressure on the council to manage its financial position to prevent a general fund deficit. Projections in October 2010 estimated the Council would need to find general fund savings of at least £12m over the next four years, £3m of which would need to be made in 2011-12.	The Audit Commission recommended the council to "continue to develop and deliver the savings programme and medium term financial strategy to ensure the necessary savings are achieved." A savings programme has been drawn up to deliver these 2011-12 savings, and this is currently being implemented. The council is also implementing its 'lean' blueprint for a leaner council around the core elements of customer focus, cost consciousness and continuous improvement.	Ongoing

Internal audit

Internal audit is expected to work to the Code of Practice for Internal Audit in Local Government in the UK 2006. A triennial review of internal audit by the Audit Commission in 2008/09 (reported in their Annual Governance report issued in September 2009) found weaknesses in compliance with the code. An action plan to address the weaknesses has not yet been implemented

The audit plan for 2010-11 was not completed, and fundamental systems relating to housing rents and treasury management were not reviewed. In addition, payroll, asset management and business rates were commenced but not completed.
Action and date: outstanding reviews of fundamental systems will be completed in the first half of 2011-12.

Options to address the longer-term resourcing issues with internal audit are currently being considered and a report will be presented to cabinet in 2011-12.

Internal audit reports

Internal audit review of the following systems resulted in limited assurance opinions – accounts receivable (issue still outstanding from previous audit); purchase cards; and cemetery. Summary action plans for each are as follows:

Issue	Response	Date
Accounts receivable:		
Non-compliance with Payment Card Industry (PCI) standards	Waiting for amended software from supplier to meet some of the requirements. Need to buy additional hardware/software for mobile working and intrusion detection	September 2011
Purchase cards		
Failure to promptly update records resulted in discrepancies between bank and council records	Regular cross checking between bank and council records has been initiated and all records reconcile	July 2011
Some merchant category codes (MCC) are not being blocked as required by the contract	To strictly apply the MCC blocking would reduce the benefit of using purchase cards, therefore this risk is currently being accepted pending the relet of the contract. Cash is always blocked	2012
Contract failures such as slow updating of records are not being promptly taken up with the bank	Will be addressed as part of the contract relet. This is now subject to regular checking by procurement and all records are currently up to date	2012
Cemetery		
Operational proposals reported to members had not been implemented	Agreed to implement report proposals.	June 2010
No overall reconciliation of income and expenditure	Reconciliation to be implemented. (Subsequent follow up by audit found that both recommendations have been implemented)	June 2010

Progress on the action plan from the previous governance statement

Actions taken to address the significant issues from the 2009-10 governance statement are substantially complete or the council has assessed the risk and accepted it. However, the following significant issues require further progress:

- During 2010/11 internal audit staff were heavily involved in trying to resolve outstanding issues resulting from the Audit Commission's certification work on the new deal for communities scheme (known as NELM).This impacted on completion of the audit plan and resourcing continues to be an issue, which has necessitated the use of some external support. Work on the action plan to meet the code of practice has not progressed.

  Action and date: options to address these issues in the longer term are being considered by the head of finance and a report on the options will be taken to cabinet in 2011.
- The council's financial regulations and contract standing orders were updated in 2008 and are overdue for a review. The review process started in 2010-11 but was not completed.

  Action and date: the head of finance and head of law and governance presented updated financial regulations to council in September 2011. Detailed financial and contract rules are currently being updated, but these will not be part of the constitution, so will not have to be reported to council.

6. Statement by Leader of the Council & Chief Executive

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

Signed:

......…………………………………. ………………………………….

Brenda Arthur
Leader of the Council

Laura McGillivray
Chief Executive

Date:

………………………………….. …………………………………

Produced by Norwich City Council
www.norwich.gov.uk
t: 0344 980 3333 e: info@norwich.gov.uk