



At each year-end 31st March the Council is obliged to prepare a Statement of Accounts. It is a summary of the Council's financial standing at one point in time.

As Deputy Chief Executive and Head of Finance and Resources I am responsible for the accounts and am pleased to report that the statement shows that in 2004/2005 the Council delivered its services within budget and at the year-end it is positioned well to meet the challenge of future years.

I am satisfied that these accounts present fairly the financial position of the Council at 31st March 2005 and its income and expenditure for the year.

My thanks to all those that played a part.

DEPUTY CHIEF EXECUTIVE & HEAD OF
FINANCE & RESOURCES

June 2005

**"The Council is positioned well to meet
the challenge of future years"**

I confirm that this Statement of Accounts was approved by the Council at the meeting held on 28th July 2005.

Signed on behalf of
The Borough Council of King's Lynn & West Norfolk

Mayor of the Borough of King's Lynn & West Norfolk
and Chair of the Meeting



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STATEMENT OF RESPONSIBILITIES

○ The Authority's Responsibilities

The Authority is required to:-

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance, Property & ICT, David Thomason;
- manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets;
- approve the Statement of Accounts.

○ Head of Finance, Property & ICT Responsibilities

The Head of Finance, Property & ICT is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to present fairly the financial position of the authority and its income and expenditure for the year ended 31st March 2005.

In preparing the Statement of Accounts, the Head of Finance, Property & ICT has:-

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

He has also:-

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

○ Certification

In accordance with the Accounts and Audit Regulations 2003, I certify that the Statement of Accounts presents fairly the financial position of the Borough Council of King's Lynn and West Norfolk as at 31st March 2005, and its income and expenditure for the year then ended.



David Thomason
Head of Finance, Property & ICT

○ **The Accounting Statement**

The Statement of Accounts consist of summaries which deal with different aspects of the Council's activities and a Consolidated Balance Sheet which sets out the financial position of the Council as at 31st March 2005.

● **Consolidated Revenue Account**

The Consolidated Revenue Account deals with the day to day operations of the Council.

The Council's main revenue account covers income and expenditure on all services including council housing and trading undertakings.

● **Housing Revenue Account**

This shows income and expenditure on the day to day provision of council housing.

● **Consolidated Balance Sheet**

This sets out the financial position of the Council at 31st March 2005.

● **Total Movement in Reserves Statement**

This statement analyses the movement of capital and revenue reserves. It shows movements, gains or losses, over and above those reported in the consolidated revenue account.

● **Cash Flow Statement**

This summarises the inflows and outflows of cash during the year.

○ **Collection Fund**

This is a statutory fund which is separate from the main accounts of the Council and deals with the collection of Council Tax, Parish Precepts and Non Domestic Rates and the payment of precepts to the Borough Council, Norfolk County Council and Norfolk Police Authority. All of the above are supported by the Statement of Accounting Policies as set out on pages 31 to 36 and various notes to the accounts.

○ **Summary of Accounts 2004/2005**

The Council at its budget meeting of 26th February 2004 set a budget of £17,867,430 with an intention to contribute £50,230 to its General Fund balances.

The outturn position for the year shows expenditure of £17,728,000 adding a sum of £140,000 to balances.

The Housing Revenue Account, which deals with the income and expenditure on the provision of council housing, ended the year with a credit balance of £812,000.

The Council operates trading undertakings which were the former Housing and Grounds Maintenance Direct Services Organisations (DSO's), a Public Cleansing DSO and a Leisure Management DSO. The Local Government Act 1999 repealed the requirement to maintain statutory revenue accounts for the former DSOs with effect from 2nd January 2000. However the Council maintained revenue accounts and overall the trading undertakings made a loss of £380,000.

○ **Overall Financial Position 2004/2005**

The Statement of Accounts indicates that the Council's financial health remains good at the end of 2004/2005. Expenditure in the year was contained within budget and the Balance Sheet identifies that the Council continues to maintain reserves and balances sufficient to meet its future commitment in terms of capital and revenue spending plans.

○ **Major Influences on the Council's Accounts during 2004/2005**

The Council carried out an Establishment Review and recruitment ban, resulting in budget savings in the year and providing for ongoing savings in excess of £800,000 per annum.

Capital receipts from the sale of council houses were higher than anticipated, producing an additional £480,000 of capital resources.

Housing Transfer – In December 2004 The Council received a Yes Vote from tenants on the transfer of housing stock to a housing association. Negotiations with a new housing association began in February 2005 and will continue until the transfer takes place.

Expenditure of £439,275 has been incurred for Housing Stock Transfer. This should be met from the capital receipt; however a bad debt provision has been established due to current uncertainty over transfer.

EXPLANATORY FOREWORD

○ Capital

During 2004/2005 the Council spent £16,862,000 on capital projects.

Major areas of spending were:

- Modernisation and improvement to council housing £3,111,000
- Regeneration schemes £7,377,000
- Renovation grants for private sector housing £1,071,000
- Car Parks £1,668,000
- Community Facilities £1,127,000

○ Summary of Capital Expenditure

Expenditure in 2004/2005								2003/2004
Scheme	Regener- ation £'000	Environ- ment £'000	Resources £'000	Health £'000	Housing £'000	Community £'000	Total £'000	£'000
Civic Halls						34	34	40
Council Housing					3,111		3,111	4,719
Council Offices			142				142	988
Industrial Estates	76						76	18
Private Housing					101		101	150
Renovation Grants					1,071		1,071	1,090
Recreation Centres						557	557	370
Tourism/Recreation Areas						208	208	200
Hunstanton Improvements						72	72	7
Vehicles / Equipment	28	21			158	32	239	395
Information Technology		36	349		22		407	224
King's Lynn Visual Image	1						1	0
Greyfriars Tower	131						131	145
Regeneration Schemes	7,377						7,377	4,904
Town Centre	131						131	1
Car Parks	1,554					114	1,668	116
Cycleways							0	28
Crematorium				126			126	41
Community Facilities						1,127	1,127	0
Access to Council Bldgs			192				192	0
Other	15	17	12	11	33	3	91	540
Total	9,313	74	695	137	4,496	2,147	16,862	13,976

Details of how this expenditure has been financed are given at Note 7 to the Consolidated Balance Sheet.

○ The Euro

The Borough Council has neither incurred, nor expects to incur, any material expenditure in relation to the direct costs associated with the potential introduction of the Euro.

○ Accounting Policies

The accounting policies adopted by the Authority comply with recommended accounting practices and are set out on pages 31 to 36.

EXPLANATORY FOREWORD

○ General Fund

The performance of General Fund expenditure against estimates was as follows:

	2004/2005 Original Budget		2004/2005 Actual	
	£'000	£'000	£'000	£'000
Balance brought forward		1,169		1,037
Expenditure in the year	(17,818)		(17,728)	
Budget Requirement	17,868		17,868	
Surplus for year		50		140
Balance carried forward		1,219		1,177

The following illustrates in broad terms how monies were spent and where it came from.

Gross Expenditure 2004/2005		Gross Income 2004/2005	
	%		%
Cultural & Related Services	9	Collection Fund Precept	8
Environmental Services	9	Revenue Support Grant/NDR from Pool	14
Planning & Development Services	6	Rents	24
Highways, Roads & Transport Services	2	Government Grants	31
Housing General Fund	40	Fees, Charges & Other Income	23
Council Housing	21		
Precepts/Internal Drainage Board	4		
External Interest Charges	2		
Other	7		
Total	100	Total	100

○ Current Borrowing Facilities

In March 2004 the Authority's borrowing limit for 2004/2005 was established at £45.8 million, with short term borrowing limited to 60% of total borrowings and variable rate loans limited to 60% of total borrowing. In March 2005 the limits for both short term and variable rate loans were unchanged, with the borrowing limit reduced to £36 million.

The borrowing requirement for the Council represents the amount of borrowing the Council will require as a result of the demands of both the capital programme and movement in reserves and balances.

CONSOLIDATED REVENUE ACCOUNT

EXPLAINING THIS STATEMENT

This account reports the cost for the year of the major services for which the Borough Council is responsible and which are ultimately paid for by the Council Taxpayer.

Figures shown are in the format as required by the CIPFA Best Value Accounting Code of Practice.

Note	Revenue Services	2004/2005 Gross Expenditure £'000	2004/2005 Gross Income £'000	2004/2005 Net Expenditure £'000	2003/2004 Net Expenditure £'000
	Culture & Related Services	7,803	2,682	5,121	4,972
	Environmental Services	7,454	2,087	5,367	4,462
	Planning & Development Services	5,896	3,822	2,074	2,675
	Highways, Roads & Transport Services	1,239	2,314	(1,075)	(1,057)
	Housing General Fund	32,196	30,710	1,486	2,609
	Central Services to Public	1,815	909	906	901
	Corporate & Democratic Core	3,074	633	2,441	1,623
	Non-Distributed Costs	637	0	637	213
	Net Cost of General Fund Services	60,114	43,157	16,957	16,398
Page 11	Housing Revenue Account	22,518	19,334	3,184	3,605
	Net Cost of Services	82,632	62,491	20,141	20,003
	Precepts of Parish Councils	962	0	962	874
	Internal Drainage Boards	2,279	0	2,279	2,164
Page 7 Note 2	Trading Operations	380	0	380	614
Page 7 Note 1	Asset Management Revenue Account	7,240	13,394	(6,154)	(6,154)
	Contribution of Housing Capital Receipts to government Pool	6,121	0	6,121	0
	Interest and Investment Income	0	1,531	(1,531)	(1,029)
	Pensions Interest Cost & Expected Return in Pensions Assets	4,020	4,030	(10)	895
	Amortised Premiums	491	0	491	517
	Net Operating Expenditure	104,125	81,446	22,679	17,884

CONSOLIDATED REVENUE ACCOUNT

EXPLAINING THIS STATEMENT

This part of the account shows how the net cost of services and other costs were paid for through the receipt of government grants and other income from Council Taxpayers.

Figures shown are in the format as required by the CIPFA Best Value Accounting Code of Practice.

Revenue Services	2004/2005 Net Expenditure		2003/2004 Net Expenditure	
	£'000	£'000	£'000	£'000
Net Operating Expenditure		22,679		17,884
Appropriations				
Transfer To HRA Balances	62		29	
Transfer of Interest (non earmarked)	10		7	
Net Transfer to/(from) Reserves	(2,515)		1,575	
Transfer from Usable Capital Receipts	(6,121)		0	
Financing of Capital Expenditure	6,011		1,069	
Provision of Loan Repayment	(1,108)		(177)	
Movement on Capital Financing Account (CFA) for:				
Amortisation of Capital Contributions	604		106	
Deferred Charges	(1,797)		(1,736)	
Movement on Pension Reserve	(97)		(460)	
Total Appropriations		(4,951)		413
Amount to be met from Government Grants and Local Taxpayers		17,728		18,297
Transfer from Collection Fund Balances		(100)		(300)
Demands on Collection Fund		(6,349)		(5,937)
Revenue Support Grant		(7,676)		(7,198)
Distribution from NDR Pool		(3,743)		(4,730)
(Surplus)/Deficit		(140)		132
Balances brought forward		(1,037)		(1,169)
Balances carried forward		(1,177)		(1,037)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1 Transactions on the Asset Management Revenue Account (AMRA)

	2004/2005		2003/2004	
	£'000	£'000	£'000	£'000
Income				
Capital Charges: General Fund	(3,770)		(3,427)	
Housing Revenue Account	(9,020)		(9,723)	
Amortisation of Capital Contributions	(604)		(106)	
		(13,394)		(13,256)
Expenditure				
Provision for Depreciation	5,356		5,134	
External Interest Charges	1,884		1,968	
		7,240		7,102
Balance to Consolidated Revenue Account Page 5		(6,154)		(6,154)

2 Trading Operations

Under the CIPFA Best Value Accounting Code of Practice services have been redefined. The Council's statutory Direct Service Organisations are now referred to as trading operations. Whilst there is now no legal requirement to maintain statutory revenue accounts, the Borough Council has maintained this discipline as detailed below.

	2004/2005 Gross Expenditure £'000	2004/2005 Gross Income £'000	2004/2005 Net Expenditure £'000	2003/2004 Gross Expenditure £'000	2003/2004 Gross Income £'000	2003/2004 Net Expenditure £'000
Housing Maintenance	4,477	4,627	(150)	4,956	5,016	(60)
Grounds Maintenance	1,051	1,080	(29)	1,016	1,017	(1)
Public Cleansing	980	901	79	897	842	55
Leisure Management	2,019	1,539	480	2,059	1,439	620
Total	8,527	8,147	380	8,928	8,314	614

3 Publicity Expenditure

Section 5 of the Local Government Act 1986 requires authorities to keep accounts of expenditure on certain items of publicity.

In 2004/2005 the sum of £128,680 was spent (£173,410 in 2003/2004), this covers publicity campaigns not directly connected with the Council's facilities i.e. promotion of the Borough in general.

Of this amount, £102,740 (£134,370 in 2003/2004) relates to staff recruitment advertising, and the balance of £25,940 (£39,040 in 2003/2004) relates to other general publicity expenditure.

Publicity promoting specific services, notably leisure facilities, is regarded as exempt from Section 5 disclosure requirements.

4 Agency Income and Expenditure

Grass cutting is carried out, on behalf of the County Council, by the Borough Council on an agency basis. Income received in 2004/2005 was £35,805 (£34,434 in 2003/2004). The service is provided at cost; hence the expenditure incurred in providing the service is equal to the income earned.

5 Employees Remuneration

Under the Accounts and Audit Regulations 2003, it is a requirement to publish the number of employees whose taxable emoluments exceeded £50,000.

	2004/2005	2003/2004
£50,000 - £59,999	6	2
£60,000 - £69,999	1	3
£70,000 - £79,999	3	0
£80,000 - £89,999	1	0
£90,000 - £99,999	0	1

6 Leases

The Council has lease agreements for the provision of service vehicles, trade refuse containers, grounds maintenance and sports and communications equipment. These agreements are classed as operating leases. The amount paid under these arrangements in 2004/2005 was £448,617 (2003/2004 £481,116). However the amount charged to revenue was £460,201 because of the phasing of payments on the Revenues system IT lease. The SORP requires charges to be made evenly throughout the period of the lease.

The Council is committed to making payments of £378,810 under these leases in 2005/2006 comprising the following elements:

	£
Leases expiring in 2005/2006	204,753
Leases expiring between 2006/2007 and 2009/2010	170,331
Leases expiring after 2009/2010	<u>3,726</u>
	<u>378,810</u>

7 Revenue Provision

The Council is required by statute to charge the Consolidated Revenue Account with a minimum amount for the repayment of external debt (as explained within the Statement of Accounting Policies on page 35). The 2004/2005 revenue provision for the repayment of debt is equivalent to 4% of the Council's underlying need to borrow for capital financing purposes as at the start of the financial year. The revenue provision for the repayment of debt is shown in the following table.

	2004/2005 £'000	2003/2004 £'000
Revenue Provision for Repayment of Debt	252,982	519,330
Depreciation charged to HRA	3,996	4,190
Contributions from HRA	(3,996)	(4,190)
	<u>252,982</u>	<u>519,330</u>

From 2004/2005 it is no longer a requirement to make a charge to the HRA for repayment of debt, as long as the housing stock is being maintained.

8 Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During the year the Council did not provide goods and services to other public bodies (2003/2004 £786).

9 Members Allowances

The total paid to members of the Council in 2004/2005 under the Local Authorities (Members Allowance) (Amendment) Regulations 1995 was £295,765 (£228,581 in 2003/2004). Further details can be obtained from the Exchequer Services Section (01553 616529).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10 Related Party Transactions

In the financial year the Council received Revenue Support Grant, various Specific Grants and a share of National Non Domestic Rates from the Government which appear in the Consolidated Revenue Account and Cash Flow statement.

Goods and services supplied by member related businesses are £20,505 (£19,717 in 2003/2004).

Grants awarded to organisations on which Councillors and Senior Officers have an interest totalled £296,779 (£253,467 in 2003/2004).

11 Local Government Pension Scheme

The Pension Scheme is a funded defined benefit scheme. The cost of pensions is provided from Norfolk County Council's Pension No 1 Fund, other than the cost arising from the award of added years under the Local Government (Compensation for Premature Retirement) Regulations 1982.

The Council recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions (as required by Financial Reporting Standards, FRS17). However, the charge we are required to make against the council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure.

The following transactions have been made in the CRA during the year:

Local Government Pension Scheme	2004/2005		2003/2004	
	£'000	£'000	£'000	£'000
<i>Net Cost of Services:</i>				
Current Service Cost	(2,220)		(1,781)	
Past Service Cost	(637)		(213)	
Unfunded Benefits	230		230	
		(2,627)		(1,764)
<i>Net Operating Expenditure:</i>				
Interest Cost	(4,020)		(4,204)	
Expected Return On assets In The Scheme	4,030		3,309	
		10		(895)
<i>Amounts to be met from Government Grants and Local Taxation:</i>				
Movement On Pensions Reserve		97		460
<i>Actual amount charged against Council Tax for Pensions in the Year</i>				
Employers' Contributions Payable To Scheme		(2,520)		(2,199)

Past Service Cost in the above table is shown as £637,000 whereas on page 22 the figure is £630,000. The difference is due to a rounding adjustment on the actuaries report.

Under the projected unit method the current service cost will increase as the members of the scheme approach retirement. This will impact on the Balance Sheet (as detailed in note 23) and in the Statement Of Total Movements In Reserves. Further information can be obtained from Norfolk County Council, County Hall, Martineau Lane, Norwich NR1 2DW, who administer the fund.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

12 Building Regulations Charging Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory bodies. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	Chargeable 2004/2005 £'000	Non - Chargeable 2004/2005 £'000	Total Building Control 2004/2005 £'000	Chargeable 2003/2004 £'000	Non - Chargeable 2003/2004 £'000	Total Building Control 2003/2004 £'000
Expenditure						
Employee	417	138	555	388	135	523
Premises	17	7	24	14	6	20
Transport	31	10	41	32	10	42
Supplies & Services	52	12	64	51	17	68
Central Services	41	31	72	33	39	72
Total Expenditure	558	198	756	518	207	725
Income						
Building Regs	569	0	569	577	0	577
Miscellaneous	0	79	79	0	79	79
Total Income	569	79	648	577	79	656
Surplus/(Deficit)	11	(119)	(108)	59	(128)	(69)

13 Disclosure of Audit Costs

In 2004/2005 the Borough Council incurred the following fees relating to external audit and inspection:

	2004/2005 £'000	2003/2004 £'000
Fees payable in regard to external audit services carried out by appointed auditor	103	91
Fees payable to the Audit Commission in respect of statutory inspection	10	16
Fees payable to the appointed auditor for the certification of grant claims and returns	22	38
Fees payable in respect of other services provided by the Audit Commission	1	1
Total	136	146

HOUSING REVENUE ACCOUNT

EXPLAINING THIS STATEMENT

The information contained within the Housing Revenue Account (HRA) reflects the statutory duty to account for the provision and maintenance of Council Housing.

It shows the major elements of expenditure and how these are met by housing rents, government subsidy and other income.

Under the Local Government and Housing Act 1989 there is a duty on the Council to ensure that all expenditure is met by income and balances in hand.

		2004/2005 £'000	2004/2005 £'000	2003/2004 £'000
Note	Income			
	Gross Rent Income	17,705		17,706
	Non-dwellings	327		325
			18,032	18,031
	Charges for Services & Facilities	768		744
	HRA Subsidy Receivable (including MRA)	0		7,312
	Contributions towards expenditure	534		550
			1,302	8,606
	Total Income		19,334	26,637
	Expenditure			
	Repairs and Maintenance	5,125		5,072
	Rent Rebates	29		10,886
Page 13 Note 6	Housing Subsidy Payable to Government	3,039		0
	Supervision and Management	4,956		4,622
	Rents, Rates, Taxes and Other Charges	17		21
Page 13 Note 8	Increased Provision for Bad Debts	327		161
Page 13 Note 5	Cost of Capital Charge	4,987		5,245
Page 12 Note 1	Depreciation of fixed assets	3,996		4,190
	Debt Management Costs	42		45
			22,518	30,242
	Total Expenditure		22,518	30,242
	Net Cost of Services		3,184	3,605
	Net HRA income on the AMRA	(4,450)		(4,640)
	Amortised Premiums	491		517
	HRA Investment Income	(21)		(28)
			(3,980)	(4,151)
	Net Operating Expenditure		(796)	(546)
	Appropriations			
	HRA Contribution to Minimum Revenue Provision	0		247
	Revenue Contribution to Capital Expenditure	574		270
	Revenue Contribution to Restructuring Reserve	160		0
			734	517
	Surplus for the year		(62)	(29)
	Balance brought forward		(750)	(721)
	Balance carried forward		(812)	(750)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Housing Stock

The Council was responsible for managing 6,964 dwellings at 31st March 2005. The stock was categorised as follows:-

	2005	2004
Houses	3,070	3,247
Flats	1,703	1,720
Bungalows	2,191	2,208
Total	6,964	7,175

The total value of the stock at 31st March 2005 has been affected by depreciation, the disposal of stock mainly through the Right to Buy scheme and additions to the value of stock as a result of capital expenditure. This is summarised in the table below:

Operational Assets			
	Dwellings £'000	Other Land & Buildings £'000	Total HRA Assets £'000
Gross Value 01.04.04	154,900	1,548	156,448
Additions	908	2	910
Depreciation	(17,523)	(171)	(17,694)
Disposals	(4,768)	(88)	(4,856)
Revaluations	0	131	131
Net Value 31.03.05	133,517	1,422	134,939

Depreciation Charge	2004/2005 £'000	2003/2004 £'000
Operational Assets		
Dwellings	3,958	4,151
Other Land and Buildings	38	39
Total HRA Depreciation Charge	3,996	4,190

The vacant possession value of the housing stock at 1st April 2004 was £266,060,395 (1st April 2003 £274,477,395). The difference between the vacant possession value and the balance sheet value of £133,517,151 reflects the cost to the Council of providing council housing at less than open market rents.

2 Major Repairs Reserve

The major repairs reserve was set up to account for the major repairs allowance (MRA) which is payable by the Government to all authorities based on stock numbers. The reserve is reduced by expenditure made on HRA assets.

	2004/2005 £'000	2003/2004 £'000
Balance as at 1 April	393	962
Transferred from CFA in full (equivalent to HRA depreciation)	3,996	4,190
Transfer (to) / from HRA:		
Depreciation on non-dwellings	(38)	(40)
(Excess) / Shortfall of depreciation on non-dwellings over the MRA	38	40
Financing of capital expenditure	(3,028)	(4,759)
Balance as at 31 March	1,361	393

3 Capital Expenditure

During 2004/2005 total capital expenditure on land, houses and other property within the HRA was £3,120,501 which was financed from the Major Repairs Allowance and reserve contributions. This compares with a capital spend of £4,858,659 in 2003/2004.

4 Capital Receipts

During the year £8,773,979 (£8,204,951 in 2003/04) was received from the disposal of land and property within the Housing Revenue Account.

5 Capital Charge

The capital charge is a notional charge to the HRA and represents the Government's expected rate of return of 3.5% for current costs and 4.8% for historic costs on the capital tied up in the housing stock.

The AMRA adjusting transfer effectively reverses this charge out to leave the actual interest charged to the HRA calculated in accordance with Government Regulations.

6 Housing Element of Subsidy

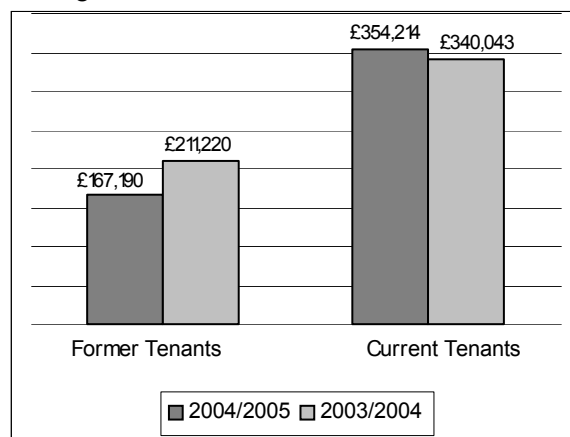
Housing Subsidy represents a payment to/from the Government to compensate councils for the fact that they provide social housing at below market rents. Subsidy is calculated by the Government assuming the Council's costs and income on a notional basis to see if the accounts would produce a surplus or deficit. In 2004/2005 the Council made a surplus in the subsidy calculation, which was paid over to the Government. From April 2004 subsidy for rent rebates granted to tenants of HRA dwellings was paid into and accounted for in the General Fund, leaving the HRA as a pure Landlord account. Thus a payment was to be made to the Government rather than receiving subsidy which had been the case before 2004/2005.

	£'000	£'000
Management Allowance	2,243	
Maintenance Allowance	5,132	
Capital Charges	1,786	
Admissible/ABS Allowance	23	
		9,184
Less Housing Income		
Rents	(16,286)	
Interest	(26)	
		(16,312)
Major Repairs Allowance		3,996
Adjustment re 03-04		93
Payment to Government 2004/2005		(3,039)

7 Rent Arrears

During the year rent arrears as a proportion of gross rent income decreased from 2.5% to 1.95%. If the debt of former tenants is excluded it would be 1.3%.

The figures are as follows:-



These figures are taken from the details of collection period for 31st March 2005, and differ from the amount shown on page 18, note 14 in that they include adjustments to take account of the Council's procedures of collecting rent two weeks in arrears.

8 Bad Debt Provision

The total provision for bad debts as at 31st March 2005 was £586,468 (£362,038 in 2003/2004), a movement of £224,430 (£52,866 in 2003/2004). The overall movement reflects an increased provision in preparation for the transfer of Housing Stock of £346,403 netted off by £121,977 housing debt write off. (On page 11 the increase provision for bad debts is shown as £327,000 – the difference when compared to £246,403 is because £19,403 was charged against income).

9 HRA Share of Pension Contribution

Pension costs charged to the Council's account in respect of its employees are equal to the contribution paid to the pension scheme for employees. These costs are based upon the pension liability which is balanced by a pensions reserve of the same value, which reflects the fact that the Council is not required to raise housing rents to cover the liability. Further information can be found in the statement of accounting policies page 34.

CONSOLIDATED BALANCE SHEET

EXPLAINING THIS STATEMENT

The balance sheet is a snapshot of the Council's financial position at the end of the financial year. It demonstrates how the Council manages its annual and long term operations by the use of short and long term borrowing and revenue balances. It includes General Fund, Housing Revenue and Collection Fund.

Note		2004/2005		2003/2004	
		£'000	£'000	£'000	£'000
Page 15 Notes 1,2	Fixed Assets				
	Intangible Fixed Assets		249		0
	Tangible Fixed Assets				
	Operational Assets				
	Council Dwellings	133,517		140,858	
	Other Land & Buildings	42,834		42,998	
	Vehicle, Plant & Equipment	2,183		2,385	
	Infrastructure Assets	358		122	
	Community Assets	43		43	
	Total Operational Assets	178,935		186,406	
	Non-Operational Assets				
	Investment Properties	20,151		24,094	
	Land Awaiting Development	19,093		9,002	
	Assets Under Construction	7,158		88	
	Total Non-Operational Assets	46,402		33,184	
	Total Tangible Assets		225,337		219,590
	Total Fixed Assets		225,586		219,590
Page 17 Note 11	Deferred Charges		0		897
Page 17 Note 10	Long term investments		30,108		28,768
Page 18 Note 12	Long term debtors		906		1,016
			256,600		250,271
	Current Assets				
Page 18 Note 13	Stock and work-in progress	382		630	
Page 18 Note 14,15	Debtors	10,166		11,149	
	Total Current Assets	10,548		11,779	
	Current Liabilities				
Page 19 Note 17	Short term borrowing	(5,131)		(3,424)	
Page 18 Note 16	Creditors	(10,132)		(7,212)	
	Bank	(1,102)		(1,192)	
		(16,365)		(11,828)	
	Net Current Assets/Liabilities		(5,817)		(49)
	Total Assets less Current Liabilities		250,783		250,222
Page 19 Note 18	Long Term Borrowing		(24,914)		(26,918)
Page 19 Note 19	Deferred Capital Receipts		(205)		(271)
Page 16 Note 8	Government Grants Deferred		(9,360)		(6,784)
Page 21 Note 23	Pension Liability		(26,700)		(14,413)
			189,604		201,836
Page 24 Note 1	Fixed Asset Restatement Account	127,638		131,979	
Page 24 Note 1	Capital Financing Account	67,194		63,794	
Page 21 Note 23	Pension Reserve	(26,700)		(14,413)	
Page 20 Note 20	Useable Capital Receipts	4,618		2,317	
Page 24 Note 1	Major Repairs Reserve	1,361		393	
Page 29	Collection Fund	2,121	176,232	2,081	186,151
	Fund Balances & Reserves				
Page 6	General Fund	1,177		1,037	
Page 11	Housing Revenue Account	812		750	
Page 23 Note 24	Earmarked Reserves	11,383	13,372	13,898	15,685
			189,604		201,836

NOTES TO THE CONSOLIDATED BALANCE SHEET

1 Analysis of Asset Movement 2004/2005

Movements in fixed assets during the year were as follows:-

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Investment Properties £'000	Land Awaiting Development £'000	Assets under Construction £'000	Infrastructure Assets £'000	Community Assets £'000	Intangible Assets £'000	Total £'000
Gross value as at 1 st April 2004	154,900	45,139	3,880	24,130	9,002	88	231	44	0	237,414
Gross Capital Expenditure/Additions	2,981	2,386	691	99	7,128	1,455	263	326	119	15,448
Disposals	(4,768)	(89)		(280)	(43)	(78)				(5,258)
Revaluations	(2,073)	(243)	(406)	600	3,022	(48)	122	(326)		648
Restatements		(1,421)	116	(4,362)	40	5,741			202	316
Gross value as at 31st March 2005	151,040	45,772	4,281	20,187	19,149	7,158	616	44	321	248,568
Depreciation b/fwd as at 1 st April 2004	14,042	2,140	1,495	36			109	1		17,823
Amortisation for year									72	72
Depreciation for year	3,958	781	603			1	13			5,356
Depreciation on Disposals	(477)	(9)				(1)				(487)
Depreciation on Revaluations		26			56		136			218
Total Depreciation as 31 st March 2005	17,523	2,938	2,098	36	56	0	258	1	72	22,982
Net value as at 31st March 2005	133,517	42,834	2,183	20,151	19,093	7,158	358	43	249	225,586
31st March 2004	140,858	42,998	2,385	24,094	9,002	88	122	43	0	219,590

2 Valuation of Fixed Assets Carried at Current Value

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by Council valuers. The basis for valuation is set out in the statement of accounting policies.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Investment Properties £'000	Land Awaiting Development £'000	Assets under Construction £'000	Infrastructure Assets £'000	Community Assets £'000	Intangible Assets £'000	Total £'000
Valued at Historical Cost	2,812	1,489	2,071	11	3,249	4,260	616	44	72	14,624
Value at current value in:										
2004/2005		567		809	11,918	2,827			121	16,242
2003/2004		7,242	2,210	7	8				128	9,595
2002/2003				19,029	3,061	71				22,161
2001/2002	148,228	30,736		331	913					180,208
2000/2001		5,738								5,738
	151,040	45,772	4,281	20,187	19,149	7,158	616	44	321	248,568

NOTES TO THE CONSOLIDATED BALANCE SHEET

3 Analysis of Fixed Assets

	31st March	
	2005 (Nos)	2004 (Nos)
Council Dwellings	6,964	7,175
Town Halls	2	2
Offices	4	4
Depots and Workshops	2	2
Off-street Car Parks	19	19
Sports Centres and Pools	4	4
Parks and Recreation Grounds	167 acres	167 acres
Theatres/Concert Halls	3	3
Crematorium	1	1
Industrial Units	112	112
Commercial Property (shops)	17	20
Land associated with the Buildings listed above (excluding Parks)	977 acres	977 acres
Land awaiting development	169 acres	166 acres
Beach	1	1

The Council also operates market undertakings at three separate locations during each week but the sites are primarily car park areas and are included as such in the above analysis.

Sports centres and pools include the new Downham Market Swimming Pool and the Sports Centre as one asset.

4 Fixed Asset Valuation

The freehold and leasehold properties which comprise the Council's property portfolio have been valued in accordance with the Statement of Assets Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered to be necessary for the purpose of valuation.

Greater detail regarding dates and valuations is provided in the statement of accounting policies on pages 31 - 36.

Vehicles, plant, machinery and equipment are valued on a historical cost basis, whereas ICT equipment is valued on a replacement cost basis.

Properties regarded by the Council as operational have been valued on the basis of open market value for their existing use, or where this could not be assessed because there is no market for the subject asset, the depreciated replacement cost.

Properties regarded by the authority as non-operational have been valued on the basis of open market value.

5 Community Assets

Community assets include two historical monuments in King's Lynn; the Red Mount Chapel and Greyfriars Tower.

6 Summary of Capital Expenditure

	2004/2005 £'000	2003/2004 £'000
Fixed Assets	15,448	9,627
Deferred Charges	1,414	4,349
Total	16,862	13,976

7 Summary of Capital Financing

	2004/2005 £'000	2003/2004 £'000
Loans	1,071	1,605
Major Repairs Allowance	3,028	4,759
Grants & Third Party Contributions	3,557	5,146
Capital Receipts	679	1,154
Reserves	5,895	1,069
Creditors/Debtors	2,632	243
Total	16,862	13,976

8 Capital Contributions Deferred Account

	2004/2005 £'000	2003/2004 £'000
Balance brought forward 1st April	(6,784)	(4,404)
Grants & Contributions applied during the year	(3,180)	(2,486)
Grants & Contributions written down	604	106
Balance carried forward 31st March	(9,360)	(6,784)

NOTES TO THE CONSOLIDATED BALANCE SHEET

9 Future Commitments

Outstanding commitments for future capital expenditure at 31st March 2005 are estimated to be £22,228,000 (£28,794,000 in 2003/2004). Commitments are divided between schemes having legal contract and schemes which have not progressed to contract stage.

The period of investments in these schemes ranges from one to four years.

	Commitment Contractual	Commitment Non- Contractual
	31st March 2005 £'000	31st March 2005 £'000
Housing Schemes	1,805	5,622
Renovation Grants	0	1,900
Visual Image	85	105
Industrial Estate Refurbishment	0	1,517
Regeneration Scheme	2,500	200
Greyfriars Tower	71	0
Crematorium & Cemeteries	11	624
Leisure Centres / Theatres	0	707
Civic Buildings	0	55
Offices	0	845
Office Equipment	136	870
Multi Story Carpark	3,265	0
Vehicles & Equipment	120	632
Miscellaneous	148	1,010
TOTAL	8,141	14,087

10 Investments

The following investments represent unusable capital receipts (reserved), which have been placed with Fund Managers and invested in a range of financial instruments. A small sum of £13,000 is invested in unredeemable Government Bonds.

	31st March	
	2005 £'000	2004 £'000
Long-term		
Fund Managers	30,095	28,755
Bonds	13	13
Total Investments	30,108	28,768

Long-term investments are for a period in excess of a year.

11 Deferred Charges

	2004/2005 £'000
Balance brought forward 1 st April	897
Additions in Year	1,414
Written Down in Year	(2,109)
	202
Transfer to Intangible Fixed Assets	(202)
Balance carried forward 31 st March	0

NOTES TO THE CONSOLIDATED BALANCE SHEET

12 Long Term Debtors

	31 st March	
	2005	2004
	£'000	£'000
Local Authorities	365	379
Housing Advances	100	114
Housing Association	196	197
Council House Sales	205	271
Car loans to employees	14	21
Specific long term	26	34
Total	906	1,016

The above table relates to debts which are due to be repaid in excess of one year.

13 Stocks and Work-in-Progress

	31 st March	
	2005	2004
	£'000	£'000
Work-in-Progress		
Rechargeable works	39	213
Stocks		
Stores	245	302
Other	98	115
Total	382	630

Rechargeable works relate to costs incurred by the Council which are recharged to third parties. Stores items consist of stocks of UPVC windows and miscellaneous items. Other stocks related mainly to nursery stocks, office equipment and stocks held at leisure service facilities.

14 Short Term Debtors

These represent £8.445m local authority debtors and £1.721m collection fund debtors, in total £10.166m.

	31 st March	
	2005	2004
	£'000	£'000
Local Authority Debtors		
Due within one year		
Government Departments	905	731
Housing Tenants	356	440
Stock Transfer	439	0
Recovery of Local Taxation	42	315
Prepayments	3,119	3,601
Leased Vehicle Repayments	56	76
Sundry Debtors	1,507	1,469
Accrued Income	3,378	2,460
	9,802	9,092
Provision for doubtful debt	(1,357)	(693)
Total	8,445	8,399

15 Collection Fund

	31 st March	
	2005	2004
	£'000	£'000
Business Ratepayers	257	289
Provision for doubtful debts	(105)	(117)
Council Taxpayers	1,509	1,704
Provision for doubtful debts	(217)	(250)
National Ratepayers Pool	277	1,124
Total	1,721	2,750

16 Creditors

	31 st March	
	2005	2004
	£'000	£'000
Inland Revenue	371	367
Other Local Authorities	215	209
Industrial Estate Deposits	233	218
Deferred Income	1,771	2,244
Sundry Creditors	7,542	4,174
Total	10,132	7,212

NOTES TO THE CONSOLIDATED BALANCE SHEET

17 Short Term Borrowing

Temporary Loans outstanding at 31st March 2005.

Source of Loan	Balance Outstanding 31 st March	
	2005 £'000	2004 £'000
Banks	2,000	0
Building Societies	0	2,900
Local Authorities	2,800	450
PWLB	4	4
Other	327	70
Total	5,131	3,424

18 Long Term Borrowing

Long-term borrowing is debt which is due to be repaid in excess of one year.

Interest rates range between 3.25% and 9.875%.

Source of Loan	Balance Outstanding 31 st March	
	2005 £'000	2004 £'000
PWLB	5,414	5,418
Dexia Municipal Bank	7,500	7,500
Westdeutsche Landesbank	4,000	4,000
DG Bank Deutsche Genossenschaftsbank	0	2,000
Depfa Bank Europe	8,000	8,000
Total	24,914	26,918

The analysis by maturity is as follows:

Repayable within	2005 £'000	2004 £'000
1 to 2 years	4	2,004
2 to 5 years	6,016	6,014
5 to 10 years	7,538	7,535
Over 10 years	11,356	11,365
TOTAL	24,914	26,918

19 Deferred Capital Receipts

In the past, when assets such as Council Houses were sold the Council provided a mortgage if required and the capital sum due from the sale was recovered over the period of the mortgage.

NOTES TO THE CONSOLIDATED BALANCE SHEET

20 Useable Capital Receipts

An analysis of the balance of capital receipts which can be used to finance capital expenditure is as follows:

	31 st March	
	2005 £'000	2004 £'000
Balance in hand 1st April	2,317	757
Receipts in year	2,980	2,714
Financing during the year	(679)	(1,154)
Balance in hand 31st March	4,618	2,317

22 Related Parties - Debtors and Creditors

The debtors and creditors of related parties noted on page 9, note 10 are as follows

	31 st March	
	2005 £'000	2004 £'000
Debtors		
Government Departments	1,181	1,855
Local Authorities	365	379
Creditors		
Government Departments	141	479
Local Authorities	215	209

21 Analysis of Net Assets Employed

This represents the aggregate of reserves attributed to the major accounts and funds of the Borough Council and, in total, equates to the total equity shown on the Balance sheet.

	31 st March	
	2005 £'000	2004 £'000
General Fund	45,371	53,818
Housing Revenue Account	142,112	145,937
Collection fund	2,121	2,081
TOTAL	189,604	201,836

NOTES TO THE CONSOLIDATED BALANCE SHEET

23 Retirement Benefits

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits to individual employees on retirement. The Council participates in the Norfolk Pension Fund operated by Norfolk County Council. This is a defined benefit scheme. The Council and its employees pay contributions to the fund. These contributions are calculated at a level to balance the pension liabilities with investment assets.

Note 11 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pensions Scheme (administered by Norfolk County Council).

The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March are as follows:

Local Government Pension Scheme	31 st March	
	2005 £'000	2004 £'000
Estimated liabilities in scheme	(93,500)	(72,952)
Estimated assets in scheme	66,800	58,539
Net (Liability)	(26,700)	(14,413)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £26.7m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy: the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

For accounting periods prior to 2004/2005, employers following CIPFA's guidance adopted a real discount rate of 3.5% per annum, as shown in the table above. The Revenue Account figures for the year to 31st March 2005 are calculated, based on a discount rate derived from corporate bond yields as at 31st March 2004 (which was 5.5% p.a.), as required by CIPFA.

Liabilities have been assessed on an actuarial basis using the projected unit method as required by FRS 17. The actuary Hymans Robertson, has adopted a set of demographic assumptions that are consistent with those used for the Norfolk Pension Fund at the last triennial valuation on 31st March 2004.

The actuary used this valuation as the basis for the FRS 17 calculations. The financial assumptions that have been used for the purposes of FRS 17 calculations are as follows:

Assumptions as at	31 st March 2005	31 st March 2004
	% per annum	% per annum
Rate of Inflation	2.9	2.9
Rate of Salary increases	4.4	4.9
Rate of Increase in Pensions, Payments and Deferred Pensions	2.9	2.9
Rate of Discounting Scheme Liabilities	5.4	6.5

The fair value of each main class of assets held by the fund, as at the 31st March 2005, and the expected rate of return are as follows:

Class of Fund Asset	As at 31 st March 2005		
	Expected Return	Fair value of the Attributable Assets	Proportion of Assets held by the fund
	%	£'000	%
Equities	7.7	908,350	69
Bonds	4.8	211,536	16
Property	5.7	146,347	11
Cash	4.8	46,360	4
Total	6.9	1,312,593	100

NOTES TO THE CONSOLIDATED BALANCE SHEET

As at 31 st March 2004			
Class of Fund Asset	Expected Return	Fair value of the Attributable Assets	Proportion of Assets held by the fund
	%	£'000	%
Equities	7.7	761,635	65
Bonds	5.1	217,166	19
Property	6.5	119,220	10
Cash	4.0	65,806	6
Total	6.8	1,163,827	100

The figures for 31st March 2004 now reflect the actual sums as per the triennial valuation of 31st March 2004 instead of an estimate shown in the previous years Statement of Accounts.

In 2004/2005, pension costs have been charged to the Consolidated Revenue Account. At 31st March 2005, the Council has the following overall assets and liabilities for pensions that have been included in the balance sheet.

Net Pension Asset at:	31 st March 2005	31 st March 2004
	£'000	£'000
Estimated Employer Assets (A)	66,800	58,539
Present Value of Scheme Liabilities	(89,900)	(69,853)
Present Value of Unfunded Liabilities	(3,600)	(3,099)
Total Value of Liabilities (B)	(93,500)	(72,952)
Net Pension Liability (A+B)	(26,700)	(14,413)

The impact of this liability now it is included in the balance sheet is to reduce the Net Assets by £26.7m, 10.6% (£14.413m, 6.7% as at 31st March 2004).

FRS 17 is an accounting standard that prescribes how the net pension liability is derived. In doing so it does not allow for smoothing and reflects the position of the fund on that one day (31st March 2005). In contrast the 3 yearly actuarial valuation, which sets employer contribution rates, takes a longer term view and allows for smoothing. As a result the FRS basis is much more volatile than the triennial valuation and inevitably results in different valuations on the state of the fund compared to the triennial valuation method.

The movement in net pension liability is as follows:

	2004/2005 £'000	2003/2004 £'000
Opening Net Pensions Liability	(14,413)	(21,216)
Expected Contributions	2,520	2,199
Actuarial (losses) / gains	(12,197)	7,263
Unfunded Benefits	230	230
Current service cost	(2,220)	(1,781)
Past service cost	(630)	(213)
Net Return on Assets	10	(895)
Closing Net Pensions Liability	(26,700)	(14,413)

The actuarial gain can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31st March.

	2005 £'000	2004 £'000	2003 £'000
Difference between expected and actual return on assets	2,560	7,221	(14,600)
	3.8%	12.3%	(30.5%)
	based on scheme assets		
Expected (losses) / gains arising on the scheme liabilities	(1,737)	42	490
	(1.9%)	0.1%	0.7%
	based on scheme liabilities		
Changes in financial assumptions underlying the present value of the scheme liabilities	(13,020)	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	0	0	0
	0.0%	0.0%	0.0%
Total Actuarial Gain/(Loss)	(12,197)	7,263	(14,110)

NOTES TO THE CONSOLIDATED BALANCE SHEET

24 Earmarked Reserves

This represents the aggregate of reserves attributed to the major accounts and funds of the authority and in total equates to the total equity shown on the Consolidated Balance Sheet.

	1 st April 2004	2004/2005 Contributions to Consolidated Revenue Account	2004/2005 Contributions from Consolidated Revenue Account	Fund Capital Programme	31 st March 2005
	£'000	£'000	£'000	£'000	£'000
(1) Lynnsport Reserve	86	(60)	4		30
(2) Amenity Areas	379				379
(3) Capital Programme Resources	8,064	(18)	1,793	(5,314)	4,525
(4) RCCO - Housing Revenue	154		76	(93)	137
(5) Affordable Housing	350		80		430
(6) Town Centre Development	370	(33)			337
(7) Insurance Reserve	95	(56)	77	(11)	105
(8) Restructuring Reserve	453	(597)	722		578
(9) Renewals Reserve	820	(73)	174	(34)	887
(10) Repairs Reserve	1,355	(68)	364	(526)	1,125
(11) Holding Accounts	653	(496)	1,092		1,249
(12) Ring Fenced Reserves	238	(4)	15	(5)	244
(13) Planning Delivery Grant	63	(13)	197	(28)	219
(14) Local Public Service Agreement	0		100		100
(15) Other	818	(183)	403		1,038
	13,898	(1,601)	5,097	(6,011)	11,383

- (1) The Lynnsport Development Account is to be used to offset future capital financing charges on the project.
- (2) The Amenity Areas Reserve represents contributions made by developers to the Council for the maintenance of land on housing sites. The sums and interest earned are spent on the areas over several years.
- (3) The Capital Programme Resources reserve is used to fund the capital programme. It has been established by annual contributions from the revenue budget and has been combined with the former Major Projects Reserve.
- (4) A Housing Revenue Account (HRA) reserve has been established for specific in year contributions that are not part of the HRA balance.
- (5) The Affordable Housing Reserve has been set up to hold contributions from developers and income from second homes to fund affordable housing schemes.
- (6) The Town Centre Development reserve was set up to offset the loss of income which will occur when the town centre redevelopment starts.
- (7) The Insurance Reserve was established to fund expenditure required as necessary by our Insurance Company and also to meet areas of risk management.
- (8) The Restructuring Reserve was established to meet the Government's modernising agenda.
- (9) Renewal Reserves are maintained for replacing vehicles, personal computers and office equipment. Annual contributions help to maintain the level of the funds.
- (10) Repairs Reserves have been established to help equalise the impact on the revenue accounts of programmed repairs.
- (11) Holding Accounts are reserves which reflect the over and under recovery of charges for departmental expenses.
- (12) Ring Fenced Reserves can only be used for specific purposes. Included are Building Control Account, Gypsy Site Account and Trust Funds that are administered by the Council on behalf of Trustees.
- (13) Planning Delivery Grant was first received in 2003/04 as an annual sum, used to achieving various performance indicators.
- (14) Money for pump priming initiatives on service delivery, with Great Yarmouth Borough Council and Norfolk County Council.
- (15) Other Earmarked Reserves include various specific reserves set up to equalise expenditure in the revenue accounts.

MOVEMENT IN RESERVES

This statement analyses the movement of capital and revenue reserves. It shows movement, gains or losses, over and above that which is reported in the consolidated revenue account.

1 Total Movement in Reserves

	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Usable Capital Receipts £'000	Pension Reserve £'000	Collection Fund £'000	General Reserve £'000	Specific Reserves £'000	Major Repair Reserve £'000	HRA £'000	2004/2005 Total £'000	2003/2004 Total £'000
Balance as at 1/4/2004	(131,979)	(63,794)	(2,317)	14,413	(2,081)	(1,037)	(13,898)	(393)	(750)	(201,836)	(214,294)
Prior Period Adjustment										0	21,216
Restated Balance as at 1/4/2004	(131,979)	(63,794)	(2,317)	14,413	(2,081)	(1,037)	(13,898)	(393)	(750)	(201,836)	(193,078)
Transfer		5,104	6,121	90	100	(4,119)	(3,496)	(3,996)	196	0	0
Net (surplus)/deficit for year		1,818		12,197	(140)	3,979			(258)	17,596	(6,660)
Unrealised (gains)/loss from revaluation of fixed assets	(430)									(430)	1,472
Cost or value of assets disposed of	4,771									4,771	5,263
Proceeds of disposals			(9,101)							(9,101)	(8,833)
Financing of fixed assets		(9,718)	679				6,011	3,028		0	0
Government Grants Deferred		(604)								(604)	0
Leases										0	0
Balance as at 31/3/2005	(127,638)	(67,194)	(4,618)	26,700	(2,121)	(1,177)	(11,383)	(1,361)	(812)	(189,604)	(201,836)

The Fixed Asset Restatement Account represents the valuation of the authority's assets, adjusted for any disposal of assets and any capital expenditure which does not add to the value of the authority's assets. The reserve cannot be used to support spending.

The Capital Financing Account represents the amounts required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts.

Useable Capital Receipts represent the proportion of funds from the sale of assets and the repayment of mortgages which can be used to finance capital expenditure. The figure of £9,101,000 includes £6,121,000 for the Capital Receipts pooling. This amount has been transferred to the General Reserve and paid to the Government.

The Collection Fund is explained on pages 28 to 30.

The General Fund Reserves represent the balances of the authority and are necessary primarily to fund working balances.

THE CASHFLOW STATEMENT

EXPLAINING THIS STATEMENT

This statement summarises the inflows and outflows of the Council's cash during the year.

Notes	2004/2005		2003/2004	
	£'000	£'000	£'000	£'000
REVENUE ACTIVITIES				
Cash Outflows				
	Cash paid to/on behalf of employees	19,524		19,024
	Housing Benefit	9,371		8,470
	NCC Precept	44,843		41,826
	Norfolk Police Precept	6,674		5,783
	NDR Pool	26,076		24,726
	Capital Receipts Pool	6,121		0
	Housing Subsidy	3,381		0
	Other operating cost	35,676		34,013
			151,666	133,842
Cash Inflows				
	Rent (after rebates)	(6,753)		(7,310)
	Council Tax	(51,195)		(46,866)
	NDR Payers	(25,521)		(25,348)
	NDR Pool	(4,590)		(3,511)
	Revenue Support Grant	(7,676)		(7,198)
	DWP grants for rebates	(18,158)		(15,608)
	Goods and Services	0		(1)
	Housing Subsidy	0		(7,487)
	Other operating income	(41,199)		(30,396)
			(155,092)	(143,725)
Page 26 Note 2	Revenue activities net cashflow		(3,426)	(9,883)
SERVICING OF FINANCE				
	Interest Paid	1,881		1,993
	Interest Received	(191)		(144)
			1,690	1,849
CAPITAL ACTIVITIES				
Cash Outflow				
	Purchase of fixed assets	13,151		13,185
Cash Inflow				
	Sale of fixed assets	(9,101)		(8,833)
Page 26 Note 1	Capital grants	(2,701)		(4,885)
			1,349	(533)
	Net Cash outflow before financing		(387)	(8,567)
FINANCING				
Cash Outflows				
	Repayments of amounts borrowed	18,851		44,604
Cash Inflows				
	New short-term loans	(18,554)		(36,440)
	Net decrease in cash		297	8,164
Page 26 Note 3	Net Increase in cash		(90)	(403)

NOTES TO THE CASHFLOW STATEMENT

1 Grants

Capital Grants of £2,701,000 (2003/2004 £4,885,000) include Disabled Facility Grants £379,300 (£331,000), Sport England £50,000 (£0), EU Objective 2 £0 (£455,000), Green Spaces £7,900 (£316,000), Sure Start £853,600 (£217,000), East of England Development Agency £1,818,600 (£3,177,000), Heritage Lottery Fund £176,400 (£64,600) and other Agencies £407,000 (£775,400), with the balance being the movement in capital debtors.

Revenue Grants, included within other operating income, include Supporting People Grant £796,000 (2003/04 £732,000), Sure Start Revenue Grant £696,000 (£675,000), Community Safety £172,000 (£179,000), Leader plus funding £67,000 (£0) and Homelessness Grant £50,000 (£59,000). Other smaller grants have also been received in the year, or are included within the movement in debtors.

2 Reconciliation of Revenue Cashflow

This note reconciles the movement in the Council's fund balances to the movement in cash used for the provision of revenue services.

	2004/2005		2003/2004	
	£'000	£'000	£'000	£'000
(Surplus) / Deficit for the Year				
Consolidated Revenue Account		(140)		132
Housing Revenue Account		(62)		(29)
Collection Fund Account		(40)		616
Working Capital Movements				
Increase/(Decrease) in debtors	(2,005)		(1,392)	
Increase/(Decrease) in stocks	(248)		109	
(Increase)/Decrease in creditors	793		(1,027)	
		(1,460)		(2,310)
Non-cash Movements				
Transfers to/from balances	(8,787)		(5,828)	
Other adjustments	7,063		(2,464)	
		(1,724)		(8,292)
Revenue Activities Net Cashflow		(3,426)		(9,883)

3 Financing Movements

This note shows the overall movement in cash between years.

	31 st March		Movement	
	2005 £'000	2004 £'000	2004/2005 £'000	2003/2004 £'000
Cash Balances	(1,102)	(1,192)	90	403

NOTES TO THE CASHFLOW STATEMENT

4 Analysis of Net Debt

This statement reconciles changes in cash to the movement in net debt

	1 st April 2004 Opening £'000	Movement £'000	31 st March 2005 Closing £'000
Cash	(1,192)	90	(1,102)
Investments	28,768	1,340	30,108
Loans	(30,342)	297	(30,045)
Net Debt	(2,766)	1,727	(1,039)
Reconciliation of changes in cash to movement in debt:			
Change in cash (from cash flow statement)			90
Movement on investments including capitalisation			1,340
Movement on Short-term loans			(1,707)
Movement on Long-term loans			2,004
Movement in net debt			1,727
Net debt 1 st April 2004			(2,766)
Net debt 31 st March 2005			(1,039)

5 Financing and Management of Liquid Resources

This statement is a reconciliation of items shown within Financing and Management of Liquid Resources to the opening and closing balance sheet.

	1 st April 2004 Opening £'000	Movement £'000	31 st March 2005 Closing £'000
Short-Term Loans	(3,424)	(1,707)	(5,131)
Long-Term Loans	(26,918)	2,004	(24,914)
	<u>(30,342)</u>	297	<u>(30,045)</u>
Financing		<u>297</u>	
		<u>297</u>	

○ Introduction

On 1st April 1990 the Borough Council became a charging authority responsible for the operation of a Collection Fund. The account was originally established to deal with community charge collection but since 1st April 1993, with the introduction of council tax, it now deals with payments of non-domestic rates, council tax, including parish precepts and community charge.

The account pays out monies to Norfolk County Council, the Borough Council and Norfolk Police Authority in respect of precepts. It also pays a cost of collection allowance to the Borough Council for the collection of non-domestic rates and refunds of over payments to community chargepayers, council taxpayers and non-domestic ratepayers.

Monies due from non-domestic ratepayers are paid into the Fund and then transferred into a National Pool.

The Borough Council has the responsibility for balancing the Collection Fund and as the billing authority is also responsible for collecting all amounts due.

Any surplus or deficit on the Collection Fund relating to the community charge, is reflected in the council tax raised for Borough Council purposes.

Any surplus or deficit on the Fund relating to the council tax is divided between the Borough and County Councils and Norfolk Police Authority in the same proportion as their precepts on the Fund.

The following pages show full details of the working of the accounts.

THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

This statement shows the detail of monies paid into and out of the Collection Fund

Notes	2004/2005		2003/2004	
	£'000	£'000	£'000	£'000
INCOME				
		26,142		25,041
	50,849		46,689	
	7,823		6,720	
		58,672		53,409
		84,814		78,450
EXPENDITURE				
Page 30 Note 2		26,076		24,726
	43,951		40,734	
	6,556		5,651	
	5,012		4,792	
	1,337		1,145	
		56,856		52,322
	118		132	
	892		1,092	
	100		300	
	208		208	
Page 30 Note 3	94		107	
Page 30 Note 3	430		179	
		1,842		2,018
		84,774		79,066
		40		(616)
		2,081		2,697
Page 30 Note 5		2,121		2,081

NOTES TO THE COLLECTION FUND

1 General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. The Collection Fund has been prepared on an accruals basis.

2 Income from Non-Domestic Rates

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a nationally set rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. The account records the collection of monies from non-domestic ratepayers and the payment to the NDR pool but not the income received from the pool, which is paid directly to each Council's revenue account. Under these arrangements the amounts included in the 2004/2005 accounts can be analysed as follows:

	2004/2005	2003/2004
	£'000	£'000
Non-domestic rateable value (£67.3m) multiplied by uniform business rate (45.6p)	30,705	29,983
Less: Allowances and other adjustments	4,629	5,257
Net Contribution to NDR pool	26,076	24,726

The Gross Non Domestic Rateable Value at 31st March 2005 was £79,036,320 (31st March 2004 £67,335,532) as disclosed in the Budget Book.

3 Irrecoverable Debt

In 2004/2005 irrecoverable debt was as follows:

	2004/2005	2003/2004
	£'000	£'000
Council Tax	430	179
NDR	94	107
Total	524	286

4 Council Tax

Each Council calculates the amount of its Council Tax by dividing its requirements for the year by its tax base.

The tax base is the number of dwellings in the area belonging to each valuation band, modified to take account of the multipliers applying to dwellings in each band and the discounts, reductions and proportion of the council tax which the Council expects to be able to collect.

Valuation Band	Range of values at 1 st April 1991	No of Chargeable Dwellings	Ratio to Band D	Band D Equivalent
A	*	83	59	46
A	Up to £40,000	18,091	69	12,061
B	£40,001 - £52,000	13,725	79	10,675
C	£52,001 - £68,000	11,093	89	9,860
D	£68,001 - £88,000	7,215	99	7,215
E	£88,001 - £120,000	3,642	11/9	4,451
F	£120,00 - £160,000	1,852	13/9	2,675
G	£160,001 - £320,000	758	15/9	1,263
H	More than £320,000	76	18/9	153
				48,399
Council tax base at 96.75% collection rate				46,826
Contributions in lieu				448
Total Council tax base at 96.75% collection rate				47,274

* entitled to a disabled relief reduction

The Council set a Band D council tax of £106.02 for its services. In addition special expenses under section 34(1) of the Local Government Finance Act 1992, totalling £374,890 and parish precepts totalling £961,670 were levied, averaging £28.27 for a Band D property. Norfolk County Council set a precept of £43,950,638 representing a Band D Charge of £929.70 and Norfolk Police Authority set a precept of £6,556,431 representing a Band D Charge of £138.69. Reductions are made, in accordance with Government regulations, for persons on lower incomes (Council Tax Benefit). The reduction is reimbursed by Central Government.

5 Share of Balance

The balance of the Collection Fund at 31st March 2005 stands at £2,120,674 (2003/2004 £2,080,883).

This amount is shared as follows:

	2004/2005	2003/2004
	£'000	£'000
Borough Council	251	247
Norfolk County Council	1,634	1,615
Norfolk Police Authority	236	219
Total	2,121	2,081

STATEMENT OF ACCOUNTING POLICIES

General Section 41 and 42 of the Local Government and Housing Act 1989 requires all expenditure of a local authority to be accounted for in accordance with “proper practice”.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, and the CIPFA Best Value Accounting Code of Practice (BVACOP) 2004, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also the guidance notes issued by CIPFA on the application of accounting standards (SSAPs and FRSs). Any variations from these guidelines are referred to in the accounting policies or notes to the accounts.

Bad Debt Provision General Fund

The following percentages determine the level of Bad Debt Provision,

	%
Up to 30 days	0
31 – 60 days	5
61 - 90 days	10
3 – 6 months	15
6 – 12 months	20
In excess of 12 months	50

Collection Fund

The respective Bad Debt Provisions are determined using the following percentages:

Council Tax

Prior Years	}	(Pre 2001/2002)	100.0%
		(2001/2002)	75.0%
		(2002/2003)	50.0%
Previous Year		(2003/2004)	10.0%
Current Year		(2004/2005)	1.5%

NNDR

Prior Years	(Pre 2003/2004)	100%
Previous Year	(2003/2004)	50%
Current Year	(2004/2005)	33%

Charges to Revenue General Fund service revenue accounts, the Housing Revenue Account, central support services and statutory trading accounts include a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest (3.5% for Operational and Non-Operational assets and 4.8% for Infrastructure and Community Assets) to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital charges charged to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

STATEMENT OF ACCOUNTING POLICIES

For the Housing Revenue Account the adjustment to the Asset Management Revenue Account effectively leaves the actual interest charged to the HRA in accordance with Government regulations.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

Capital Receipts Capital receipts from the disposal of assets are held in the Useable Capital Receipts Account and Capital Financing Reserve until such time as they are used to finance other capital expenditure or to repay debt. Interest on unspent capital receipts is credited to the General Fund and Housing Revenue Account according to regulations set by the Secretary of State.

It is currently the Council's policy to use capital receipts for funding the annual Capital Programme prior to making use of revenue reserves.

Costs of Support In accordance with current accounting practice, costs of support services have been fully allocated to all services on the basis of time spent by staff. The overheads of council offices have been allocated on the basis of floor area used by the various services, and follow staff allocations as the basis of their allocation.

Unapportionable overheads representing unused but unrealisable assets; pension payments for added years and early retirement are shown separately in the Consolidated Revenue Account, in accordance with the BVACOP.

Debtors and Creditors The accounts of the Council are maintained on an accruals basis in accordance with the Accounting Code of Practice and FRS18. That is, sums due to (or from) the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of the meter readings rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

Deferred Charges From 2004/2005, the Deferred Charges heading has been removed from the Consolidated Balance Sheet following the designation of the new Intangible Fixed Assets category. If an authority incurs expenditure previously disclosed as a deferred charge, then it should be classified as either a tangible or an intangible fixed asset and be carried under that specific heading. If the expenditure does not result in the acquisition of an asset by the authority, it should be charged to revenue. The Balance Sheet and Consolidated Revenue Account for 2004/2005 have been amended to reflect the changes.

STATEMENT OF ACCOUNTING POLICIES

Depreciation Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- assets are depreciated in the year following acquisition
- assets are depreciated in the year of disposal
- depreciation is calculated using the straight-line method over 5 to 10 years for vehicle and plant and for other assets a rate as applicable
- the major repairs allowance (MRA) is used as a measure of depreciation for HRA assets.
- non-depreciable assets include land, non-operational investment properties and where the charge would be immaterial

Fixed Assets All expenditure over £6,000 on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

Fixed assets are valued every 5 years on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

During the year Housing (land) assets were revalued.

Assets involved	Last Dates for next Revaluation
Resources & Performance and Culture & Recreation	April 2006
Regeneration (King's Lynn)	April 2007
Regeneration (Other)	April 2008
Environmental Health and Resources & Performance	April 2009
Housing	April 2010
Culture	April 2011

The timetable for revaluations has been revised to spread the number of valuations undertaken each year. Approximately 20% of assets will be revalued each year over a 5-year period.

STATEMENT OF ACCOUNTING POLICIES

All properties are valued by RICS qualified staff working for the Borough Council. In years between Council revaluations a review is conducted to establish that no significant diminutions in value have occurred. To date no such significant diminutions have been identified. New assets, and changes to assets values are recorded as and when they occur according to guidelines established by the Council.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that has not been repaid to Central Government, under the Capital Receipts Pooling regime which came into force on 1st April 2004, and has not been used, is included in the balance sheet as useable capital receipts.

All movements in fixed assets during the year are identified. The movement of assets between the classes of fixed asset recorded in the balance sheet are shown as restatements. These movements include for example assets previously classified as other land and building which are being redeveloped and therefore non operational during this period.

Government Grants Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants-Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which it relates. Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with, and there is reasonable assurance that the grant or contribution will be received.

Interest Interest payable on external borrowing, together with interest income is accrued and accounted for in the period into which it relates.

Investments All investments managed by fund managers have been recorded in the accounts at market value, the remaining are recorded at cost.

Leases Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease.

Pensions Employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme which is a funded defined benefits scheme administered by Norfolk County Council. The pension costs that are charged to the Council's accounts in respect of these employees are equal to the contributions paid to the pension scheme for employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The pension costs included in the accounts in respect of these schemes have been determined in accordance with relevant Government regulations.

The Council paid an employer's contribution of 14.0% of superannuable employees' reckonable pay into Norfolk County Council's Superannuation Fund. The costs of inflation awards (Pensions Increase Act payments) to pensioners of the Fund, are met by the Fund.

STATEMENT OF ACCOUNTING POLICIES

Any payments, including the costs of inflation, arising from discretionary awards made by the Council are paid separately and charged to the services in which pensioners were working before retirement.

The Council complies fully with the requirements of FRS17 (as detailed in the Local Authority Statement of Recommended Practice). The requirements represented a substantial change to the way that retirement benefits are accounted for and reflected in the financial statements. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

Following the adoption of FRS 17 Retirement Benefits principles in the SORP, the Council's accounting policies for retirement costs were revised significantly in 2003/04. In previous years, the Council treated the employer's contributions amounts payable to the Norfolk County Council Pension Fund as its expenditure for the year and only accrued for amounts payable to the Fund that had not been paid by 31st March.

The new policy is to recognise the full liability that the Council has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated.

Charges to service revenue accounts are now based on a share of current service cost (the increase in future benefits arising from service earned in the current year) rather than employer's contributions. In addition, the policy for accounting for discretionary benefits awarded on early retirement has changed from recognising pension payments as part of Unapportionable Central Overheads when they eventually become payable to debiting (as past service costs) the projected cost of discretionary awards to Non Distributed Costs in the year that the award decision is made.

Redemption of Debt The current policy of the Council is to review the opportunities for reducing external debt by reducing external investments. This will only take place when market rates make the resulting outcome beneficial to the Council. The Council constantly monitors the financial benefit of this policy.

STATEMENT OF ACCOUNTING POLICIES

Earmarked Reserves & Provisions Earmarked reserves are voluntary amounts set aside for expenses that are likely to be incurred at a future date.

Provisions are compulsory and must be provided for at the point a liability arises eg. provision for debts unlikely to be collected.

Capital accounting has required the establishment of two reserve accounts in the Consolidated Balance Sheet:

- the Fixed Asset Restatement Account, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- the Capital Financing Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

Stocks and Work in Progress Stocks are valued at the latest price paid. This is a departure from the requirements of the Code and SSAP 9, which require stocks to be shown at actual cost or net realisable value, if lower. Currently given low inflation, the effect on the accounts is not material.

Work-in-progress on uncompleted jobs is valued at cost.

STATEMENT ON INTERNAL CONTROL FOR THE BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

The Council is required on an annual basis to give an assurance as to the adequacy of internal control arrangements as set out in more detail below. This duty is taken seriously and the approach has been to:

- identify what work has taken place during the previous 12 months
- set out the current issues

Whilst much of the information below is inevitably geared around the financial control systems, the wider issues concerning performance, risk management and so forth are regarded as equally important in looking to cover the Council's Corporate Governance duties more widely.

Whilst much of the control is dealt with on a day to day basis by officers, the statement also recognises the role and importance of elected Members, particularly through the Council's scrutiny and overview arrangements. These have been altered within the past year and have been subject to a review by our external auditors.

The Borough 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. The 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, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

1. WHAT IS THE PURPOSE OF A SYSTEM OF INTERNAL CONTROL?

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 the 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.

A system of internal control continued to be in place at the Council for the year ended 31st March 2005 and up to the date of approval of the annual report and accounts and except for those issues identified for improvement at Section 4, accords with proper practice.

2. WHAT IS AN INTERNAL CONTROL ENVIRONMENT?

The key elements of the internal control environment, include:

- Establishing and monitoring the achievement of the Council's objectives;
- Facilitating policy and decision-making processes;
- Ensuring compliance with established policies, procedures, laws and regulations;
- Identifying, assessing and managing the risks to the authority's objectives, including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties, ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, as required by the Best Value duty;
- The financial management of the Council;
- The Council's performance management processes.
- Monitoring the standards of the Council having regard to codes of conduct and standards in public life.

3. HOW EFFECTIVE IS THE COUNCIL'S INTERNAL CONTROL SYSTEM?

The Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control, which is informed by:

- the work of managers within the Council;
- the roles and responsibilities of elected Members in the decision-making process;
- the work of the internal auditors as described below; and
- the Council's external auditors in their annual audit letter and other reports.

The Corporate Strategy, originally adopted by full Council on the 23rd October 2003, now comprises 52 objectives of which Cabinet prioritised 22 in January 2004 and have subsequently updated on an annual basis. The Corporate Strategy Action Plan details a number of key outcomes through which the 52 objectives will be achieved. The 2005/06 service-planning process ensures that the corporate priorities are directly cascaded into service objectives. To further facilitate this the Council is implementing an electronic performance management system which make these links and responsibilities explicit and allows for robust reporting.

The Borough Council underwent its Comprehensive Performance Assessment (CPA) in July 2003, being classified 'Good'. Central to this process was the development of an Improvement Plan that sets out the actions the Council will take to address the areas for improvement highlighted by the CPA process. This CPA Improvement Plan has been embedded within the Council's corporate strategy as the 'Performance' section - so the two are one and the same thing. This shows the council's commitment to improvement and helps to avoid the proliferation of strategic action plans.

From the 2004/05 financial year, Service Plans have been directly linked to the Council's corporate objectives and are also required to positively consider the risks against delivery of the outcomes. In addition, we will use our electronic performance management system to highlight any high priority recommendations received by a service. In addition, Internal Audit will report on progress towards meeting the requirements of high priority recommendations included in Service Plans to the Corporate Management Team.

All Cabinet reports now take into account any risk from the proposals being considered, highlighting either how the action will reduce risk, or how inaction may increase risk to the service. In addition, each recommendation from Cabinet includes a short section as to why the decision was necessary, which is a further opportunity to explain how the risks identified in the report are to be managed.

A revised and updated Whistleblowers Charter was issued to staff during 2003/04, which provides a mechanism for all staff and members to raise concerns about any issues or concerns they may have about probity.

The Council has two primary roles acting as whistleblowers; the 151 officer function under the Head of Finance, Property and ICT and the Monitoring Officer function under the Head of Legal and Democratic Services. During 2004/2005 both these posts sat outside the Council's Senior Management Team but had direct access both to the Management Team and Members of the Authority and so were able to act with a degree of independence from the Corporate Management Team.

The Council has an Internal Audit section, which reports through the Chief Internal Auditor to the S.151 Officer and works closely with the Monitoring Officer, and is responsible for reviewing and testing the adequacy and effectiveness of the Council's system of internal control.

The work of the section is in accordance with the professional standards of the Accountancy bodies, the Institute of Internal Auditors and the Chartered Institute of Public Finance & Accountancy (CIPFA) in particular. As a CIPFA member, the Chief Internal Auditor is bound by the code of professional ethics of that Institute.

Internal Audit's Strategic and Annual Audit Plans are produced by considering corporate risks, including, but not confined to, financial risk. This uses an approach agreed with other Councils belonging to the Norfolk Audit Partnership (the Borough Council, with Norfolk County Council, North Norfolk District Council and Great Yarmouth Borough Council).

The Internal Auditors provide an independent opinion on the adequacy and effectiveness of the systems of internal control. As part of this, the CIA has direct access to the Head of Finance, Property & ICT, in particular, for meeting the requirements of Section 151 of the Local Government Act 1972 and to the Council's Leader and Chief Executive, if appropriate.

In this respect, and based on an analysis of the audit work carried out, audit reports issued and action plans agreed, it is the opinion of the Chief Internal Auditor that the systems and provisions of internal control are both adequate and effective.

Audit recommendations have, for some time, included a priority rating (high, medium or low). Since late 2002, reports have also included an overall assessment of "High Standard", "Acceptable", "Weak" or "Not Acceptable" and these are collectively used to advise Members of the overall standing of the systems of control for the purposes of Corporate Governance.

Final audit reports are issued to the appropriate Head of Service or Director, in order to ensure that senior management is aware of any system weaknesses and to provide them with some of the tools by which they can be improved. A copy of all audit reports is issued to, and considered by, the Corporate Management Team, copied to Portfolio Holder(s) for information. Each audit report is discussed with the appropriate manager(s) and an action plan, complete with responsible officer names and target dates for completion, agreed.

The Council's External Auditors have been advised on the implications of the results of the review of the system of internal financial control by the Council and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Monitoring Officer deals with a range of legal, governance and probity issues, including ensuring that the Council acts within the law and policy and to report to the Council where it is believed that the Council is acting outside the law or policy. It is also responsible for Standards issues and for the management of the Council's

Standards Committee as well as the principal point of liaison with the Standards Board for England. The Council has an active Standards Committee with an Independent Chair and parish and independent members as well as elected members who have looked at key probity issues including development of protocols for the housing transfer which is currently underway and looking at planning and probity.

4. WHAT HAVE WE DONE TO IMPROVE MATTERS?

Actions taken, or proposed, to deal with significant internal control issues.

Areas for improvement to the systems of internal control were identified during 2004/2005, and the actions taken to resolve them were as follows:

- a. Work is progressing to address risk management as part of the Council's day-to-day processes. Officer and member training has been undertaken and a module that integrates with the performance management software will be implemented later in 2005. This will enable the authority to associate risks with the outcomes and actions that support the delivery of the 52 objectives. The Council has also worked with consultants Zurich Municipal during the year to prepare a comprehensive Risk Strategy which will be presented to Cabinet for approval in September. As part of this work the Council risk register has been revamped and risk management action plans are being prepared for each of the prioritised risks.
- b. The Council's Financial Regulations were revised during 2003/04 and issued to staff, as well as being made available on the Council's intranet.
- c. The Council's Contract Standing Orders were revised during 2004/05 and training was given to staff on this issue.
- d. The Council has also undertaken a wider review of its Constitution, including its Scheme of Delegation in 2004/05, in order to make the process clearer and to ensure that Members are properly engaged in sensitive decisions.
- e. The Council has undertaken a review of its Scrutiny and Overview functions, including an internal review in 2003/04 and an external audit review in 2004/05, which has reported positively on the governance structures put in place, whilst reporting some areas for improvement.
- f. Regular budget monitoring reports are submitted to Members on a monthly basis.
- g. Cash limited budgets are set for both revenue and capital expenditure. The revenue budgets include target savings to be made under the Gershon Review for the years 2005/06 to 2007/08.
- h. A diagnostic review of the Council – improvements in efficiency and cost effectiveness:
 - During March and April 2004 the Council commissioned consultants to carry out an extensive diagnostic piece of work identifying areas for improvement. These were identified as improving purchasing and procurement, securing productivity gains, and seeking to adopt a more commercial approach to certain front line services, particularly venues and facilities.
 - In order to take forward these recommendations consultants were engaged following an extensive tender process in 2004. The Council employed different sets of consultants to work on the productivity and commercialisation elements of the areas for improvement. An in-house team was set up to deal with procurement.
 - Each team has target savings to achieve. Progress has been good and a full report will be made in autumn 2005.
- i. An ICT development programme has been established and is monitored by a high level ICT development group. Work has also proposed to implement the recommendations of the ICT business continuity internal audit report published in 2004. A task and finish officer group monitors progress.
- j. An internal audit report into the control mechanisms underpinning the NORA capital scheme was undertaken and, as a direct result, extra capacity has been provided. This comprises both an administrative assistance to undertake day-to-day administration of the scheme, together with a senior Project Manager post to manage the scheme. These will improve the Council's control of the business

- and reduce costs by undertaking some tasks previously undertaken by a contractor. In addition, financial management has been improved through the appointment of an external cost consultant.
- k. Procurement of goods and services was identified as a weak area. To rectify this, the Council's Contract Standing Orders have been brought up to date, and a small Corporate Procurement Unit (CPU) has been appointed and is reviewing procurement practice (ref. h above). Work on the procurement strategy is to be completed in June 2005. Commitment accounting and purchase ordering systems have been purchased and installed as part of the financial ledger with a view to rolling out across the Council in late 2005.
 - l. Revised project management procedures and central documentation have been put in place and all project managers now receive comprehensive training prior to the start of all projects.
 - m. Reconciliations between the Council's ledger and feeder systems now take place on a monthly basis.
 - n. Corporate policies are being reviewed by the Policy Review & Development Panels during 2004/05. Work is underway to review the community strategy, which will be published later in 2005. This will be an important step to ensure the Council delivers its broader statutory duty to improve the well-being of the local community by delivering its own objectives and by working with partners to deliver shared objectives.

Next 12 Months

- o. The Council will continue to implement the Corporate Strategy and CPA Improvement Plan, including roll-out of the use of the electronic performance management system to provide 'real time' monitoring of progress against objectives in the areas listed under 'performance management' above.
- p. Quarterly exception reports will highlight areas where progress is not forthcoming, together with commentary and remedial action proposed by the relevant Head of Service. These will be considered by Management Team and then reported to Cabinet and Portfolio meetings together with Management Team's recommendations. Success will also be celebrated where significant progress has been made, or where the priorities have been achieved.
- q. The Council will also be working towards the preparation of a business continuity plan, and work is already underway to scope this work.
- r. The Council is actively preparing for the transfer of its housing stock to Freebridge Housing Association following a 'yes' vote amongst tenants. It is anticipated that this will be completed within the 2005/2006 financial year. The Council sees this as its major priority over the year and has made significant resources available through focusing staff capacity to ensure the transfer occurs smoothly without a drop in services. Progress is monitored weekly by Corporate Management Team.
- s. The self-assessment criteria that underpin this statement of internal control will be input into our electronic performance management system during 2005, as this will allow us to maintain 'live' reporting of the Council's position against these criteria.

By order of the Council

(Signed)  Leader of the Council Date: 28th July 2005

(Signed)  Chief Executive Date: 28th July 2005

We have audited the Statement of Accounts which comprises the Consolidated Revenue Account, Housing Revenue Account, Collection Fund, Consolidated Balance Sheet, Cashflow Statement and the Statement of Total Movement in Reserves and the notes to those statements and which has been prepared in accordance with the accounting policies applicable to local authorities as set out in the Statement of Accounting Policies.

This report is made solely to the Borough Council of King's Lynn and West Norfolk in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditors

As described in the Statement of Responsibilities for the Statement of Accounts, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the Statement of Accounts presents fairly the financial position and results of operations of the Council.

We review whether the Statement on Internal Control reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the Statement of Accounts. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the Statement of Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Statement of Accounts. The other information comprises only the Explanatory Foreword.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement of Accounts. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the statement of accounts, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement of Accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the Statement of Accounts.

Opinion

In our opinion the Statement of Accounts presents fairly the financial position of the Borough Council of King's Lynn and West Norfolk as at 31 March 2005 and its income and expenditure for the year then ended.

Certificate

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

PricewaterhouseCoopers LLP

Date: 10th November 2005

**PricewaterhouseCoopers LLP
Norwich**

Balances	Working balances are needed to finance expenditure in advance of income from precepts and grant. Any excess may be applied, at the discretion of the authority, to reduce the Council Tax precept or to meet unexpected costs during the year. Balances on holding accounts and funds are available to meet expenditure in future years without having an adverse effect on revenue expenditure.
Budget	A statement of the income and expenditure plan of the Council over a specified period. The most common is the annual Revenue Budget expressed in financial terms which can include other information, e.g. number of staff.
Capital Expenditure	Payments made for the acquisition or provision of assets of long-term value to the authority - e.g. land, buildings and equipment.
Capital Financing	The raising and application of money to pay for capital expenditure. Usually the cost of capital assets is met by borrowing but capital expenditure may also be financed by other means such as leasing or contributions from the revenue accounts, the proceeds of the sale of capital assets, capital grants, and other contributions.
Capital Grants	Grants from the Government or other bodies towards capital expenditure on a specific service or project.
Capital Reserves	An internal account used as an alternative to external borrowing to finance capital expenditure.
Current Assets	Assets whose value tends to vary on a day to day basis. It is reasonable to expect that assets under this head in a balance sheet would be consumed or realised during the next accounting period e.g. stocks, cash and bank balances, debtors.
Current Expenditure	Expenditure on the day-to-day running of services - i.e. total revenue expenditure excluding debt charges and other capital financing costs.
Current Liabilities	Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors, cash overdrawn.
General Fund	The main revenue fund of a Council into which is paid the precept and Government grants and from which is met the cost of providing services.
Government Grants	Payments by Central Government towards local authority expenditure. They may be specific e.g. Housing Benefits or general e.g. Revenue Support Grant.
Housing Advances	Loans by an authority to individuals towards the cost of acquiring or improving their homes.
Housing Benefit	Subsidy payments from the Government to persons on low income to reduce rent and/or Council Tax payments due to the Council or private landlords.
Housing Revenue Account	An account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Intangible Assets	Intangible items may meet the definition of an asset when access to the future economic benefits is controlled by the Council, either through custody or legal protection. Intangible items include software licences and housing nomination rights.
Irrecoverables	Amounts due from debtors finally deemed lost to an authority and written out of the accounts.
Operational Assets	The figure for Housing Revenue Operational Assets (Page12) differs from the figures shown in table 1 (Page 15) because additions are shown net of revaluations.
Outturn	The actual level of expenditure and income in a particular year.
Precepts	The charge made by County, Police, Borough and Parishes on the Collection Fund to meet their net expenditure.
Rateable Value	The notional annual rental value of a premise to which the rate poundage is applied to determine the rates payable.
Rate Levy/Rate	The number of pence in the pound which is applied to the rateable value to determine the rates.
Renewals Reserve	An account an authority can establish to meet the cost of replacing and renewing its vehicles, plant and equipment.
Revenue Contributions to Capital	The use of revenue monies to finance capital expenditure instead of financing the expenditure from loan, capital receipts or by lease.
Revenue Expenditure	Expenditure on day-to-day expenses - principally employees, running expenses of buildings and equipment and capital financing charges.
Revenue Support Grant	A grant paid by Central Government to aid local authority expenditure generally.
Trading Operations	Services which are operated partly or wholly on commercial lines, eg markets.
Transferred Debt	The amounts in the Council's Balance Sheet which are still owed to or by other bodies to repay the debt outstanding on assets transferred to or from those authorities. (See Transferred Services).
Transferred Services	Those services which were once administered by one authority but which, for a variety of reasons, have been transferred into the control of another authority. It is sometimes necessary for the original authority to continue to repay loans, and this expenditure, together with associated costs, is then recovered from the authority to which the services have been transferred. (See Transferred Debt).