NORWICH
City Council

Statement of accounts for the year ending 31 March 2012



Contents

Explanatory Foreword

1. Who we are and what we do

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

The City Council is responsible for approximately 60% of the urban area of the City, including the historic city centre, covering a population of approximately 143,000 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.

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

- £8m investment secured for the city through a ground breaking partnership with the Homes and Communities Agency (HCA)
- Around 127,000 people work in the greater Norwich Area and 50,000 workers commute to the city each day
- 40% 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
- 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 ten in the UK, with retail generating £1.02 billion per annum – the highest in the region
- 39.1% 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
- Above average rates of homelessness
- 25% of housing is Council rented compared to only 5.5% 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 84% across Norfolk
- 6.7% of working age population is claiming incapacity benefit / unemployment support allowance
- Reducing levels of crime in the city
    - 11% reduction in anti social behaviour for first 9 months of 11/12
    - Perceptions of antisocial behaviour as a problem have reduced from 38% to 19.9%
    - Overall crime reduced by 3% in 2011/12
- 31.8% of children in Norwich are affected by income deprivation. The highest percentage of any district council in the country.

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
- UNESCO City of Literature
- 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
- Increased household recycling and composting to over 40% and significantly reduced waste going to landfill per household

- Norwich City Council has reduced its carbon footprint by more than 16% since the start of its carbon management programme
- University of East Anglia and Norwich Research Park are internationally recognised for excellence in environmental, health and life sciences.
- Norwich has the highest decrease in CO^2 emissions per capita in the south and east of the UK and one of the highest nationally. This is despite having one of the highest population growths.

The council

The City Council has approximately 625 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 3 May 2012, is as follows:

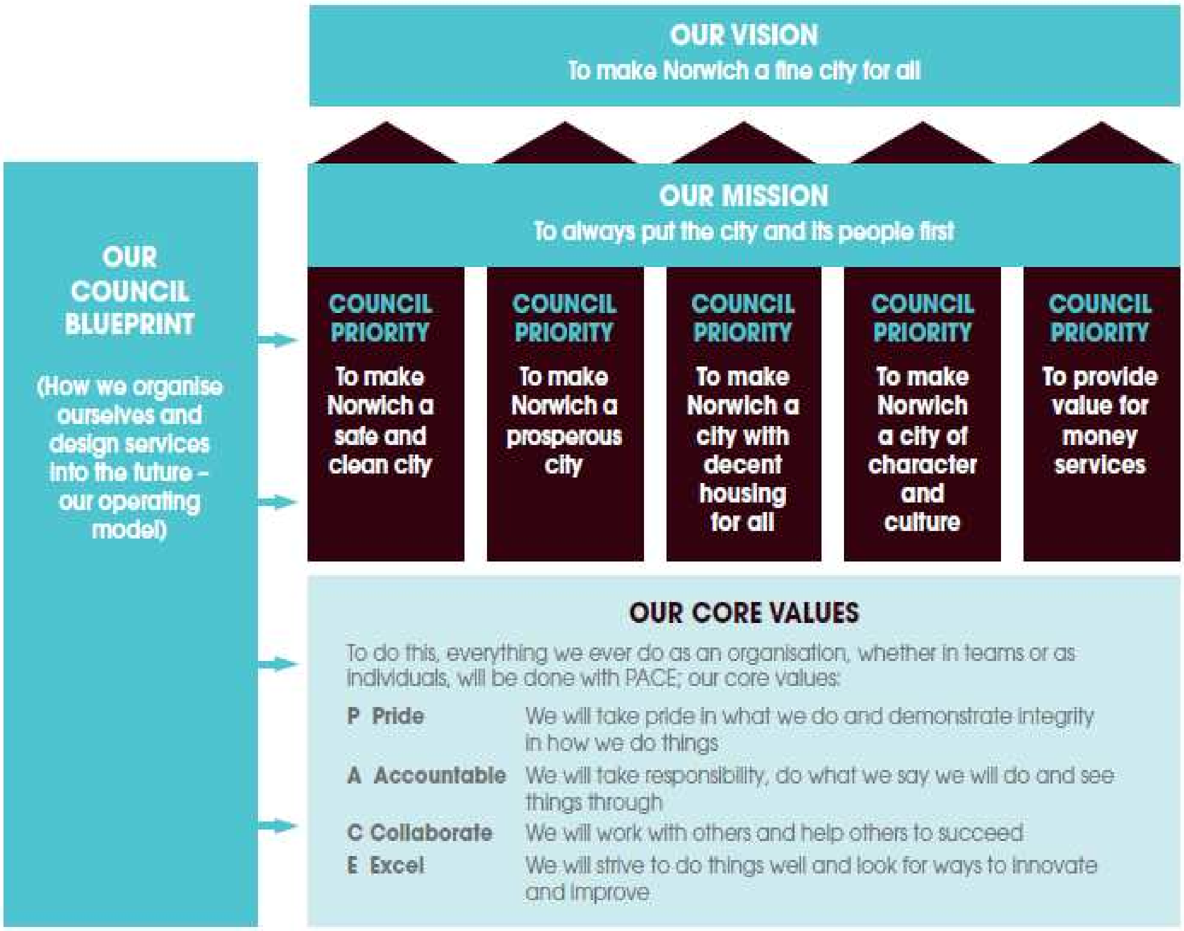
- Labour - 21seats
- Green Party - 15 seats
- Liberal Democrats - 3 seats

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 and sport, partnerships, strategy and policy and economic development
- Cabinet member for resources and deputy leader
- Cabinet member for environment and development
- Cabinet member for neighbourhoods and environment.
- Cabinet member for customer services
- Cabinet member for parks and open spaces
- Cabinet member for housing

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



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

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

Improving frontline services
The council has made major improvements to its key frontline services over the last three years, for example:

- we have more than doubled our recycling rate moving from 18% to over 40%. We are 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.
- we have now introduced weekly food waste recycling collections and hope to increase our recycling rates further to over 55%
- our housing service has been transformed going from being a 0 star service to a very strong re-inspection which saw the audit commission commend the service as having made excellent progress against challenging targets and said we had “a very positive story to tell” considering how far we had come since our last formal inspection.
- the housing service has also been awarded the ‘customer service excellence standard’ and the relet time for housing has been reduced by more than 75% going from over 64 days to less than 14 days
- we were the first council in the country to sign up and launch the Food Standard Agency’s national food hygiene rating scheme
- we have achieved QUEST (UK Quality Scheme for Sports and Leisure) commended status for our leisure centre provision.
- Overall customer satisfaction with the council has improved considerably and is now regularly at over 90% with avoidable contact reduced.

Becoming more efficient
The council has worked very hard to continually become more efficient and deliver savings to address the effects of the recession and government funding reductions.

The council has already saved £14.6 million from its general fund over the last three years through its successful transformation and efficiency programme with a package of a further £5.9 million of general fund revenue savings in place for 2012/13 (this is equivalent to over a 33% reduction in gross controllable general fund revenue costs). This has been achieved through a range of ways including:

- Utilising a resource optimisation methodology to challenge all council activities and ensure all resources are focused on priorities
- Running a rolling series of lean reviews to streamline business processes and drive out waste in a range of areas including customer contact, land charges, planning and housing.
- Establishing a shared legal service with two other councils
- Putting in place a new HR business partner model
- Rationalising office accommodation and sharing City Hall with the Norwich Clinical Commissioning Group (CCG)
- Streamlining management structures
- Migrating customers away from cash payments on to more efficient payment channels
- Reshaping the council’s strategic and support services
- Renegotiating and re-letting major contracts
- Implementing a corporate enforcement model
- Developing a corporate business support model
- Embedding culture change using initiatives such as an ‘appreciative inquiry’ to support behaviour change among staff to help the new ways of working.

External recognition of the council’s improvement and efficiency journey

The council has recently received external verification of its improvement and efficiency journey through a peer challenge, supported by the local Government Association” which commended the council on the work it had carried out. The peer team said “There is little doubt that Norwich City Council has been on an impressive journey of improvement over recent years. The organisation is rightly proud of that.”

Working collaboratively

The council is very committed to working collaboratively with our statutory, private and voluntary partners - both through a range of formal partnerships and more organically through building relationships of trust in bilateral working arrangements.

To support this in 2008 we developed and implemented a corporate governance partnership framework to annually review our formal partnership activity, its value and significance, and manage risk appropriately.

As the partnership landscape changed, in 2011 we took to take the bold step of dissolving the local strategic partnership (LSP) for Norwich and working with our partners to develop new partnership arrangements that were a better fit for the future environment. The new **Norwich Locality Board** is regarded positively by partners and provides a streamlined mechanism for aligning joint commissioning and project activity, problem solving and developing better ways of working. It has already taken on responsibility for youth commissioning and may in time become a health and well being board for Norwich.

Our **Greater Norwich Development Partnership** made up of Norfolk County Council, Broadland District Council, South Norfolk Council, the Broads Authority and ourselves is successfully coordinating the planning and management of major growth and supporting infrastructure across the greater Norwich area. Whilst our regeneration partnership with the Homes and Community Agency, discussed earlier, has been called groundbreaking.

Outside of formal partnerships, we foster collaborative working through bilateral partnership working. For example from an early stage in their development we have worked closely with the Norwich Clinical Commissioning Group (CCG) to consider jointly the needs of the City, and the wider determinants of health. Whilst this relationship is now assisted by the location of the CCG within City Hall, it is by no means dependent upon it, existing on basis of open dialogue and common purpose. This relationship is supported by our closer working with the integrated health and social care team who are soon to also co- locate within City Hall with the CCG.

Similarly we have been working with the County Council on the Ageing Well Programme, a process of coproduction with older people. We also have regular management meetings with Children's services, led by the chief executive, to facilitate open discussion and understanding of individual and shared issues.

We have also developed an excellent working relationship with the University of East Anglia with the council's chief executive a member of their board and of the Norwich Research Park stakeholder Board.

We have fully recognised the value of the Voluntary and Community Sector (VCS) and are committed to work with and support the VCS. The council's Leader is the member champion for the voluntary Compact and we are embracing the Compact across the organisation.

We have developed and implemented a new commissioning framework for all commissioning activity that seeks to provide "a level playing field" and embraces key principles in relation to commissioning through the VCS. As part of this we have just begun a piece of co-production work with a range of voluntary organisations in the City to jointly redesign the services the council commissions for financial inclusion and debt advice in line with the changing landscape caused by welfare reform.

Whilst our joint work with the business sector on economic development, and through our neighbourhood working model with the Police and other agencies, has put in place firm foundations for further collaboration and improved joint working in the future.

Future challenges and how the council is responding

The council's new corporate plan 2012-2015 sets out very clearly what the council will do over the next three years. The council's vision, mission and priorities and values are shown earlier on page 5 of this document and the key performance measure and targets on page 6.

Simultaneously to developing the new corporate plan the council has been working through the best way to organise itself to deliver that vision and priorities given the key change drivers facing the organisation. These key change drivers are summarised below:

- **Changing customer preferences –** the major consultation *(your services your say)* the council has carried out to inform its new corporate plan and change work has shown that the public want us to have a very clear focus on core district council services (safe and clean etc) and that they are most willing to contact the council through the website in future compared to other contact channels.
- **Political aspirations –** the council's new Leader and Cabinet want the council to become an even more collaborative council in the future working with external partners from different sectors to maximise the joint effect of our resources for the benefit of the City
- **Financial pressures** – the council's medium term financial strategy means the council will need to make further general fund revenue savings of over £7 million over the next four years.
- **Innovation from elsewhere –** the council has held a series of master classes with members and officers to look at examples of different operating models and innovative ways of working from other councils and sectors
- **Employee aspirations –** the council has run a programme of *'new ways of working'* workshops that all employees were encouraged to attend. These workshops allowed employees to put forward all their ideas on how the council should change in the future as well as helping them to prepare themselves personally for future change
- **Changing national policy and legislation –** including the Localism act, Police reform and social responsibility act, Local government finance reform and welfare reform.

The council has assessed what is believes to be the impact of each of these key change drivers on the council and how easy they will be to implement and what that means for how we will need to operate in the future.

This has lead to a reshaping of the council's blueprint (operating model) which will guide everything the organisation does in the future including service design.

To support this new operating model the council has developed a 'compelling story' which is a very short and simple way of describing for employees what the organisation will be like in the future.

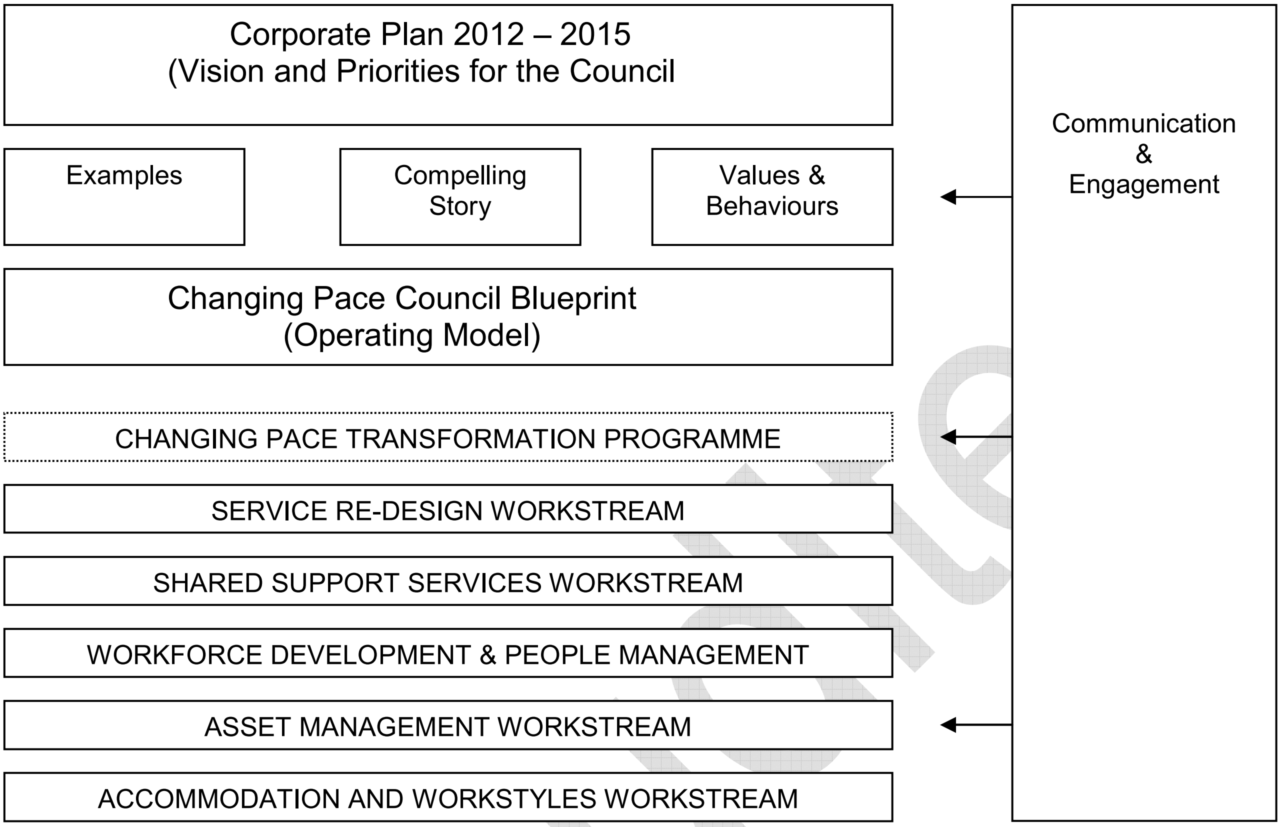
Our core organisational values have also been reshaped to support the key behaviours that we will all need to exhibit in the future to deliver the new ways of working.

These changes will lead to a new workforce strategy, leadership competency framework, appraisal system and learning and development programme.

The move to the new operating model will be driven through the next phase of the council's transformation programme.

The diagram below summarises how these different elements fit together and the key work streams within the council's transformation programme that will deliver the new operating model.

DIAGRAM – Summary of how the key elements fit together



The council had its new draft council blueprint (operating model) and supporting plans independently assessed as part of the peer challenge it had in March 2012.

The peer team said “We think the philosophy and principles of your proposed new operating model are relevant, appropriate and realistic given the political priorities, challenges and context in Norwich. The model is clearly designed to enable and support the vision and intention to become a ‘collaborative’ council.

A clear rationale and thought process has informed the new model proposed. You are taking a considered approach to its implementation. This includes reality checking it with stakeholders such as staff, and indeed, the peer challenge team.”

The first part of the move to the new operating model is already under way as this was essential to help the council realise the other changes.

On the 12 April 2012 the council formally joined the **LGSS partnership** (Local government shared service) and now receives its ICT and Finance services (including revenues and benefits) through this partnership with Cambridgeshire County Council and Northamptonshire County Council.

This has resulted in the council realising immediate net annual revenue savings of at least £1.55 million per annum as well as a number of improvements including increased capacity and resilience and access to a wider range of skills and expertise.

Very importantly this will also ensure the council is much better placed to drive future efficiency through the use of new technology and deliver its new operating model.

The council expects to realise significant further savings and improvements through further phases of work with LGSS.

In March 2012 the council also formally commenced a joint venture with **Norfolk Property Services** (NPS) for asset management. This new venture is managing the council's asset portfolio.

Again this will help to deliver the operating model by ensuring we have the skills and capacity to maximise income and trading opportunities from our assets and deliver the council's future office accommodation plans. This will support the asset management and accommodation and work styles work streams within our changing pace transformation programme.

We recognise that all this means fundamentally changing the way we do things at Norwich City Council. Changing how we think about the organisation, changing the way we run the organisation and changing the way we behave in the organisation.

Different skills will be needed. More than ever, we will need to work as one council with common standards and approaches, in collaboration with our partners whether they are private, public or voluntary sector.

The move to our new operating model will be the next step change in our journey and will place demands on the whole organisation. However we firmly believe that it will put us in a much stronger position to deliver our new corporate plan and pursue our core purpose of serving and standing up for our city to the best of our abilities.

.

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 2012. This foreword intends to give a general guide to the significant matters reported in the statements.

The Statements of Accounts for 2011/12 have been prepared in accordance with the 'Code of Practice on Local Authority 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. This code is based on International Financial Reporting Standards (IFRS) and introduces significant changes to the key financial statements and to the accompanying notes. The introduction of IFRS based accounts has necessitated the re-statement of various balances and transactions, therefore note 1 sets out the material differences between the signed Statement of Accounts for 2011/12 and the comparative amounts in the Statement of Accounts for 2011/12.

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 2012, as follows:

- **Statement of Responsibilities for the Statement of Accounts** which sets out the respective responsibilities of the Council and the Chief Finance Officer for the accounts.
- **Movement in Reserves Statement** showing the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
- **Comprehensive Income and Expenditure Statement (CIES)** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Balance Sheet** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **The Housing Revenue Account (HRA)** which summarises the income and expenditure in respect of the provision of local Council housing.
- **The Collection Fund Revenue Account** which shows the total level of income received by the Council from Non-Domestic Rates and Council Tax and how this has been distributed to all the authorities it has been collected for, including the Council.
- **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

Housing Revenue Account Self Financing

5. Overview of service provision

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

Service Expenditure & Income	£000	%
Local Authority Housing - HRA Self Financing debt	148,898	47.86%
Housing (Non-Council)	70,434	22.64%
Housing (Council)	36,204	11.64%
Central Services to the Public	20,898	6.72%
Environmental & Regulatory Services	11,263	3.62%
Cultural Services	7,963	2.56%
Highways, Roads & Transport	6,186	1.99%
Corporate & Democratic Services	5,515	1.77%
Planning Services	3,730	1.20%
Subtotal Expenditure	**311,091**	**100.00%**
Service Income	168,307	100.01%
Non-Distributed amounts	(15)	(0.01%)
Subtotal Income	**168,292**	**100.00%**
Net Service Expenditure & Income	**142,799**	

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)	(10,541)	(31,019)	(20,478)
Non-Distributed amounts	(349)	15	364
Highways, Roads & Transport Services	(1.513)	(1,648)	(135)
Housing (HRA Self-Financing)	0	148,898	148,898
Planning & Regulatory Services	2,547	2,172	(375)
Corporate & Democratic Services	2,881	1,587	(1,294)
Housing (Non-Council)	3,353	4,283	930
Central Services to the Public	6,149	3,382	(2,767)
Cultural Services	7,180	6,513	(667)
Environmental Services	8,990	8,618	(372)
Net Cost of Services	**18,697**	**142,801**	**124,104**

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:

Repairs and Maintenance £1,868: Significant increase in work completed in 2011-12 due to collapse of main contractor in 2010-11 causing delays to non-urgent works
Bad Debt Provision £464: Closer scrutiny of non-rent debt outstanding
Dwelling/Non-Dwelling Rents £(501): Reduced turn-around time on voids achieved during the year
Profit/Loss on sale of fixed assets £(1,085): Relates to unbudgeted profit/loss on sale of fixed assets costs, the reversal of which is shown in the Movement in Reserves Statement
Capital contribution £(499): Relates to an unbudgeted capital contribution, the reversal of which is shown in the Movement in Reserves Statement
IAS19 adjustment £(678): The reversal of which is shown in the Movement in Reserves Statement

Depreciation and impairments £(20,015): Relates to unbudgeted depreciation and impairment costs, the reversal of which are shown in the Movement in Reserves Statement

Housing (Non-Council)

LEAP project support by the Big Lottery Fund £(222): Project delayed to 1st October 2011
General Fund properties £(295): Budget set on assumption that all properties would be sold by 1st April 2011
Revenue Expenditure Funded from Capital £1,053 : Capital grant expenditure not budgeted for (included in the cost of services but reversed out elsewhere in the CIES)
Capital Grants Applied £392: Funding for capital expenditure (included in the cost of services but reversed out elsewhere in the CIES)

Housing (HRA Self-Financing)

A payment of £148,898 was made to DCLG as required by the Self-Financing Settlement Payments Determination 2012

Central Services to the Public

This includes income and expenditure relating to Council tax and benefit administration. There are no significant underlying variances.

Cultural

This includes income and expenditure relating to cultural activity of the Council. There are no significant underlying variances.

Environmental

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

- Additional set up costs for new cleansing contract £641.

Planning & Regulatory

This includes planning, economic development, public health and licensing activities. Major variances include:

- Additional grant income from Homes & Communities Agency £490.

Corporate & Democratic Services

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

- Reduced PFI contingent rent charge £553, PFI depreciation charges £(8,147)
- Approved efficiency savings £731
- Capitalised Curtailment Costs of £771 & Past service Cost of £290
- VAT refund £(1,460)
-

Non-Distributed amounts

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 42.

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 £32.952m 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 42 of the core financial statements

Effectively the pension scheme is in deficit by £116.144m compared with what is needed to pay the pensions of the current scheme members and the effect is to reduce the overall net worth of the Council by that amount. This valuation is a snapshot in time which assumes that all the employees of the Council who are scheme members, retired at the date of the valuation and are entitled to their pension based on their service at that date.

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

8. Current Borrowing facilities & capital borrowing

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

In March 2012 the CLG initiated a scheme whereby the Council Housing Revenue Account (HRA) bought itself out of the housing subsidy by making a payment to the CLG of £148.898m. This one off payment effectively stops the Council from making future payments of rental income to the CLG and makes the HRA self financing in the future. The payment made was classed as capital expenditure, increasing the Council's Capital Financing Requirement during 2011/12. In order to make the payment the Council raised £148.848m of loans debt through the PWLB (see Note 16).

Long Term Borrowing is disclosed and analysed in note 16.

9. Impact of current climate

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

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

In the 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. Further details can be obtained from our Environmental Strategy 2011 – 2014
http://www.norwich.gov.uk/Environment/EcoIssues/Documents/EnvironmentalStrategy.pdf

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

With regard to Council owned buildings, the Council has achieved:
- Over 16.9% decrease in CO_2 emissions from our baseline year 2006/7
- Voltage Reduction at Riverside Leisure Centre
- Automated pool cover at Riverside Leisure Centre
- LED Lighting upgrade at St Andrews Car Park
- City Hall Valve Insulation
- 36 kW PV Solar System on City Hall
- A 25% reduction in electricity costs at City Hall

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:

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

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 44%
- 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 2015

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

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

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

This year's environmental results come at a time when the Council is facing significant financial challenges. Making sure the Council uses natural resources wisely, emitting less 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.

We produce an annual environmental statement as well as a CO_2 emissions report each year to show our progress to the public

Annual Environmental Statement
http://www.norwich.gov.uk/Environment/EcoIssues/Documents/EnvironmentalStatement.pdf

CO_2 emissions report
http://www.norwich.gov.uk/Environment/EcoIssues/documents/Carbonfootprintreport2011.pdf

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

Opinion on the Authority's accounting statements

I have audited the accounting statements of Norwich City Council for the year ended 31 March 2012 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.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer 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.

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.

Opinion on accounting statements

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 2012 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.

Opinion on other matters

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.

Matters on which I report by exception

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.

Conclusion on Authority's arrangements for securing economy, efficiency and 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 2012.

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.

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 2012.

Rob Murray Date: 4 April 2012

Officer of the Audit Commission

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

Statement of Responsibilities for the Statement Of Accounts

1. The Council's Responsibilities

The Council is required to:

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

2. The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

3. Certificate of Chief Finance Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of Norwich City Council as at 31 March 2012 and its income and expenditure for the year then ended.

Signed: Date: 29 June 2012

Caroline Ryba MA(CANTAB), FCA

Chief Finance Officer

Certificate Of Adoption Of The Statement Of Accounts

I confirm that the Audit Committee authorised approval of the Statement of Accounts by a resolution on [date] and the final Statement of Accounts has subsequently been signed and re-dated as authorisation to issue.

Signed: Date:

Stephen Little
Signed on behalf of Norwich City Council

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Balance	Housing Revenue Account	Earmarked HRA Reserve	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000		£000	£000	£000	£000	£000	£000
Balance at 31 March 2011 per audited accounts	**4,923**	**2,300**	**13,490**	**-**	**12,969**	**7,354**	**1,395**	**42,431**	**604,088**	**646,519**
Implementation of IAS 30	-	-	-	-	-	-	-	-	11,463	11,529
Restated balance at 31 March 2011	**4,923**	**2,300**	**13,490**	**-**	**12,968**	**7,354**	**1,395**	**42,431**	**615,551**	**657,980**
<u>Movement in reserves during 2011/12</u>										
Surplus/ (deficit) on provision of services	(804)	-	(120,225)	-	-	-	-	(121,029)	-	(121,029)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(23,078)	(23,078)
Total Comprehensive Income & Expenditure	**(804)**	**-**	**(120,225)**	**-**	**-**	**-**	**-**	**(121,029)**	**(23,078)**	**(144,107)**
Adjustments between accounting basis & funding basis under regulations (note 7)	3,377	-	123,223	-	(437)	3,820	126	130,109	(130,109)	-
Net Increase/ Decrease before Transfers to Earmarked Reserves	**2,573**	**-**	**2,998**	**-**	**(437)**	**3,820**	**126**	**9,080**	**(153,187)**	**(144,107)**
Transfers to/from Earmarked Reserves (note 8)	(252)	252	(18)	18	-	-	-	-	-	-
Transfer between reserves	-	-	-	-	109	-	-	109	(109)	-
Other Adjustments	136	-	-		(44)	-	11	103	(7)	96
Increase/Decrease in 2011/12	**2,457**	**252**	**2,980**	**18**	**(373)**	**3,820**	**137**	**9,291**	**(153,302)**	**(144,011)**
Balance at 31 March 2012 carried forward	**7,380**	**2,552**	**16,470**	**18**	**(12,596)**	**11,174**	**1,531**	**51,720**	**462,249**	**513,969**

Comprehensive Income and Expenditure Statement

	Notes	2011/12			2010/11 (Restated)		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Central Services to the Public		20,898	17,517	3,381	20,928	17,102	3,826
Cultural and Related Services		7,963	1,451	6,512	7,687	1,662	6,025
Environmental and Regulatory Services		11,263	2,646	8,617	10,910	2,242	8,668
Planning Services		3,730	1,558	2,172	3,755	1,322	2,433
Highways, Roads & Transport Services		6,186	7,834	(1,648)	8,857	7,837	1,020
Local Authority Housing – revaluation loss/reversal of prior year loss on dwellings		-	-	-	-	-	-
Local Authority Housing – settlement payment to Government for HRA self-financing		148,898	-	148,898	-	-	-
Local Council Housing – (HRA)	**5**	36,204	67,223	(31,019)	162,457	61,456	101,001
Other Housing Services		70,434	66,151	4,283	66,465	62,523	3,942
Corporate & Democratic Core		5,515	3,927	1,588	11,678	1,775	9,903
Non-Distributed Costs – change in inflation factor for retirement benefits	**5**	15	-	15	(32,602)	-	(32,602)
Cost of Services		**311,106**	**168,307**	**142,799**	**260,443**	**157,106**	**103,337**
Other Operating Expenditure	**9**			676			(526)
Financing and Investment Income and Expenditure	**10**			3,958			9,325
Taxation and Non-Specific Grant Income	**11**			(26,479)			(32,577)
(Surplus) / Deficit on Provision of Services				**120,954**			**79,559**
(Surplus) / deficit on revaluation of non-current assets	**12**			(9,839)			(438)
(Surplus) / deficit on revaluation of available for sale financial assets				**-**			**-**
Actuarial (gains) / losses on pension assets / liabilities	**43**			32,917			**(51,988)**
Other Comprehensive (Income) and Expenditure				**23,078**			(52,426)
Total Comprehensive (Income) and Expenditure				**144,032**			**27,133**

Balance Sheet

	Notes	31 March 2012 £000	31 March 2011 (restated) £000	1 April 2010 (restated) £000
Property, Plant & Equipment	12	752,367	732,635	870,408
Heritage Assets	13	19,951	14,727	11,463
Investment Property	14	37,318	34,984	35,289
Intangible Assets	15	700	77	-
Assets Held for Sale	19	-	-	-
Long term Investments	17	17,442	7,869	5,500
Long Term Debtors	18	9,888	9,464	8,433
Long Term Assets		**837,666**	**799,756**	**931,093**
Short Term Investments	19	37,688	43,708	16,415
Assets Held for Sale	20	4,318	4,856	10,200
Stock		34	-	-
Short term Debtors	21	13,148	11,706	21,971
Cash and Cash Equivalents	22	22,224	13,257	119
Current Assets		**77,412**	**73,527**	**48,705**
Short Term Borrowing		(19,731)	(1,255)	(1,255)
Short Term Creditors	23	(31,377)	(22,315)	(18,220)
Capital Grants Receipts in Advance (Short Term)	37	(790)	(1,117)	-
Current Liabilities		**(51,898)**	**(24,687)**	**(19,475)**
Long Term Creditors	24	(3,969)	(9,916)	(10,779)
Long term Borrowing	16	(224,653)	(93,270)	(92,316)
Other Long Term Liabilities	43	(116,159)	(82,809)	(164,392)
Provision	25	(1,764)	(1,762)	-
Capital Grants Receipts in Advance (Long Term)	37	(2,669)	(2,861)	(7,610)
Long Term Liabilities		**(349,214)**	**(190,618)**	**(275,097)**
Net Assets		**513,966**	**657,978**	**685,226**
Usable Reserves	26	51,720	42,427	14,986
Unusable Reserves	27	462,249	615,551	670,240
Total Reserves		**513,969**	**657,978**	**685,226**

Cash Flow Statement

	Notes	2011/12 £000	2010/11 000 (restated)
Net surplus or (deficit) on provision of services		(121,029)	(79,559)
Adjustments to net surplus or deficit on provision of services for non-cash movements	28	(5,727)	129,939
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(7,025)	(19,783)
Net cash flows from Operating Activities	28	**(133,781)**	**30,597**
Investing Activities	29	(7,864)	(21,963)
Financing Activities	30	150,870	4,504
Net (Increase) or decrease in cash and cash equivalents		**9,225**	**13,138**
Cash and cash equivalents at the beginning of the reporting period	22	13,257	119
Variance to be investigated		(258)	**-**
Cash and cash equivalents at the end of the reporting period	22	**22,224**	**13,257**

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/2012 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003. 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 2011/12, supported by International Financial Reporting Standards (IFRS) [and statutory guidance issued under section 12 of the 2003 Act]. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income & Expenditure

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

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

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

Cash & Cash Equivalents

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

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

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

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

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

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

Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement 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.

Debtors and Creditors

The accounts of the Council are maintained on an accruals basis in accordance with the Code and FRS18 'Accounting Policies'. This ensures that provision has been made for known outstanding debtors and creditors, estimated amounts being used where actual figures are not available. The exceptions to this principle are public utility bills, which are accounted for on a payments basis, i.e. four quarters or 12 months being charged in each year. This policy is applied consistently each year and therefore does not have a material effect on the year's accounts.

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

Employee Benefits

Benefits Payable During Employment
Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the 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 provids 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 bonds.
The assets of Norfolk pension fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

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

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

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

Events After the Balance Sheet Date

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

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

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

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 individuals, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

Government Grants & Contributions

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

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

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

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

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

<u>Area Based Grant</u>
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.

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.

Jointly Controlled Operations & Jointly Controlled Assets

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

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

Group Accounts

The Code requires local authorities to consider all their interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council has gone through a process in line with the Code guidance flowcharts to demonstrate that the relevant provisions do not apply and that the Council has fully complied with the 2012 Code Group Accounts' requirements in its 2011/2012 Statement of Accounts.

Leases

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

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

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

The Council as Lessee

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

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

The Council as Lessor

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

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

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

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

Operating Leases

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

Overheads & Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2011/12* (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.

Intangible Assets

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

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

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

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

Property, Plant & Equipment

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Deprecation is calculated on the following bases:

- dwellings – the Major Repairs Allowance is used as a reasonable estimate for the depreciation of dwellings.
- other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

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

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

<u>Disposals & Non-Current Assets Held for Sale</u>
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.

Private Finance Initiative (PFI) & Similar Contracts

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

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

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

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

Provisions, Contingent Liabilities

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

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

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

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

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

The Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to nondomestic rates and the Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund.

VAT

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

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

Transfers of Financial Assets (Amendments to IFRS 7 Financial Instruments).
This was issued in October 2010 by the Accounting Standards Board. It amends the required disclosures to help users of the financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on the authority's financial position. The amendments are effective from accounting periods beginning on or after 1 July 2011. The Council has no transfers of financial instruments consequently this will not effect the statement of accounts next year.

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.

New Deal for Communities

There has been a risk that the Council may be required to return some of the £35 million grant received from the Department for Communities and Local Government (DCLG) on New Deal for Communities (NELM).. The Council has now conducted a review of the grant position and estimates that there could be £2.958 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. The Council has agreed with DCLG that there is £0.836m which is owed by DCLG to the Council, therefore a net provision of £1.762m has been made in the accounts

The items in the Council's Balance Sheet at 31 March 2012 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.	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

	A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	complex ways. During 2011/12, 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 as a result of estimates being corrected as a result of experience
Arrears	At 31 March 2012, 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 additional allowance of £1,643,125 would be required

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 £112,054 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 2011/12 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 11/12 of £8.196m, which is charged to service areas. 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

The audited Statement of Accounts were authorised for issue on 4 April 2012. This is the date up to which events after the balance sheet date have been considered.

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 £6.8m 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. No adjustment in the 2011/12 has been made for this event.

On 12 January 2012 the City Council served notice to terminate its PFI contract with Steria. The termination will come into effect on 11 April 2012. This decision was based on a positive business case. The termination of the contract involves a one-off payment to Steria in respect of an outstanding loan creditor and contract surpluses. The amount of this payment is currently subject to negotiation with Steria. As the disclosure of the likely settlement may seriously prejudice the Council's negotiations the information has not been disclosed in these financial statements.

7. Adjustments between Accounting Basis and Funding Basis under regulations

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2011/12	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							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non-current assets	(4,867)	(2,954)	-	-	-	(7,821)	7,821
Revaluation Losses on Property, Plant and Equipment	45	21,975	-	-	-	22,020	(22,020)
Movement in Market Value of Investment Properties	1,848	419	-	-	-	2,267	(2,267)
Capital Grants and Contributions Applied	1,198	-	-	-	-	1,198	(1,198)
Revenue expenditure funded from capital under statute	(1,660)	-	-	-	-	(1,660)	1,660
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(578)	(2,720)	-	-	-	(3,298)	3,298
HRA Self Financing	-	(148,898)	-	-	-	(148,898)	148,898
<u>Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement</u>							
Statutory provision for the financing of capital investment	1,840	64	-	-	-	1,904	(1,904)
Capital expenditure charged against the General Fund and HRA balances	-	3,700	-	-	-	3,700	(3,700)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	349	749	-	-	(1,098)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	972	972	(972)
Adjustments involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	943	3,784	(4,727)	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	3,294	-	-	3,294	(3,294)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	-	(22)	22	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,892)	-	1,892	-	-	-	
Transfers from Deferred Capital Receipts reserve	(59)	-	-	-	-	(59)	59

2011/12	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 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	12	-	-	-	-	12	(12)
Transfer to the Capital receipts Reserve upon receipt of cash	44	-	(44)	-	-	-	-
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(10,054)	-	(10,054)	10,054
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	6234	-	6,234	(6,234)
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	66	513	-	-	-	579	(579)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,766)	(1,240)	-	-	-	(6,006)	6,006
Employer's pension contributions and direct payments to pensioners payable in the year	4,174	1,406	-	-	-	5,580	(5,580)
Adjustments involving the Collection Fund Adjustment Account							
Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(75)	-	-	-	-	(75)	75
Total Adjustments	**(3,378)**	**(123,223)**	**437**	**(3,820)**	**(126)**	**(130,109)**	**130,109**

2010/11 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
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)	(1,704)	-	-	-	(15,118)	15,118
Revaluation Losses on Property, Plant and Equipment	325	(112,055)	-	-	-	(111,730)	111,730
Movement in Market Value of Investment Properties	524	-	-	-	-	524	(524)
Capital Grants and Contributions Applied	2,597	1,831	-	-	-	4,428	(4,428)
Revenue expenditure funded from capital under statute	80	-	-	-	-	80	(80)
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	(2,017)	-	-	-	-	(2,017)	2,017
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement	(6,755)	(5,681)	-	-	-	(12,436)	12,436
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	-	-	-	-	1	(1)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	848	250	-	-	(1,098)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	935	935	(935)
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	7,007	7,250	(14,257)	-	-	-	-
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	-	-	-	-
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	587	-	-	-	-	587	(587)
Transfer to the Capital receipts Reserve upon receipt of cash	10	-	(10)	-	-	-	-

2010/11 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	-	-	-	(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	**22,019**	**(110,315)**	**(11,094)**	**(7,354)**	**(163)**	**(106,907)**	**106,907**

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 2011/12 and 2010/11.

The following sets out a description of the reserves;

Insurance reserve

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

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

An evaluation of the balance on the Insurance Reserve has been undertaken and the amount set aside to cover the uninsured risks at 31 March 2012 is based on the assessed liability.

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

Revenue Grants Unapplied Reserves

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

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
General Fund							
Insurance Reserve	691	-	-	691	(275)	314	730
Building Control Reserve	46	-	-	46	-	19	65
Revenue Grants Unapplied Reserve	1,585	(125)	103	1,563	(74)	286	1,775
Total	2,322	(125)	103	2,300	(349)	619	2,570

Transfers between other reserves of £206, 000 in the Movement in Reserves Statement comprise of Decent Home Loan repayments £116,963 (2010/11 £192,000) and Housing Act Advance repayments of £4,117 (2010/11 £14,000).

9. Other Operating Expenditure

	2011/12 £000	2010/11 £000
Payments to the Government Housing Capital Receipts Pool	1,892	1,689
(Gains)/Losses on the disposal of non-current assets	(1,449)	(2,408)
Other Operating Expenditure	233	194
Total	**676**	**(526)**

10. Financing and Investment Income and Expenditure

	2011/12 £000	2010/11 £000
Interest payable and similar charges	7,768	7,715
Pension interest cost and expected return on pension assets	1,926	4,983
Interest Receivable and similar income	(1,698)	(1,289)
Income and expenditure in relation to investment properties and changes in their fair value	(4,184)	(2,264)
Other investment income	6	51
Impairment of Soft Loans	140	130
Total	**3,958**	**9,326**

11. Taxation and Non-Specific Grant Income

	2011/12 £000	2010/11 £000
Council tax income	(9,317)	(9,229)
Non domestic rates	(9,360)	(13,896)
Non-ring fenced government grants	(5,503)	(4,001)
Capital grants and contributions	(2,297)	(5,451)
Total	**(26,477)**	**(32,577)**

12. Property, Plant and Equipment

Movements on Balances

Movements in 2011/12	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation									
At 1 April 2011	597,659	124,053	24,810	2,586	12,811	89	-	**762,008**	17,836
Additions	10,230	548	2,090	22	504	-	-	**13,394**	1,169
Revaluation increases / (decreases) recognised in the Revaluation Reserve	828	3,022	-	-	-	-	-	**3,850**	-
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(7,934)	(981)	-	-	(2,083)	-	-	**(10,998)**	-
Revaluation write back of prior year deficit recognised in the Surplus on the Provision of Services	22,622	62	-	-	-	-	-	**22,684**	-
Derecognition – Disposals	(2,172)	-	(916)	-	-	-	-	**(3,088)**	-
Derecognition - Other	-	-	-	-	-	-	-	**-**	-
Assets Reclassified (to) / from Held for Sale	(675)	(541)	-	-	-	32	-	**(1,184)**	-
Other Movements in Cost or Valuation	(92)	-	-	-	-	92	-	**0**	-
At 31 March 2012	**620,466**	**126,163**	**25,984**	**2,608**	**11,232**	**213**	**-**	**786,666**	**19,005**
Accumulated Depreciation & Impairment									
At 1 April 2011	(775)	(6,698)	(19,101)	(799)	(1,999)	-	-	**(29,372)**	(15,533)
Depreciation charge	(10,945)	(2,732)	(1,713)	(62)	(530)	(3)	-	**(15,985)**	(1,292)
Depreciation written out to the Surplus/Deficit on Provision of Services	10,298	11	-	-	26	-	-	**10,335**	-
Impairment losses recognised in the Surplus/Deficit on Provision of Services	(1,859)	(24)	-	-	-	-	-	**(1,883)**	-
Impairment reversals recognised in Revaluation Reserve	645	273	-	-	-	-	-	**918**	-
Derecognition – Disposals	766	-	914	-	-	-	-	**1,680**	-
Derecognition - Other	-	9	-	-	-	-	-	**9**	-
At 31 March 2012	**(1,870)**	**(9,161)**	**(19,900)**	**(861)**	**(2,503)**	**(3)**	**-**	**(34,298)**	**(16,825)**
Net Book Value									
At 31 March 2012	618,596	117,002	6,084	1,747	8,729	210	-	**752,368**	2,180
At 31 March 2011	596,884	117,438	5,709	1,787	13,992	89	-	**735,899**	2,303

Comparative Movements in 2010/11	**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 2010	722,736	122,643	24,840	2,586	12,178	89	1,107	**886,178**	17,043
Additions	4,328	215	1,007	-	496	-	-	**6,046**	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 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)		-	-	158	-	(1,107)	**(1,022)**	-
At 31 March 2011	**598,133**	**124,136**	**24,810**	**2,586**	**12,831**	**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)	(2,711)	(10,006)	(62)	(524)	-	-	**(24,269)**	(9,440)
Depreciation written out to the Surplus/Deficit on Provision of Services	10,781	87	-	-	(26)	-	-	**10,842**	-
Impairment losses recognised in the Surplus/Deficit on Provision of Services	(473)	(79)	-	-	-	-	-	**(553)**	-
Impairment reversals recognised in Revaluation Reserve	-	54	-	-	-	-	-	**54**	
Derecognition – Disposals		-	140	-	-	-	-	**140**	-
Derecognition - Other	73	-	80	-	-	-	-	**153**	-
At 31 March 2011	(1,248)	(6,782)	(19,101)	(799)	(2,020)	-	-	**(29,948)**	(15,533)
Net Book Value									
At 31 March 2011	596,884	117,354	5,709	1,787	10,812	89	-	**732,634**	2,303
At 31 March 2010	722,072	118,589	15,525	1,848	11,176	89	1,107	**870,406**	10,949

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.

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

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

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	-	-	8,731	1,746	3,904	2,180	-	**16,560**
Valued at current value	-	-	-	-	-	-	-	**-**
2011-12	618,595	14,252	-	-	-	-	-	**632,848**
2010-11	-	20,299	-	-	-	-	91	**20,390**
2009-10	-	3,966	-	-	-	-	119	**4,085**
2008-9	-	78,484	-	-	-	-	-	**78,484**
2007-8	-	-	-	-	-	-	-	**-**
Total	**618,595**	**117,001**	**8,729**	**1,746**	**3,904**	**2,180**	**210**	**752,367**

Analysis of holdings:

	2011/12		**2011/12**
Council Dwellings	15,721	**Other Land & Buildings**	
Cottage dwellings asset held for sale or surplus	23	City Hall & other Administrative Buildings	8
Council Garages (HRA)	3,794	Cemeteries	4
Council Garages (GF)	49	Car Parks	13
Non-operational Assets		Provision Market	1
Trading & Other	371 items	Nurseries	0
		Housing Shops	186
Community Assets		Operational Trading	46
Parks & Open Spaces	180.26 hectares	Allotments	42.89 hectares
Civic Portraits	115 items	Natural Areas	305 hectares
Civic Regalia	250 items		
Lord Mayor's State Coach	1	Children's Day Nursery	1
Sports/Community Centres	16	Stewardship Properties	101
Caravan Site	1	Museums	3
Yacht Station	1	Swimming Centre	1

13. Heritage Assets

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

	Civic Plate & Regalia	Paintings	Sculptures & Bronzes	Statues, Fountain etc	Buildings	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
Valuation						
1 April 2010	7,407	3,398	658	-	549	12,012
Reclassifications	-	-	-	-	949	949
Additions	-	-	65	-	1677	1,742
Disposals	-	-	-	-	-	-
Depreciation	-	-	-	-	(11)	(11)
Revaluations	-	-	-	-	34	34
31 March 2011	**7,407**	**3,398**	**723**	**-**	**3,198**	**14,726**
Valuation						
1 April 2011	7,407	3,398	723	-	3,199	14,727
Additions	-	-	-	-	163	163
Disposals	-	-	-	-	-	-
Revaluations	-	1,276	1,503	2,281	-	5,061
31 March 2012	**7,407**	**4,674**	**2,226**	**2,281**	**3,362**	**19,951**

The Council's external valuer (Rowleys Fine Art Valuers and Auctioneers) carried out a full valuation of the collection of civic plate and regalia as at 31 March 2008. The valuations were based on commercial markets, including recent transaction information from auctions where similar types of silver wear are regularly being purchased.

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

- The Reade Salt - A rare and important Elizabeth I silver-gilt standing or drum salt (William Cobbold I 1568), valued by our external valuers as £2.5m
- The Howard Ewer and Basin - An early 17th century silver-gilt ewer and basin or rosewater dish (1617), valued by our external valuers as £1.5m
- The Bleverhasset Cups - A rare pair of Elizabeth I silver-gilt font cups(1561), valued by our external valuers as £0.8m
- The Peterson Cup - A rare Elizabeth I silver-gilt font cup (William Cobbold I 1575), valued by our external valuers as £0.6m
- James I silver-gilt flagons - A rare pair of James I silver-gilt flagons (1618), valued by our external valuers as £0.6m

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

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

At any time approximately 17 per cent of the collection of paintings and civic plate and regalia are on display in the Castle Museum. There are a number of paintings on display in public meeting rooms, at City Hall. The remaining items are held in storage but access is permitted to scholars and others for research purposes.

14. Investment Properties

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

	2011/12 £000	2010/11 £000 (restated)
Rental income from investment property	(3,974)	(3,959)
Direct operating expenses arising from investment property	(210)	1,695
Total	**(4,184)**	**(2,264)**

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

The Council operates a 5-year rolling programme of revaluations except for revaluation of Housing Revenue Account Assets which is carried out on an annual basis. Of the fair value of investment property, as measured or disclosed in the financial statements, £9.6m (2010/11 £16.7m) is based on a valuation by an independent valuer who holds a recognised and relevant qualification and has recent experience in the location and category of the investment property being valued. The Council considers the difference between the market and carrying value, in respect of the remainder of its investment property portfolio, is not material.

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

VALUATION CYCLE	**Investment properties**
Valued at historical cost	-
Valued at current value	-
2011-12	18,186
2010-11	5,548
2009-10	12,115
2008-9	1,346
2007-8	124
Total	**37,319**

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

	2011/12 £000	**2010/11 £000**
Balance at start of the year	34,984	35,286
Additions:		
Purchases	234	218
Disposals	(168)	(1,025)
Net gains / (losses) from fair value adjustments	2,267	505
Transfers (to) / from Property, Plant & Equipment	-	-
Balance at end of year	**37,317**	**34,984**

15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased 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.

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

	2011/12 £000
Balance at the start of the year	
• Gross carrying amount	77
• Accumulated amortisation	-
• Additions	628
• Purchases	-
Amortisation for the period	(11)
Net Carrying amounts at the end of the year	**694**
Comprising:	
• Gross carrying amount	705
• Accumulated amortisation	(11)
	694

16. 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-12 £000	31- Mar-11 £000	31- Mar-12 £000	31- Mar-11 £000
Financial Liabilities (principle amount)	224,499	74,228	8,000	-
Accrued interest	-	9,373	11,731	1,255
Other accounting entries	295	297	-	-
Financial liabilities at amortised cost	224,794	83,898	19,731	1,255
Total Borrowings	**224,794**	**83,898**	**19,731**	**1,255**
PFI and finance lease liabilities	1,502	7,363	5,865	748
Other long term liabilities		**7,363**	**5,865**	**748**
Financial liabilities carried at contract amount	-	-	22,993	18,802
Total creditors	**226,296**	**91,261**	**48,588**	**20,805**
Loans and receivables (principle amount)	18,043	8,477	37,530	42,559
Accrued interest	51	25	230	230
Loans and receivables at amortised cost	18,094	8,502	37,760	42,789
Unquoted equity investment at cost	824	824	-	-
Total Investments	**18,918**	**9,326**	**37,760**	**42,789**
Financial assets carried at contract amount	-	-	11,189	8,266
Total Debtors	**18,918**	**9,326**	**48,949**	**51,055**
Soft Loans Provided	**2,697**	**2,640**	**-**	**-**

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

The movement of £9.566m in long term and £(5.029)m in short term loans and receivables is due to increased money available to invest as a result of increased property sales and decreased capital works.

The Council has made a number of loans to residents in respect of decent home loans at less than market rates (soft loans). There are a number of small loans making up the balance owing of £3.263m. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the residents, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed soft loans information is as follows:

Decent Home Loans	**31 March 2012**	**31 March 2011**
	£000	**£000**
Opening Balance	2,640	2,619
New loans granted	185	100
Fair value adjustment	(11)	(5)
Loans repaid	(117)	(74)
Balance carried forward	**2,697**	**2,640**
Nominal value carried forward	**3,263**	**3,194**

Valuation Assumptions

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

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

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

	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

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

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

Norwich City Council has 5 bonds with maturity dates between 1971 and 1972 with values between £500 and £1,500. No interest is payable. The bonds have no observable market price. The Council has valued the asset at fair value deemed to be the redemption value of £6,500 as at 31 March 2011.

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 2011 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

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

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

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

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

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

The fair values of liabilities calculated are as follows:

	31-Mar-12		31-Mar-11	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
PWLB	218,917	260,609	70,019	96,530
Non-PWLB Debt	5,582	5,876	13,582	24,108
Short term Borrowing	19,731	19,866	1,254	1,254
Short term creditors	22,993	22,993	20,985	20,985
Short term Lease Liability	67	67	64	64
Long term creditors	2,467	2,467	2,553	2,553
Long term lease liability	1,502	1,502	1,570	1,570
Total Liabilities	**271,259**	**313,380**	**110,027**	**147,064**

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

Long Term Borrowing is analysed as follows:

	Debt at 31-Mar-11	Loans Raised	Loans Repaid	Loans Reclassified as Short Term	Fair Value discount unwind	Debt at 31-Mar-12
	£000	£000	£000	£000	£000	£000
PWLB	70,019	148,898	-	-	-	218,917
UK Banks	13,937	-	-	(8,641)	(2)	5,294
Other Financial Intermediaries	462	-	-	-	-	462
Local Government	9	-	(155)	-	-	(146)
Household Sector	111	-	-	-	-	111
European Investment Bank	8,732	-	-	(8,732)	-	0
Total	**93,270**	**148,898**	**(155)**	**(17,373)**	**(2)**	**224,638**

The fair values of assets calculated are as follows

	31-Mar-12		31-Mar-11	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short term investments	37,500	37,674	43,500	43,934
Long term Investments	17,344	17,525	7,844	7,977
Short term debtors	11,189	11,189	8,266	8,266
Long term debtors	9,888	9,888	9,464	9,464
Total Assets	**75,921**	**76,276**	**69,074**	**69,641**

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

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

Nature & Extent of Risks Arising from Financial Instruments

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

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

Overall procedures for managing risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 30 March 2011 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2011/12 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	**Historical experience of default %**	**Estimated maximum exposure to default £000**	**Estimated maximum exposure to default £000**
	31 March 2012	**31 March 2012**	**31 March 2012**	**31 March 2011**
Customers	1,585	12%	790	1,059

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

The Council does not generally allow credit for its customers, such that £1.133m of the £1.585 balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2012 £000	**31 March 2011 £000**
Less than three months	126	753
Three to six months	152	125
Six months to one year	238	321
More than one year	617	709
Total	**1,133**	**1,908**

The Council initiates a legal charge on property where clients cannot afford to pay immediately. The total debt at 31 March 2012 was £227,090 (31 March 2011 £246,045).

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:

	2011/12 £m	**2010/11 £m**
Repayable between:		
Less than one year	37,500	43,703
Between 1 & 2 years	5,000	7,025
Between 2 & 3 years	11,500	-
	54,000	**50,728**

Refinancing & Maturity Risk

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

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

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

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

	Approved Minimum Limit	**Approved Maximum Limit**	**Actual 31 March 2012 £000**	**Actual 31 March 2011 £000**
Less than 1 year	0%	10%	18,416	-
Between 1 & 2 years	0%	10%	-	17,373
Between 2 & 5 years	0%	30%	5,060	5,060
Between 5 & 10years	0%	50%	19,750	19,750
More than 10 Years	0%	95%	199,107	50,209
			242,333	**92,392**

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 2011/12

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.

17. Long Term Investments

	2011/12 £000	2010/11 £000
Banks	16,598	7,025
Norwich Airport Ltd	824	824
Other Related Companies	20	20
	17,442	**7,869**

Building Societies & Banks
Investments of £16.5m in 2011/12 Banks that are for periods longer than one year are included as long term investments on the balance sheet. These will mature between May 2013 and February 2015.

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

A second jointly owned Local Authority company - Legislator 1657, a wholly owned subsidiary of Legislator 1656 - holds some land associated with the airport which was excluded from the sale to Omniport. The City Council holds 40% of Legislator 1656, with Norfolk County Council holding the other 60%, effectively giving the City Council a further holding of 2% in NAL. The sale valued Norwich Airport Ltd at £13.7m (previously £15.3m) and the investment value shown in the Balance Sheet represents the Council's 6% direct holding in the company. The shares of Norwich Airport Ltd are carried in the accounts at cost. Consideration has been given to measuring the fair value of Norwich Airport Ltd from Norwich City Councils percentage shareholding from the Airports balance sheet for 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.

18. Long Term Debtors

	2011/12			2010/11
	Debtors	Provision for Bad Debt	Net Debtors	Net Debtors (restated
	£000	£000	£000	£000
Advances for House Purchase: Council Houses Sold	7	-	7	11
Norfolk County Council Transferred Debt	2,411	-	2,411	2,437
Deferred Capital Receipt Sale of Airport Shares	400	-	400	400
Deferred Capital Receipt – Livestock Market	481	-	481	449
Decent Home Loans	2,697	-	2,697	2,640
Finance Lease > 1 year	1,609	-	1,609	1,530
Housing Benefit Overpayments	3,414	(1,464)	1,950	1,646
SALIX	105	-	105	105
Legal	227	-	227	246
	11,351	**(1,464)**	**9,887**	**9,464**

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.

19. Short Term Investments

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

	2011/12 £000	2010/11 £000
Banks	2,009	7,597
Building Societies	21,142	34,107
Local Authority	14,536	2,004
Total Short Term Investments	**37,687**	**43,708**

20. Assets Held for Sale

	Current 2011/12 £000	Current 2010/11 £000 (restated)	Non-current 2011/12 £000	Non-current 2010/11 £000
Balance outstanding at start of year	**4,856**	**10,200**	-	-
Assets newly classified as held for sale:				
Property, Plant & Equipment	1,184	3,310	-	-
Assets declassified as held for sale:				
Property, Plant & Equipment	-	-	-	-
Additions	-	5	-	-
Assets sold	(1,795)	(8,659)	-	-
Other movements	73	-	-	-
Balance outstanding at year-end	**4,318**	**4,856**	-	-

Assets held for sale are valued at historical cost of £4,318k.

21. Short Term Debtors

	2011/12 £000	2010/11 £000 (restated)
Central Government Bodies	5,677	3,660
Other entities & individuals	6,414	6,737
Other Local Authorities	1,057	1,309
Total	**13,148**	**11,706**

22. Cash & Cash Equivalents

	2011/12 £000	2010/11 £000
Cash held by Council	32	43
Bank current accounts	5,042	3,114
Short term deposits with banks	2,150	5,100
Short term deposits with building societies	-	2,000
Short term deposits with Debt Management Office	1,500	2,000
Short term deposits with local authorities	13,500	1,000
Total Cash & Cash Equivalents	**22,224**	**13,257**

23. Short Term Creditors

	2011/12 £000	2010/11 £000
Central Government Bodies	2,118	546
Other Local Authorities	1,265	2,072
Other entities & individuals	27,994	19,697
Total Short Term Creditors	**31,377**	**22,315**

24. Long Term Creditors

	2011/12 £000	2010/11 £000
Developer Contributions	2,017	3,053
Lease Liability	1,502	7,363
Rent Prepayments	450	(500)
Total Long Term Creditors	**3,969**	**9,916**

25. Provisions

	Other Provisions £000
Balance at 1 April 2011	1,762
Additional provisions made in 2011/12	2
Balance at 31 March 2012	**1,764**

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 2013

26. Usable Reserves

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

27. Unusable Reserves

	2011/12 £000	2010/11 £000 (Restated)
Revaluation Reserve	45,212	35,798
Capital Adjustment Account	532,458	662,300
Financial Instruments Adjustments Account	(1,728)	(2,308)
Deferred Capital Receipts	2,226	2,262
Pensions Reserve	(116,144)	(82,801)
Collection Fund Adjustment Account	225	300
Total Unusable Reserves	**462,249**	**615,551**

<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.

	2011/12		2010/11
	£000	£000	£000 (restated)
Balance at 1 April		**35,798**	**36,319**
Upward revaluation of assets	9,839		2,477
Downward revaluation of assets & impairment (losses)/ reversal of losses not charged to the Surplus/Deficit on the Provision of Services	-		(2,039)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**9,839**	**438**
Difference between fair value depreciation & historical cost depreciation	(264)		(777)
Accumulated gains on assets sold or scrapped	(161)		(182)
Amount written off to the Capital Adjustment Account		**(425)**	**(959)**
Balance at 31 March		**45,212**	**35,798**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

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

	2011/12		2010/11
	£000	£000	£000
Balance at 1 April		**662,300**	**799,339**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(17,874)		(24,832)
Revaluation losses on Property, Plant & Equipment	22,020		(111,863)
Revenue expenditure funded from capital under statute	(1,662)		(2,017)
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	(3,298)		(12,436)
Difference between historic cost & carrying value depreciation	264		777
		(550)	**(150,371)**
Adjusting amounts written out of the Revaluation Reserve		161	182
Net written out amount of the cost of non-current assets consumed in the year		**(389)**	**(150,189)**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital Expenditure	3,294		1,443
Use of the Major Repairs Reserve to finance new capital expenditure	6,234		2,492
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	2,098		4,428
Application of grants to capital financing from the Capital Grants Unapplied Account	66		935
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	1,903		3,498
Capital expenditure charged against the General Fund & HRA balances	3,700		-
		17,295	**12,796**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		2,267	524
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-	80
HRA Self Financing Debt		(148,898)	-
Other		(117)	(250)
Balance at 31 March		**532,458**	**662,300**

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 2012 will be charged to the General Fund over the next 16 years.

	2011/12 £000	2010/11 £000
Balance at 1 April	**2,308**	**2,933**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(589)	(629)
	1,719	**2,304**
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	9	4
Balance at 31 March	**1,728**	**2,308**

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.

	2011/12 £000	2010/11 £000
Balance at 1 April	**2,262**	**1,698**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12	567
Transfer to the Capital Receipts Reserve upon receipt of cash	(48)	(3)
Balance at 31 March	**2,226**	**2,262**

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.

	2011/12 £000	2010/11 £000
Balance at 1 April	**(82,801)**	**(164,388)**
Actuarial gains or (losses) on pensions assets & liabilities	(32,917)	51,951
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	(6,349)	23,786
Employer's pensions contributions & direct payments to pensioners payable in the year	5,580	5,363
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	343	452
Other	-	37
Balance at 31 March	**(116,144)**	**(82,801)**

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.

	2011/12 £000	2010/11 £000
Balance at 1 April	300	206
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	(75)	47
Transfer from other reserves	-	47
Balance at 31 March	**225**	**300**

28. Cash Flow Statement – Operating Activities

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

	2011/12 £000	2010/12 £000
Depreciation	15,991	24,280
Impairment and downward valuations	(20,111)	112,394
Reductions in the fair value of soft loans (non Subsidiary) made in the year	140	130
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	(131)	(126)
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	137	177
Increase in Interest Creditors	1,103	951
Increase (decrease) in Creditors	(3,682)	3,301
Decrease in Interest Debtors	(52)	146
Decrease in Debtors	(888)	4,591
Increase in Inventories	(34)	-
(Decrease)/increase in Pension Liability	768	(29,600)
Contributions to Provisions	1	1,762
Carrying amount of non-current assets sold	3,298	12,438
Movement in Investment Property values	(2,267)	(505)
	(5,727)	**129,939**

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

	2011/12 £000	2010/11 £000 (restated)
Capital grants credited to surplus or deficit on the provision of services	(2,297)	(5,526)
Proceeds from sale of short and long term investments	-	-
Proceeds from the sale of property, plant and equipment and investment properties	(4,727)	(14,257)
	(7,024)	**(19,783)**

The cash flows for operating activities include the following items:

	2011/12 £000	2010/11 £000
Interest received	(1,645)	(1,559)
Interest paid	6,665	8,667
	5,020	**7,108**

29. Cash Flow Statement – Investing Activities

	2011/12 £000	2010/11 £000 (restated)
Purchase of property, plant & equipment, investment property & intangible assets	(10,792)	(7,690)
Movement in other capital creditors	(155)	-
Purchase of short term & long-term investments	(96,000)	(56,500)
Other payments for investing activities	(185)	(318)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	4,727	13,812
Other Capital Cash Receipts	263	339
Capital grants received	1,778	1,894
Proceeds from short term & long-term investments	92,500	26,500
Net cash flows from investing activities	**(7,864)**	**(21,963)**

30. Cash Flow Statement – Financing Activities

	2011/12 £000	2010/11 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts	(748)	(1,402)
Repayments of short- & long-term borrowing	-	-
HRA Self Financing payment to Government	148,898	-
Other receipts /(payments) for financing activities	2,720	5,906
Net cash flows from financing activities	**150,870**	**4,504**

31. Amounts Reported for Resource Allocation Disclosure

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

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

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

Directorate Income & Expenditure 2011/12	Chief Executive £000	Corporate Resources £000	Regeneration & Development £000	Housing Revenue £000	Non-service £000	Not Reported £000	Total £000
Fees, charges & other service income	(453)	(4,060)	(14,608)	(65,957)	-	-	(85,078)
Government Grants	(186)	(79,039)	(997)	7,363	-	-	(72,859)
Total Income	**(639)**	**(83,099)**	**(15,605)**	**(58,594)**	**-**	**-**	**(157,937)**
Employment expenses	1,569	8,793	1,786	6,395	-	-	18,543
Operational Expenses	2,044	81,787	20,909	174,910	-	-	279,650
Support Service recharges	(840)	(4,974)	6,690	4,534	-	-	5,410
Total Expenditure	**2,773**	**85,606**	**29,385**	**185,839**	**-**	**-**	**303,603**
Net (Income) / Expenditure	**2,134**	**2,507**	**13,780**	**127,245**	**-**	**-**	**145,666**

Directorate Income & Expenditure 2010/11	Chief Executive £000	Corporate Resources £000	Regeneration & Development £000	Housing Revenue £000	Non-service £000	Not Reported £000	Total £000
Fees, charges & other service income	(766)	(2,890)	(19,913)	(61,824)	-	-	(85,393)
Government Grants	(251)	(75,218)	(4,083)	5,835	-	-	(73,718)
Total Income	**(1,017)**	**(78,108)**	**(23,996)**	**(55,989)**	**-**	**-**	**(159,110)**
Employment expenses	1,842	9,569	2,673	6,715	-	-	20,799
Operational Expenses	2,206	76,389	28,882	21,725	-	-	129,202
Support Service recharges	(768)	(5,071)	7,558	5,251	-	-	6,970
Total Expenditure	**3,280**	**80,887**	**39,113**	**33,692**	**-**	**-**	**156,971**
Net (Income) / Expenditure	**2,263**	**2,779**	**15,116**	**(22,298)**	**-**	**-**	**(2,139)**

<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

	2011/12 £000	2010/11 £000
Net expenditure in the Directorate Analysis	145,666	(2,139)
Net expenditure of services & support services not included in the Analysis	-	-
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	-2,866	105,476
Allocation of Recharges	-	-
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	-	-
Cost of Services in Comprehensive Income & Expenditure Statement	**142,800**	**103,337**

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.

2011/12

	Directorate Analysis	**Amounts not reported to management for decision making**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(85,078)	-	-	(85,078)	(2,731)	(87,809)
Interest & investment income	-	-	-	-	(16,128)	(16,128)
Income from Council tax	-	-	-	-	(9,317)	(9,317)
Government Grants & contributions	(72,858)	-	-	(72,858)	(17,160)	(90,018)
Total Income	**(157,936)**	**-**	**-**	**(157,936)**	**(45,336)**	**(203,272)**
Employment expenses	18,543	110	-	18,653	(520)	18,133
Other service charges	279,650	1,656	-	281,306	587	281,893
Support Service recharges	5,410	5	-	5,415	193	5,608
Depreciation, amortisation & impairment	-	(4,638)	-	(4,638)	(1,781)	(6,419)
Interest Payments	-	-	-	-	24,381	24,381
Precepts & Levies	-	-	-	-	191	191
Payments to Housing Capital Receipts Pool	-	-	-	-	1,892	1,892
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	(1,449)	(1,449)
Total Expenditure	**303,603**	**(2,867)**	**-**	**300,736**	**23,494**	**324,230**
(Surplus) / deficit on the provision of services	**145,667**	**(2,867)**	**-**	**142,800**	**(21,845)**	**120,958**

2010/11 Comparatives

	Directorate Analysis £000	Amounts not reported to management for decision making £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(85,393)	-	-	(85,393)	(3,380)	(88,773)
Surplus or deficit on associates & joint ventures	-	-	-	-	-	-
Interest & investment income	-	-	-	-	(17,456)	(17,456)
Income from Council tax	-	-	-	-	(9,229)	(9,229)
Government Grants & contributions	(73,718)	-	-	(73,718)	(23,373)	(97,091)
Total Income	**(159,111)**	**-**	**-**	**(159,111)**	**(53,438)**	**(212,548)**
Employment expenses	20,799	(32,952)*	-	(12,153)	(267)	(12,420)
Other service charges	129,202	2,244	-	131,446	641	132,087
Support Service recharges	6,970	-	-	6,970	682	7,652
Depreciation, amortisation & impairment	-	136,185	-	136,185	(14)	136,170
Interest Payments	-	-	-	-	29,120	29,120
Precepts & Levies	-	-	-	-	194	194
Payments to Housing Capital Receipts Pool	-	-	-	-	1,689	1,689
Gain or Loss on Disposal of Non-current Assets	-	-		-	(2,383)	(2,383)
Total Expenditure	**156,971**	**105,476**	**-**	**262,448**	**29,660**	**292,108**
(Surplus) / deficit on the provision of services	**(2,139)**	**105,476**	**-**	**103,337**	**(23,778)**	**79,560**

*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)

32. Trading Operations

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

	2011/12			2010/11
	Expenditure £000	Income £000	(Surplus) /Deficit £000	(Surplus) /Deficit £000
Car Parks	2,732	(4,636)	(1,904)	(1,445)
Industrial Estates	(26)	(252)	(278)	(479)
Corporate Estates	(23)	(2,226)	(2,249)	(2,857)
Civic Halls	462	(160)	302	271
Markets	763	(754)	9	(732)
Yacht Station	23	(5)	18	23
Net (Surplus) / Deficit	**3,931**	**(8,033)**	**(4,102)**	**(5,219)**

Other than for Markets, the income and expenditure of the remaining trading operations for 2011/12 and 2010/11 have been consolidated within Net Cost of Services in accordance with SERCOP.

The main variance between the two years relates to the sale of the Livestock Market in 2010/11 which increased the surplus by £725k.

33. Agency Services

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

The Norwich Highways Joint Committee oversees the operation of the Highways Agency Agreement providing the services for highways, traffic management and on-street car parking. The Council acts as agent for the County in relation to the work governed by the Joint Committee. The amounts of income and expenditure for 2011/12 and 2010/11 are as follows

Highways	**2011/12 £000**	**2010/11 £000**
Expenditure		1,325
Income		(1,356)
(Surplus) paid over to Norfolk County Council/ Deficit reimbursed to Norwich City Council		(31)

On-Street Car parking	**2011/12 £000**	**2010/11 £000**
Expenditure		1,160
Income		(1,199)
(Surplus) paid over to Norfolk County Council		(39)

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

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

Until 1 April 2011 the Council acted as agent for all the Norfolk Council's in respect of Concessionary bus fares, the Council paid the respective bus operators for service provision and obtained 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 is as follows:

	2011/12 £000	**2010/11 £000**
Payments to bus operators	-	6,703
Receipts from other Norfolk Councils	-	6,703

34. Members' Allowances

The total of members' allowances paid in the year was £285,041 (2010/11 £301,857) in accordance with the Members' Allowance Scheme as set out in Appendix 16 of the Council's Constitution.

35. Officers Remuneration

Senior Officers' Remuneration

Post Holder	Salary (incl Fees & allowances)	Expenses	Compensation for loss of office	Total Remuneration (excl Pension contributions)	Pension Contributions	Total Remuneration (incl Pension contributions)
	2011/12					
	£	**£**		**£**	**£**	**£**
Chief Executive Officer	130,460	-	-	130,460	18,806	149,266
Deputy Chief Executive	94,658	-	-	94,658	13,725	108,383
Director of Regeneration & Development	94,825	-	-	94,825	13,725	108,550
Assistant Director Neighbourhood Development	-	-	-	-	-	-
Assistant Director City Development	-	-	-	-	-	-
Director of Transformation	-	-	-	-	-	-
Head of Communications & Cultural Services	78,338	-	-	78,338	11,359	89,697
Chief Finance Officer	78,540	-	-	78,540	11,359	89,899
Head of Strategy & Programme Management	56,493	-	-	56,493	8,191	64,684
	533,314	**-**	**-**	**533,314**	**77,165**	**610,479**

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
Chief Finance Officer	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**

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	2011/12	2010/11
£50,000 to £54,999	5	10
£55,000 to £59,999	1	6
£60,000 to £64,999	9	5
£65,000 to £69,999	3	2
£70,000 to £74,999	0	1
£75,000 to £79,999	2	3
£80,000 to £84,999	2	0
£90,000 to £94,999	2	2
£100,000 to £104,999	0	1
£120,000 to £124,999	0	1
£130,000 to £134,999	1	1
£155,000 to £ 159,999	0	1
	25	**33**

Fewer redundancy payments were made during 2011/12 causing renumeration to exceed £50,000 reducing the overall number from 33 to 25.

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

2011/12

Exit package cost band (including special payments	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000	3	7	10	93,734
£20,001 - £40,000	1	8	9	275,539
£40,001 - £60,000	-	2	2	88,542
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
Total	**4**	**17**	**21**	**457,815**

2010/11

Exit package cost band (including special payments	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000	6	18	24	247,467
£20,001 - £40,000	4	14	18	497,585
£40,001 - £60,000	-	3	3	136,736
£60,001 - £80,000	1	1	2	135,570
£80,001 - £100,000	-	1	1	87,106
£100,001 - £150,000	-	-	-	-
Total	**11**	**37**	**48**	**1,104,464**

36. External Audit Costs

In 2011/12 and 2010/11 the following fees were payable by the Council to the Audit Commission:

	2011/12 £000	2010/11 £000 restated	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	162	300	234
Fees payable to the Audit Commission in respect of statutory inspection	-	2	2
Fees payable to the Audit Commission for the certification of grant claims & returns	94	106	127
Fee payable to the Audit Commission in respect of other services provided	-	29	29
Total	**256**	**437**	**392**

37. Grants Income

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

	2011/12 £000	2010/11 £000
Credited to Taxation & Non-Specific Grant Income		
NNDR Dedistribution	(9,360)	(13,896)
Revenue Support Grant	(2,893)	(2,018)
Local Strategic Partnership – Second Homes	(74)	-
Area Based Grant	-	(1,422)
Local Services Support Grant	(1,219)	-
New Homes Bonus	(771)	-
Council Tax Freeze	(230)	-
NNDR Administration Grant	(272)	(284)
Other Grants (Non Capital)	(44)	(277)
Sub Total	**(14,863)**	**(17,897)**
Capital Grants & Contributions		
Local Enterprise Growth Initiative	(66)	(408)
Home and Communities Agency	(2)	(3,566)
Capital Grant Income (from Govt bodies)	(657)	(1,031)
Other Capital Grant Income (EU grants)	-	(16)
Capital Grants & contribution income (from non Government)	(1,469)	(429)
Donated Asset – Miller Hall	-	(80)
Sub Total	**(2,194)**	**(5,531)**
Total	**(17,057)**	**(23,428)**

	2011/12 £000	2010/11 £000
Credited to Services		
Rent Allowance Subsidy	(61,127)	(57,052)
Council Tax Benefit	(14,877)	(14,942)
Negative Subsidy payable to Secretary of State	8,003	6,273
HRA Self Financing	148,898	
Supporting Families	-	(86)
Housing Benefit Administration Grant	(1,519)	(1,576)
Norwich Connect PFI Income	(1,429)	(1,429)
Concessionary Bus Fares	-	(2,346)
Homelessness Grant	-	(351)
Improvement East	(187)	(128)
Home and Communities Agency	(512)	(166)
Big Lottery Fund	(59)	-
EU current grants	-	(46)
Other Revenue Grants & Contributions (from Governmentt)	(663)	(1,247)
Other Revenue Grants & Contributions (from non Government)	(489)	(60)
Sub Total	**76,039**	**(73,156)**
Capital Grants & Contributions (REFCUS)		
Sustrans	(20)	-
Capital Grants & Contribution Income (from non Government)	(83)	-
Sub Total	**(103)**	**-**
Total	**58,879**	**(96,584)**

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

CURRENT LIABILITIES	**2011/12 £000**	**2010/11 £000**
Grants Receipts in Advance (Capital Grants)		
		-
Disabled Facilities Grant	(43)	-
Developers Contributions (S.106)	(747)	(1,117)
Total	**(790)**	**(1,117)**
Grants Receipts in Advance (Revenue Grants)		
Home and Communities Agency	(318)	(339)
Other Government Grants & Contributions	(335)	(1,370)
LEGI Re Guildhall	(50)	(50)
Developers Contributions (S.106)	(140)	(107)
Total	**(843)**	**(1,866)**
LONG TERM LIABILITIES		
Grants Receipts in Advance (Capital Grants)		
Home and Communities Agency	(2,000)	(2,002)
Local Enterprise Growth Initiative	-	(66)
Other Government Grants & Contributions	(28)	(28)
Developers Contributions (S.106)	(641)	(764)
Total	**(2,669)**	**(2,860)**
Grants Receipts in Advance (Revenue Grants)		
Local Enterprise Growth Initiative re Guildhall	(450)	(500)
Developers Contributions (S.106)	(2,017)	(2,053)
Total	**(2,467)**	**(2,553)**

38. Capital Expenditure & Capital Financing

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement 1 April	87,548	**90,320**
Capital Investment		
Property, Plant & Equipment	13,395	7,788
Investment Property	234	218
Assets Held for Sale	-	5
Heritage Assets	163	-
Intangible Assets	628	77
Revenue Expenditure Funded from Capital Under Statute	1,584	2,017
Sources of Finance		
Capital Receipts	(1,661)	(1,443)
Government Grants & Other Contributions	(1,264)	(5,443)
Housing Revenue Account Major Repairs Allowance	(6,234)	(2,492)
Revenue Contributions & Minimum Revenue Provision *	(3,724)	(3,499)
Closing Capital Financing Requirement 31 March	**90,668**	**87,548**
Explanation of movement in year		
Increase in underlying need to borrow(supported by government financial assistance)		-
Increase/ (decrease) in underlying need to borrow(unsupported by government financial assistance)	3,120	(2,772)
Assets acquired under finance leases		-
Assets acquired under PFI/PPP contracts		-
Increase/(decrease) in Capital financing Requirement	**3,120**	**(2,772)**

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 2011/12 is £3.724m (2010/11 £3.498m) and this represents a provision against the Council's underlying debt that has been acquired to finance capital expenditure.

39. Leases

Council as Lessee

Operating Leases

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

	31 March 2012		31 March 2011	
	Vehicles, Plant & Equipment £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Land & Buildings £000
Future Rental Liabilities				
Not later than one year	310	1,767	194	1,894
Later than one year & not later than five years	333	2,171	159	2,247
Total	**643**	**3,938**	**353**	**4,141**

The expenditure charged to the Housing Revenue Account, Cultural, Environmental, Regulatory and Planning Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2,401,782 (2010/11: £2,352,987)

	2011/12 £000	2010/11 £000
Sub-lease payments receivable	2,307	2,255
Total	**2,307**	**2,255**

Finance Leases

In the current year the Council reports obligations in respect of Finance leases as a lessee of £1.57m (2010/11 £1.633m) in addition to those disclosed 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:

	2011/12 £000	2010/11 £000
Future Rental Liabilities		
Not later than one year	3,349	3,570
Later than one year & not later than five years	11,026	11,751
Over five years	72,942	75,870
Total	**87,317**	**91,191**

In addition to the above, there are 118 properties where the rent is in perpetuity that amounts to £273,379 per annum.
The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Finance Leases

- The Council leases out nine properties on a finance lease.

The Council has gross investments in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments 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

	2011/12 £000	2010/11 £000 (restated)
Finance lease debtor (net present value of minimum lease payments):		
Current	16	17
Non-current	1,200	1,197
Unearned finance income	2,417	2,471
Unguaranteed residual value of property	112	139
Gross investment in the leases	**3,745**	**3,816**

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 2012	31 March 2011	31 March 2012	31 March 2011
	£000	£000 (restated)	£000	£000 (restated)
Future Rental Liabilities				
Not later then one year	42	70	16	17
Later than one year & not later than five years	202	188	72	72
Later than five years	3,501	3,557	1,128	1,140
Total	**3,745**	**3,816**	**1,216**	**1,229**

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.

40. Private Finance Initiatives & Similar Charges

On the 15 April 2002 the Council commenced a 15 year partnership agreement with Steria UK Ltd for the delivery of a managed service, infrastructure upgrades, business process re-engineering (BPR) and new ICT (consequent upon BPR). The agreement 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 2011/12 payment was £6.102m. All services continue to be delivered from existing Council premises.

On 12 January 2012 the Council issued a 90 day notice of termination of the contract effectively ending the contract on 12 April 2012. Any plant and equipment installed at this date 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.

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 2011/12 totalled £6.231m (£6.102m) in 2011/12) including lifecycle costs of £0.123m (£0.388m) capitalised in PPE as additions in year, repayment of liability £2.057m (£2.104m) made up of £0.765m (£0.923m) of finance cost and £1.292m (£1.181m) of lease repayment, service costs £4.963m (£4.947m) charged to CIES, and contingent rents £1.347m (£1.900m) - 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 2011/12 of £4.963m (£4.947m) did not include a credit relating to performance deductions within the year (£nil in 2011/12).

Value of Assets held under PFI contract is:

	31 March 2012 £000	31 March 2011 £000
Carrying amount at 1 April	-	10,950
Additions	-	793
Depreciation	-	(9,440)
Carrying Value at 31 March	-	2,303

Value of liabilities resulting from PFI contract is:

	31 March 2012 £000	31 March 2011 £000
Value at 1 April	-	7,821
Finance lease costs	-	919
Finance lease rental	-	(2,263)
Carrying Value at 31 March	-	6,477

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

PFI Creditor	**31 March 2012 £000**	**31 March 2011 £000**
Due within one year	5,797	684
Due within 2-5 years	-	4,635
Due within 6-10 years	-	1,158
Total	**5,797**	**6,477**

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**

41. Impairment Losses

During the year the Council carried out adaptations at a cost of £1,322,451 (2010/11 £367,756) to a number of council dwellings under Disabled Facilities legislation. No individual adaptation was significant in value. As advised by our valuer these adaptations added no value to the dwellings, therefore this expenditure was impaired as shown in note 12 (combined with the impairments detailed below).

The Council also impaired the cost of minor works to lifts, site formation costs and capital fees; £79,021 in total (2010/11 £185,068).

42. Termination Benefits

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £503,064 (£1,411,371 in 2010/11). This was payable to 28 officers who were made redundant as part of the Council's rationalisation of the Service and includes amounts payable in respect of early retirement to the pension fund.

43. 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.

	2011/12		**2010/11**	
	£000	**£000**	**£000**	**£000**
Income & Expenditure Account				
Net Cost of Services				
Current service cost		3,362		4,183
Curtailments		771		(5,629)
Past service cost		290		(27,323)
Net Operating Expenditure		**4,423**		**(28,769)**
Interest cost		16,357		21,149
Expected return on assets in the scheme		(14,430)		(16,166)
Net charge to the Income & Expenditure Account		**6,350**		**(23,786)**
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with IAS19	(6,350)		23,786	
Actual amount charged against the General Fund Balance for pensions in the year	5,580	(770)	5,357	29,143
Employers' contributions payable to the scheme		**5,580**		**5,357**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £99.539m (31 March 2010 loss of £66.737m).

Reconciliation of present value of the scheme liabilities:	2011/12 £000	2010/11 £000
At 1 April	(298,498)	(367,519)
Current service Cost	(3,362)	(4,183)
Interest Cost	(16,357)	(21,149)
Contributions by Members	(1,290)	(1,419)
Actuarial Gains / (Losses)	(20,625)	63,256
Benefits Paid	11,057	10,834
Past service Costs	(771)	31,707
Liabilities Extinguished on Settlements	-	44,316
Liabilities Assumed in a Business Combination	(9,240)	(54,341)
At 31 March	**(339,086)**	**(298,498)**

Reconciliation of fair value of the scheme assets	2011/12 £000	2010/11 £000
At 1 April	215,699	203,132
Expected rate of return	14,430	16,166
Actuarial Gains / (Losses)	(12,177)	(11,305)
Employer Contributions	5,806	5,851
Contributions by Members	1,290	1,419
Benefits Paid	(11,057)	(10,834)
Assets Distributed on Settlements	-	(37,095)
Assets Acquired in a Business Combination	8,950	48,365
At 31 March	**222,941**	**215,699**

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 £2.254m (2010/11 £18.615m)

	2007/08 £000 Restated	2008/09 £000	2011/12 £000	2010/11 £000	2011/12 £000
Present Value of Liabilities	(243,457)	(234,920)	(367,519)	(298,498)	(339,085)
Fair Value of Scheme Assets	203,340	158,012	203,132	215,699	222,941
(Deficit) in Scheme	(40,117)	(76,908)	(164,387)	(82,799)	(116,144)

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £339.085m has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £116.144m.. 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 £3.95m

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:

	2011/12	**2010/11**
Long-term expected rate of return on assets in the scheme:		
Equity Investments	6.2%	7.5%
Bonds	4.2%	4.9%
Other	4.4%	5.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	21.2yrs	21.2yrs
Women	23.6yrs	23.4yrs
Longevity at 65 for future pensioners		
Men	23.6yrs	23.6yrs
Women	25.8yrs	25.8yrs
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	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 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 % Restated	**2008/09 %**	**2011/12 %**	**2010/11 %**	**2011/12 %**
Differences between expected & actual return on assets	(11.47)	(35.73)	19.07	1.14	(5.46)
Experience gains & losses on liabilities	1.33	0.13	(0.17)	14.59	1.61

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

	31 March 2012 %	**31 March 2011 %**
Equity Investments	66	69
Bonds	19	17
Property	12	11
Cash	3	3

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

44. Contingent Liabilities

The Council has awarded contracts which have resulted in some employees being TUPE'd to the new contractors. Subsequent to this, two of the companies have gone into administration, creating liabilities to the Local Government Pension Scheme (LGPS). Initially the LGPS will seek to recover these monies from the Administrator; should this not be possible, the liability would fall to the Council. The maximum potential impact on the HRA is £0.86m; after utilising monies withheld from the contractors, under clauses in the contracts.

45. 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 significant influence over the general operations of the council– it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 31 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 37.

Members of the council have direct control over the council's financial and operating Policies. The total of members' allowances paid in 2011/12 is shown in Note 34. During 2011/12, works and services to the value of £40,433 were commissioned from companies in which three members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition members approved £743,296 and officer working parties a further £20,946 as grants to voluntary organisations in which nine members had an interest. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at City Hall during office hours.

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

During 2011/12, works and services to the value of £20,277 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 (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) & (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.

46. Heritage Assets: Five Year Summary of Transactions

	Civic Plate & Regalia £000	Paintings £000	Sculptures & Bronzes £000	Statues, Fountains £000	Buildings £000	Total Heritage Assets £000
Valuation						
1 April 2007	6,784	3,261	658	-	-	10,703
Revaluations	-	60	-	-	-	60
31 March 2008	6,784	3,321	658	-	-	10,763
1 April 2008	6,784	3,321	658	-	-	10,763
Revaluations	623	77	-	-	-	700
31 March 2009	7,407	3,398	658	-	-	11,463
1 April 2009	7,407	3,398	658	-	-	11,463
1 April 2010	7,407	3,398	658	-	-	11,463
Revaluation	-	-	-	-	549	549
31 March 2010	7,407	3,398	658	-	549	12,012
1 April 2011	7,407	3,398	658	-	549	12,012
Revaluation	-	-	65	-	2,650	2,715
31 March 2011	7,407	3,398	723	-	3,199	14,727
1 April 2011	7,407	3,398	723	-	3,199	14,727
Revaluation	-	1,276	1,503	2,281	163	5,224
31 March 2012	7,407	4,674	2,226	2,281	3,362	19,951

47. Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority.

As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets
For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 1on page 25).

The Authority will also recognise an additional £11.463 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet. Again, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:
- ,,. At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £11.463 million. The revaluation reserve has also increased by £11.463 million.
- The fully restated 1 April 2010 Balance Sheet is provided on page 20. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

	Opening Balance as at 1 April 2010 £000	Restatement £000	Restatement required to opening balances as at 1 April 2010 £000
Heritage Assets	-	11,463	11,463
Long Term Assets	919,630	931,093	11,463
Total Net assets	673,763	684,568	11,463
Unusable Reserves	658,777	670,240	11,463
Total Reserves	673,763	685,226	11,463

Comprehensive Income and Expenditure Statement

During 2010/11 there were no additions, disposals, impairment or revaluations of the Council's heritage assets, therefore there has been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement.

Movement in Reserves – Unusable Reserves 2010/11

As there is no restatement of any lines in the Comprehensive Income and expenditure Statement, the only restatement within the Movement in Reserves relates to the brought forward and carried forward balances on the Unusable Reserves.

The resulting restated Balance Sheet for 31 March 2011 is provided on page 20. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011

	As previously stated 31 March 2011 £000	As restated 31 March 2011 £000	Restatement 2011 £000
Heritage Assets	-	11,463	11,463
Long Term Assets	788,293	799,756	11,463
Total Net assets	646,515	657,978	11,463
Unusable Reserves	604,088	615,551	11,463
Total Reserves	646,515	657,978	11,463

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £11.463 million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £11.463 million.

Housing Revenue Account Income & Expenditure Statement

	Notes	2011/12 £000	2010/11 £000
Expenditure			
Repairs & Maintenance		12,966	10,205
Supervision & Management		16,803	16,218
Rents, Rates, Taxes & Other Charges		6,048	5,991
Negative Subsidy payable to Secretary of State		8,003	6,273
Local Authority Housing – HRA Self Financing Debt		148,898	-
Depreciation & Impairment of Non-current Assets	HRA 9&10	(8,973)	123,605
Local Authority Housing – Revaluation los on Dwellings		-	-
Debt Management Costs		109	41
Movement in Allowance for Bad Debts		821	227
Total Expenditure		184,675	162,560
Income			
Dwelling Rents		52,475	48,230
Non-dwelling Rents		2,373	2,364
Charges for Services & Facilities		3,209	3,118
Contributions towards expenditure		8,739	7,846
Total Income		66,796	61,558
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		**117,879**	**101,002**
HRA services share of Corporate & Democratic Core		394	306
HRA share of the other amounts included in the whole Council Net Cost of Services but not allocated to specific services			-
Net (Income)/Cost of HRA Services		**118,273**	**101,308**
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Income	HRA1	(1,085)	(1,544)
Financing & Investment Income & expenditure	HRA2	3,784	4,605
Taxation & Non-Specific Grant Income	HRA3	(748)	(2,106)
(Surplus)/deficit for the year on HRA services		**120,224**	**102,263**

Movement in Reserves Statement (Housing Revenue Account)

	2011/12 £000	2010/11 £000
Balance at 31 March 2011	13,490	5,439
<u>Movement in reserves during Year</u>		
Surplus/ (deficit) on provision of services	(120,225)	(102,263)
Other Comprehensive Income & Expenditure		-
Total Comprehensive Income & Expenditure	(120,225)	(102,263)
Adjustments between accounting basis & funding basis under regulations (note 7 main accounts)	123,223	110,314
Net Increase/ Decrease before Transfers to Earmarked Reserves	2,998	8,051
Transfers to/(from) Earmarked Reserves (note 8 main accounts)	(18)	-
Transfers between reserves	-	-
Other Adjustments	-	-
Increase/Decrease in Year	2,980	8,051
Balance at 31 March carried forward	16,470	13,490

Notes to Housing Revenue Account Income & Expenditure Statement

1. Other Operating Income

	2011/12 £000	2011/12 £000
(Gains)/Losses on the disposal of non-current assets	(1,085)	(1,544)
Total	**(1,085)**	**(1,544)**

2. Financing and Investment Income and Expenditure

	2011/12 £000	2010/11 £000
Interest payable and similar charges	3,895	3,523
Pension interest cost and expected return on pension assets	511	1,183
Interest receivable and similar income	(203)	(101)
Income and expenditure in relation to investment properties and changes in their fair value	(419)	-
Total	**3,784**	**4,605**

3. Taxation and Non-Specific Grant Income

	2011/12 £000	2010/11 £000
Capital Grants and contributions	(748)	(2,081)
Total	**(748)**	**(2,081)**

4. HRA Council Dwellings

At 31 March 2012 there were 15744 HRA Council dwellings, of which 987 were sheltered housing units.

	31 March 2012 Total	31 March 2011 Total
Parlour houses	319	335
Non-parlour houses	5,487	5,920
Non-traditional houses	667	284
Bungalows	342	337
Cottage properties	281	127
Flats	6,724	6,751
Maisonettes	516	519
Flats in tower blocks	421	422
Sheltered/Good Neighbour housing units	987	996
	15,744	**15,691**
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	**15,691**	**15,769**
Right to Buy sales	(37)	(35)
Other Dwelling Sales	(22)	(39)
Conversions	-	(6)
Demolitions	-	-
Transfer to Registered provider of Social Housing	-	(1)
New Dwellings in HRA	112	3
Stock as at 31 March	**15,744**	**15,691**

The change in numbers of dwellings in categories between years is attributed to the reclassification of some dwellings by the Valuer, as illustrated below.

	Former Classification	Change in Classification	Revised Classification
Parlour houses	331	(12)	319
Non-parlour houses	5,903	(416)	5,487
Non-traditional houses	283	384	667
Bungalows	337	5	342
Cottage properties	227	54	281
Flats	6,731	(7)	6,724
Maisonettes	516	0	516
Flats in tower blocks	420	1	421
Sheltered housing units	996	(9)	987
Total	**15,744**	**-**	**15,744**

5. Housing Valuation

	31 March 2012 £000	31 March 2011 £000
Operational Assets:		
Council Dwellings (HRA)	618,591	590,247
Other Land & Buildings	12,730	13,358
Intangible	66	77
	631,388	**603,682**
Non-operational Assets	4,874	6,966
	636,262	**610,648**

On 1 April 2011, 112 Council dwellings belonging to the General Fund were appropriated from general residential purposes to use for local housing authority purposes under Part II of the Housing Act 1985.

There is a remaining piece of housing land belonging to the General Fund whose value amounts to £0.004m (2010/11 £6.64m). 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 £618.60m (2010/11 £596.88m).

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% (2010/11 61%). The difference between the two values therefore shows the economic cost of providing housing at less than market value.

The Vacant Possession Value of all HRA Dwellings as at 1 April 2012 was £1,524,940,000 (1 April 2011 £1,458,763,000)

6. Major Repairs Reserve

	2011/12 £000	2010/11 £000
Balance brought forward at 1 April	(7,354)	-
Depreciation charge for the year	(11,092)	(10,906)
Financing of capital expenditure for the year	6,234	2,493
Excess of depreciation over MRA	1,039	1,059
Balance carried forward at 31 March	**(11,173)**	**(7,354)**

7. HRA Capital Expenditure

	2011/12 £000	2010/11 £000
Capital Investment		
Operational Assets	10,184	4,375
Non-operational Assets	-	30
Intangible assets	-	77
Total HRA Capital Expenditure	**10.184**	**4,483**
Sources of Finance		
Major Repairs Allowance	6,234	2,493
Revenue Contributions	3,700	-
Capital Receipts	-	-
Government Grants & Other Contributions	250	1,990
	10,184	**4,483**

8. HRA Capital Receipts

In 2011/12 total capital receipts from the disposal of HRA assets were:

	2011/12 £000	2010/12 £000
Land	101	1,723
Council dwellings	3,669	5,503
Total	**3,770**	**7,226**

9. 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 £11,185k (2010/11 £10,998k)

	2011/12 £000	2010/11 Restated £000
<u>Operational Assets</u>		
Council dwellings	10,947	10,711
Other land & buildings	145	194

Vehicles, Plant & Equipment	93	93
	11,185	**10,998**

In 2010/11 a depreciation charge of £645k relating to HRA garages was erroneously shown under other land & buildings. This charge has been correctly restated above within council dwellings.

10. Impairment & Revaluation Losses

During the year there were £1,817,106 of impairment costs (2010/11 £552,831) relating to HRA assets. Revaluation gains amounted to £23,995,232 (2010/11 loss £111,659,312) of which £21,974,749 affected the Comprehensive Income and Expenditure Statement (2010/11 loss £112,054,377) and £2,020,483 affected the Revaluation Reserve (2010/11 gain £395,065).

11. Housing Subsidy

HRA subsidy of £8,002,915 (2010/11 £6,272,671) was payable to the Department for Communities and Local Government, and is made up of the following elements:

	2011/12	2010/11
	£000	£000
Allowance for Management	10,441	10,132
Allowance for Maintenance	17,304	17,002
Allowance for Major Repairs	10,054	9,846
Charges for Capital	6,398	6,361
Other Items of Reckonable Expenditure	13	14
Subtotal Subsidy Receipts	**44,210**	**43,355**
Guideline Rent	(52,281)	(49,486)
Interest on Receipts	(1)	(2)
Interest on Self Financing Settlement payable to Secretary of State	53	**-**
Subtotal Subsidy Payments	**(52,229)**	**(49,488)**
Prior Year Income	16	(139)
Total Housing Subsidy Receipts/(Payments)	**(8,003)**	**(6,272)**

12. 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.

13. Rent Arrears

Rent arrears at 31 March 2012 were £3.36m (2010/11 £2.49m). The provision for doubtful debts (rents) at 31 March 2012 was £2.0m (2010/11 £1.3m). Amounts written off during the year amounted to £0.2m (2010/11 £0.2m).

The Collection Fund Revenue Account

	Notes	31 March 2012 £000	31 March 2011 £000
Income			
Income from Council Tax		50,763	50,144
Transfer from General Fund:			
Council Tax benefits		14,817	14,790
Transitional relief			-
Discounts for prompt payment			-
Income collectable from business ratepayers		72,662	70,657
		138,242	**135,591**
Expenditure			
Precepts & Demands:			
Norfolk County Council		46,680	46,048
Norfolk Police Authority		7,793	7,687
Norwich City Council		9,208	9,083
Distribution of Estimated Surplus for Previous Years:			
Norfolk County Council		555	506
Norfolk Police Authority		93	84
Norwich City Council		109	99
Business Rates:			
Payment to National Pool		72,390	70,383
Costs of Collection		272	274
Bad & Doubtful Debts:			
Write Offs of uncollectable amounts		188	377
Allowance for impairment		1,464	727
		138,752	**135,268**
Collection Fund Balance b/fwd at 1 April		2,074	1,751
Prior Year Adjustment		-	-
Surplus / (Deficit) for the year		(510)	323
Collection Fund Balance c/fwd at 31 March	**3**	**1,564**	**2,074**

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 2012 was £197,505,215 (2011/12 £171,444,722). The national non-domestic rate multiplier for 2011/12 was 41.4p in the £ (2011/12, 48.5p in the £). The small business multiplier for eligible businesses in 2011/12 was 40.7p in the £ (2011/12, 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	2011/12 Calculated Number of Properties in Band	2010/11 Calculated Number of Properties in Band
Up to £40,000	A	14,440.95	14,304.01
£40,001 to £52,000	B	14,460.60	14,246.24
£52,001 to £68,000	C	5,982.84	5,827.16
£68,001 to £88,000	D	2,961.65	2,928.55
£88,001 to £120,000	E	2,288.79	2,269.42
£120,001 to £160,000	F	1,068.96	1,062.32
£160,001 to £320,000	G	949.42	946.00
Over £320,000	H	91.40	88.80
		42,244.61	**41,672.50**
Collection Rate		0.965 x	0.965 x
		40,766.05	**40,213.96**
Contribution in Lieu (relating to Crown Properties)		0.00	0.00
Tax Base		**40,766.05**	**40,213.96**

The tax rate per Band D property was £1,562.10 (2010/11 £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.

	2011/12 £000	2011/12 £000
Norfolk County Council	1,142	1,520
Norfolk Police Authority	196	254
Norwich City Council	226	300
Surplus Carried Forward	**1,564**	**2,074**

Annual Governance Statement 2011/12

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 2012 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 Chief Finance Officer has been a member of the corporate leadership team since January 2011. Prior to this the Chief Finance Officer 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 Chief Finance Officer (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 Chief Finance Officer 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 Chief Finance Officer. 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 Chief Finance Officer has assessed his role against the principles in the statement and in most respects the detailed requirements are met. Although the Chief Finance Officer 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, Chief Finance Officer, 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	March 2012

Significant Issue	Proposed Action	Date
	year, to be completed by 31 March 2012.	
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 2011/12 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 Chief Finance Officer 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 Chief Finance Officer 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:

GLOSSARY OF TERMS

Accounting Period
The period of time covered by the accounts - normally a period of twelve months – which commences on 1 April for local authority accounts. The end of the accounting period, i.e. 31 March, is the balance sheet date.

Accrual
A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.

Asset
An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year where a current asset (e.g. stocks or short-term debtors) can readily be converted into cash.

Audit of Accounts
An independent examination of the Council's financial affairs which ensures that the relevant legal obligations and codes of practice have been followed.

Balance Sheet
A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.

BVACOP (Best Value Accounting Code of Practice)
The Best Value Accounting Code of Practice provides guidance on the content and presentation of costs of service activities within the Consolidated Revenue Account. It constitutes 'proper accounting practice' and is recognised as such by statute.

Billing Authority
A local authority charged by statute with the responsibility for the collection of and accounting for Council Tax, NNDR and residual Community Charge. These in the main are district Councils, such as Norwich, and unitary authorities.

Budget
A budget is a financial statement that expresses the Council's service delivery plans in monetary terms. This normally covers the same period as the financial year but increasingly Councils are preparing medium-term financial plans covering 3 to 5 years.

Capital Expenditure
Expenditure to acquire fixed assets that will be used in providing services beyond the current accounting period or expenditure that adds value to an existing fixed asset.

Capital Financing
The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

Capital Financing Requirement
The capital financing requirement reflects the Council's underlying need to borrow for a capital purpose.

Capital Programme
The capital schemes a Council intends to carry out over a specified time period, often within a 6 to 10 year timeframe.

Capital Receipt
The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.

Chartered Institute Of Public Finance and Accountancy (CIPFA)
The principal accountancy body dealing with local government finance.

Collection Fund
A separate fund maintained by a billing authority which records the expenditure and income relating to Council tax, non-domestic rates and residual community charges.

Community Assets
Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions in their disposal. Examples of community assets are parks and historic buildings.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next one is the same.

Contingent Liability
A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Creditor
Amounts owed by the Council for work done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

Debtor
Amounts due to the Council for work done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

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

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

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence such that the financial statements give a true and fair view.

Finance Lease
A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Not the same as an Operating Lease (q.v.).

Financial Reporting Standard (FRS)
Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these standards is normally mandatory and any departure from them must be disclosed and explained.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets for example bank deposits and investments, and financial liabilities for example trade payables and borrowings.

Fixed Assets
Tangible assets that yield benefits to the Council and to the services it provides for a period of more than one year.

Housing Revenue Account
A separate account to the General Fund which includes the expenditure and income arising with the provision of housing accommodation owned by the Council.

Income and Expenditure Account
This statement reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all the local authority's functions.

Infrastructure Assets
Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways) and for which a useful life-span cannot be readily assessed.

Intangible Fixed Assets
These are assets which do not have a physical substance, e.g. software licences, but which yield benefits to the Council and the services it provides, for a period of more than on year.

NNDR (National Non-Domestic Rate)
National Non-Domestic Rate is a standard rate in the pound set by the government on the assessed rateable value of properties used for business purposes.

Non-Operational Assets
Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties or assets surplus to requirements, pending sale or redevelopment.

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

Operational Assets
Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory responsibility.

Precept
The amount which a local authority, which cannot level a council tax directly on the public, requires to be collected on its behalf. The major precepting authorities are Norfolk County Council and Norfolk Police Authority.

Provisions
Monies set aside for liabilities which are likely to be incurred, but where exact amounts or dates are uncertain.

Prudential Code
The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.

Rateable Value
The annual assumed rental value of a property that is used for business purposes.

Reserves

The accumulation of surpluses and deficits over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Reserves of a capital nature may some restrictions placed on them as to their use.

Revenue Expenditure Funded from Capital under Statute

Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this artifice is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that years' council tax.

Revenue Support Grant

The main grant paid by central government to a local authority towards the costs of their services.

Statement of Movement on the General Fund Balance

This statement follows the Income and Expenditure Account. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute and non-statutory proper practices to be charged or credited to the General Fund.

Statement of Movement on the Housing Revenue Account Balance

This statement follows the Housing Revenue Account Income and Expenditure. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute and non-statutory proper practices to be charged or credited to the Housing Revenue Account.

Statement of Recommended Practice (SORP)

The CIPFA Code of Practice on Local Authority Accounting or 'SORP' sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

Statement of Standard Accounting Practice (SSAP)

These are methods of accounting approved by the Accounting Standards Committee and are applicable to all accounts which are intended to give a true and fair view. They are gradually being replaced by Financial Reporting Standards (see above).

Statement of Total Recognised Gains and Losses (STRGL)

FRS3 (Reporting Financial Performance) requires all gains and losses to be included in a Statement of Total Recognised Gains and Losses, to be shown with the same prominence as the other primary statements.

Tangible Assets

See Fixed Assets (q.v.). Do not see Intangible Assets.

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects usually as a result of individual legacies and donations.

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