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STATEMENT OF RESPONSIBILITIES

○ The Council's Responsibilities

The Council 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 Deputy Chief Executive and Executive Director, Finance and Resources, David Thomason;
- manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets;
- approve the Statement of Accounts.

○ Deputy Chief Executive and Executive Director, Finance and Resources Responsibilities

The Deputy Chief Executive and Executive Director, Finance and Resources 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 2010.

In preparing the Statement of Accounts, the Deputy Chief Executive and Executive Director, Finance and Resources has:-

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

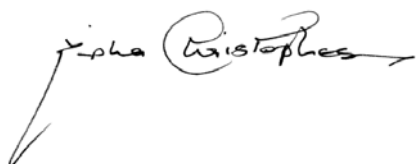
He has also:-

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

CERTIFICATION

I confirm that this Statement of Accounts was approved by the Council at the meeting held on 24th June 2010.

Signed on behalf of the Borough Council of King's Lynn and West Norfolk



Mayor of the Borough Council of King's Lynn and West Norfolk as Chair of the Meeting.
24th June 2010

In accordance with the Accounts and Audit Regulations 2003, as amended in 2006, I certify that the Statement of Accounts presents a true and fair view of the financial position of the Borough Council of King's Lynn and West Norfolk as at 31st March 2010, and its income and expenditure for the year then ended. These financial statements are the audited accounts and replace the unaudited financial statements authorised by Council at the meeting held on 24th June 2010.



David Thomason
Deputy Chief Executive / Executive Director,
Finance and Resources
28th September 2010

○ **The Accounting Statement**

The Statement of Accounts consists 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 2010. Of the summaries some are recognised as Core Financial Statements, detailed below:

- **Income and Expenditure Account (I&E)** – a summary of the resources generated and consumed by the Council in the year.
- **Statement of the Movement on the General Fund Balance** – a reconciliation showing how the resources generated/ consumed in the year links in with the statutory requirements for raising council tax.
- **Statement of Total Recognised Gains and Losses (STRGL)** – demonstration of how the movement in net worth in the Balance Sheet is linked to the I&E Account deficit and to other unrealised gains and losses.
- **Consolidated Balance Sheet** - the year end financial position of all the Council's accounts, including the Collection Fund, is summarised in the Balance Sheet. It presents the net assets, long term liabilities and reserves at the Council's disposal.
- **Cash Flow Statement** - this summarises the inflows and outflows of cash during the year.

Another statement not recognised as a core financial statement is the Collection Fund.

- **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 43 to 51 and various notes to the accounts.

○ **Restatements**

In 2009/2010 there have been a number of restatements to tables within the accounts due to changes arising from the "Code" and Accounts and Audit Regulations. This has meant that comparative information for 2008/2009 has also been restated. The changes have resulted as follows:

- **Collection Fund** – accounting has changed, Council Tax and Non Domestic Rates are accounted for as collected on behalf of those who have benefitted from the proceeds. See tables for balance sheet, income and expenditure, debtors and creditors.
- **General Government Grants** – restated to include Housing and Planning and Delivery Grant. See tables for income and expenditure and General Government Grants.
- **Soft Loans** – The Council makes loans to private individuals at nil interest under its Private Sector Housing policy. These loans are secured by a charge on the individual's property. This means that market rates of interest have not been charged on 'soft loans' (see Accounting Policies on page 51). The 2008/2009 accounts have been restated to reflect the accounting for 'soft loans' in accordance with the Code.
- **Employee Remuneration** – The Table for Employee Remuneration now includes employer's pension contributions. There is also a new element for Senior Employees – Heads of Paid Services, who are now shown separately with individual details shown.
- On page 71, the impact of prior period adjustments are shown for 2008/2009 on the core financial statements.

○ **Summary of Accounts 2009/2010**

The Council at its budget meeting of 26th February 2009 set a budget of £21,197,000 intending to draw £343,000 from its General Fund balance to give a Budget Requirement of £20,854,000.

EXPLANATORY FOREWORD

The outturn position for the year shows expenditure of £19,448,000 and a transfer of £1,406,000 to the General Fund Balance thereby meeting the Budget Requirement of £20,854,000. Expenditure below budget is mainly due to a refund of £1.3 million Value Added Tax; see "Major Influences" below. The movement of the General Fund balance is detailed on pages 8 to 9. The outturn position is incorporated within the net operating position shown on pages 6 to 7, Income and Expenditure Account.

Services defined as trading operations in 2009/2010 made a deficit of £3,144,000, shown on page 37, primarily due to a subsidy in sports and arts.

○ **Accounting for Current Economic Conditions**

2009/2010 has been dominated by the size of the Government's deficit and discussion of timescales to rectify the situation. A number of service reviews have been undertaken within the Borough Council, the pension fund has been reviewed by the fund's actuary and the level of provision of bad debt has been maintained to safeguard the Council's future financial standing.

○ **Overall Financial Position 2009/2010**

Given the previous comment on Accounting for Current Economic Conditions, the Statement of Accounts indicates that the Council's financial health remains adequate at the end of 2009/2010. 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 2009/2010**

A number of major influences were seen to have an impact on the Council's accounts in 2009/2010:

- The Council received a refund of £1.3 million of Value Added Tax from Her Majesty's Revenues and Customs;
- Repayment of government subsidy on Housing Benefits was marginally higher than anticipated producing additional grant of £350,000. Further savings of £230,000 were made on computer costs and additional income;

- A higher level of income and reduced staffing costs on leisure services produces savings on the budget of £147,000. Spending on replacement of equipment was delayed and produced in-year savings of £52,000;
- The refuse and recycling service produces savings of £135,000 mainly from additional income and savings on vehicle costs;
- The Council transferred £1.5 million to reserves in the year mainly to provide for the impact of the service reviews and changes to the establishment over the next year and also to deal with various service demands arising in 2010.
- The working balance of the Council is £3.5 million which will serve to protect against significant changes in the current economic climate.

○ **Capital**

During 2009/2010, the Council spent £11,559,230 on capital projects. Major areas of spending were:

- Regeneration schemes, £6,486,290.
- Council Offices, £1,031,020.
- Sports facility refurbishment including projects at the Oasis Sports and Leisure Centre, Lynnsport Leisure Park, St James' Swimming and Fitness Centre and Downham Market Leisure Centre, £875,630.
- Disabled Facility and Housing grants, £1,074,000.
- Tourism/Recreation Areas, £635,970.
- Information Technology, £333,350.
- Community Facilities, such as toilets community centres, and £218,460.
- Refuse and Recycling, £209,680.
- Vehicles and Equipment, £178,989.
- Crematorium, churches and cemeteries, £104,060.

EXPLANATORY FOREWORD

○ Summary of Capital Expenditure

Expenditure in 2009/2010								2008/2009
Scheme	Regeneration	Environment	Resources	Health	Housing	Community	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Access to Council Buildings	0	0	27	0	0	0	27	61
Asset Disposals	0	0	31	0	0	0	31	39
Car Parks	7	0	0	0	0	0	7	98
Civic Halls	0	0	0	0	0	32	32	181
Community Facilities	0	47	101	0	0	71	219	719
Conservation	29	0	0	0	0	0	29	22
Council Depots	0	0	54	0	0	0	54	69
Council Offices	0	0	1,031	0	0	0	1,031	202
Crematorium/Churches/ Cemeteries	0	0	0	104	0	0	104	222
Footway Lighting	0	0	0	0	0	0	0	16
Greyfriars Tower	0	0	0	0	0	0	0	18
Housing	0	0	24	0	3	0	27	19
Hunstanton Improvements	0	0	0	0	0	22	22	63
Industrial Estates	0	0	0	0	0	0	0	1,076
Information Technology	0	0	333	0	0	0	333	380
Kings Lynn Visual Image	0	0	0	0	0	0	0	67
Water front project	3	0	0	0	0	20	23	511
Recreation Centres	0	0	0	0	0	876	876	653
Refuse and Recycling	0	210	0	0	0	0	210	265
Regeneration Schemes	6,486	0	0	0	0	0	6,486	2,474
Renovation Grants /Assistance	0	0	0	0	404	0	404	399
Sea Walls	0	0	0	0	0	0	0	25
Sewage Treatment Works	0	0	0	0	9	0	9	13
The Walks	0	0	10	0	0	0	10	1,114
Theatres	0	0	0	0	0	91	91	305
Tourism/ Recreation Areas	0	0	187	0	0	449	636	688
Town Centre	1	0	0	0	0	0	1	7
Vehicles and Equipment	0	28	46	0	15	90	179	685
Other	0	0	48	0	0	0	48	19
Sub Total	6,526	285	1,892	104	431	1,651	10,889	10,410
Disabled Facility Grants and Housing Grants	0	0	0	0	670	0	670	711
Total	6,526	285	1,892	104	1,101	1,651	11,559	11,121

Details of how this expenditure has been financed are given at page 15, note 6.

EXPLANATORY FOREWORD

○ 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 Council comply with recommended accounting practices and are set out on pages 43 to 51.

○ General Fund


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

	2009/2010		2009/2010	
	Original Budget		Actual	
	£'000	£'000	£'000	£'000
Balance brought forward		2,002		2,084
Expenditure in the year	21,197		19,448	
Budget Requirement	<u>20,854</u>		<u>20,854</u>	
Surplus / (Deficit) for year		(343)		1,406
Balance carried forward		<u>1,659</u>		<u>3,490</u>

○ Current Borrowing Facilities

In March 2009, the Council's borrowing limit for 2009/2010 was established at £28 million, with the upper limit on fixed interest loans set at £25 million and the upper limit on variable rate loans set at £15 million.


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



CORE

FINANCIAL

STATEMENTS



INCOME AND EXPENDITURE ACCOUNT

EXPLAINING THIS STATEMENT

This account summarises the resources that have been generated and consumed in providing services and managing the Borough Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. Figures shown are in the format as required by the CIPFA Best Value Accounting Code of Practice.

Note	Revenue Services	2009/2010 Gross Expenditure £'000	2009/2010 Gross Income £'000	2009/2010 Net Expenditure £'000	2008/2009 Net Expenditure (Restated) £'000
	Culture & Related Services	13,359	7,779	5,580	6,910
	Environmental Services	10,587	3,825	6,762	7,451
	Planning & Development Services	11,527	3,380	8,147	6,000
	Highways, Roads & Transport Services	2,999	4,777	(1,778)	(1,483)
	Housing General Fund	49,514	49,742	(228)	226
	Central Services to Public	1,995	896	1,099	1,188
	Corporate & Democratic Core	13,168	1,376	11,792	9,259
	Non-Distributed Costs	104	0	104	636
	Net Cost of General Fund Services	103,253	71,775	31,478	30,187
	Precepts of Parish Councils			2,031	1,916
	Internal Drainage Boards			2,545	2,469
41, pg 37	Trading Operations			(1,113)	(410)
	Interest Payable & Similar Charges			412	345
	Contribution of Housing Capital Receipts to Government Pool			35	56
	Interest and Investment Income			(704)	(1,585)
	Pensions Interest Cost & Expected Return on Pensions Assets			2,037	562
	Gains on disposal of assets			(546)	(576)
	Net Operating Expenditure			36,175	32,964

INCOME AND EXPENDITURE 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.

		2009/2010	2008/2009
		Net Expenditure	Net Expenditure (Restated)
Note	Revenue Services	£'000	£'000
	Net Operating Expenditure	36,175	32,964
	Demand on Collection Fund	(7,798)	(7,472)
48, pg 39	General Government Grants	(3,789)	(2,507)
	Non-Domestic Rates Redistribution	(12,227)	(13,101)
	Deficit	12,361	9,884

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

EXPLAINING THIS STATEMENT

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is financed from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

	2009/2010	2008/2009 (Restated)
	£'000	£'000
Deficit for the year on the Income and Expenditure Account	12,361	9,884
Net additional amount to be credited to the General Fund Balance	(13,767)	(9,516)
(Increase) / Decrease in General Fund Balance	(1,406)	368
General Fund Balance brought forward	(2,084)	(2,452)
General Fund Balance carried forward	(3,490)	(2,084)

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

	2009/2010	2008/2009 (Restated)
	£'000	£'000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance		
Amortisation of intangible fixed assets	(68)	(68)
Depreciation and impairment of tangible fixed assets	(19,938)	(16,290)
Government grants and contributions deferred amortisation	1,575	1,779
Appropriated Revenue Expenditure funded from Capital under Statute	(404)	(399)
Net gain on sale of fixed assets	546	576
Repayment of improvement grant and release of covenant	54	66
Net transfer in respect of soft loans	(82)	(42)
Net charges made for retirement benefits in accordance with FRS 17	(3,420)	(2,721)
Council Tax Adjustment	33	(53)
	(21,704)	(17,152)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance		
Revenue provision for capital financing	385	224
Capital expenditure charged in year to the General Fund Balance	3,226	1,354
Principal payment of finance leases	2	2
Usable capital receipts funding housing capital receipts paid to the government pool	(35)	(56)
Employer's contributions payable to the Norfolk County Council pension fund and retirement benefits payable direct to pensioners	2,478	2,378
Net transfer to Contributions and Government Grants Deferred for Affordable Housing	302	0
	6,358	3,902
Transfers to or from the General fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance		
Internal repayment of prudential borrowing	459	400
Net transfer to earmarked reserves	1,120	3,334
	1,579	3,734
Net additional amount required to be credited to the General Fund Balance	(13,767)	(9,516)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

EXPLAINING THIS STATEMENT

This statement brings together all the gains and losses of the Council for the year and shows the aggregate decrease in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/2010	2008/2009 (Restated)
	£'000	£'000
Deficit for the year on the Income and Expenditure Account	12,361	9,884
Surplus on fixed assets and other capital adjustments	(6,845)	(11,793)
Actuarial loss on pension fund assets and liabilities	31,960	15,004
Transfer and Government grants	302	0
Total recognised losses for the year	37,778	13,095

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.


Note	2009/2010		2008/2009 (Restated)	
	£'000	£'000	£'000	£'000
1-5, pg13-15	Fixed Assets			
		393		386
	Intangible Fixed Assets			
	Tangible Fixed Assets			
	Other Land & Buildings	63,405	64,128	
	Vehicle, Plant & Equipment	4,765	4,987	
	Infrastructure Assets	224	251	
	Community Assets	6,118	6,298	
	Total Operational Assets	74,512	75,664	
	Non-Operational Assets			
	Investment Properties	31,314	31,259	
	Land Awaiting Development	21,662	24,114	
	Total Non-Operational Assets	52,976	55,373	
	Total Tangible Assets	127,488		131,037
	Total Fixed Assets	127,881		131,423
14, pg 19	Long term investments	13,650		13,499
31, pg 31	Long term debtors	1,115		1,073
	Total Long Term Assets	142,646		145,995
	Current Assets			
47, pg 39	Stock and work-in progress	134	109	
32, pg 31	Debtors	7,003	3,914	
14, pg 19	Short term investments	13,401	13,197	
	Bank	452	265	
	Total Current Assets	20,990	17,485	
	Current Liabilities			
15, pg 19	Short term borrowing	(9,118)	(6,424)	
30, pg 31	Creditors	(8,747)	(9,637)	
	Total Current Liabilities	(17,865)	(16,061)	
	Net Current Assets/Liabilities	3,125		1,424
	Total Assets less Current Liabilities	145,771		147,419
16, pg 19	Long Term Borrowing	(11,900)		(10,000)
11, pg 18	Deferred Capital Receipts	(40)		(58)
7, pg 15	Contributions & Government Grants Defd	(17,571)		(16,223)
	Deferred Liabilities	(868)		(870)
25, pg 28	Pension Liability	(56,500)		(23,598)
		58,892		96,670
8, pg 16	Revaluation Reserve	16,022	9,833	
9, pg 17	Capital Adjustment Account	82,749	96,291	
	Collection Fund Adjustment Account	454	421	
19, pg 22	Financial Instruments Adjustment Account	(1,055)	(973)	
25, pg 28	Pension Reserve	(56,500)	(23,598)	
	Fund Balances & Reserves	41,670		81,974
Page 8	General Fund	3,490	2,084	
35, pg 32-33	Earmarked Reserves	13,732	12,612	
		17,222		14,696
		58,892		96,670

CASH FLOW STATEMENT


EXPLAINING THIS STATEMENT

This statement summarises the inflows and outflows of the Council's cash during the year.
The cash flow statement is presented using the indirect method; see accounting policies page 44.

Note	2009/2010		2008/2009	
	£'000	£'000	£'000	£'000
	REVENUE ACTIVITIES			
37, pg 35		<u>(3,229)</u>		<u>(3,608)</u>
	SERVICING OF FINANCE			
	492		415	
	42		40	
	(553)		(784)	
		<u>(19)</u>		<u>(329)</u>
	CAPITAL ACTIVITIES			
	Cash Outflow			
	12,178		10,566	
	Cash Inflow			
	(1,262)		(836)	
36, pg 34	(3,546)		(3,048)	
	75		(125)	
		<u>7,445</u>		<u>6,557</u>
	Net Cash inflow before financing	<u>4,197</u>		<u>2,620</u>
	MANAGEMENT OF LIQUID RESOURCES			
	(1,096)		(2,096)	
	1,300		750	
		204		(1,346)
	FINANCING			
	Cash Outflows			
	44,410		20,500	
	2		2	
	Cash Inflows			
	(49,000)		(21,304)	
38, pg 35		<u>(4,588)</u>		<u>(802)</u>
	Net (Increase) / Decrease in cash	<u>(187)</u>		<u>472</u>



**NOTES TO
CORE
FINANCIAL
STATEMENTS**



NOTES TO THE CORE FINANCIAL STATEMENTS – CAPITAL

1 Analysis of Asset Movement 2009/2010

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

	Other Land and Buildings	Vehicles Plant & Equipment	Investment Properties	Land Awaiting Development	Infra-structure Assets	Community Assets	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross value as at 1 st April 2009	68,494	10,105	31,259	24,182	615	6,440	605	141,700
Gross Capital Expenditure/Additions	2,752	1,377	1	6,249	4	27	75	10,485
Disposals	(72)	(31)	(1)	(702)	0	0	0	(806)
Revaluations	379	0	73	6,055	0	0	0	6,507
Impairment	(2,286)	(462)	(18)	(14,198)	(4)	(32)	0	(17,000)
Reclassification	(93)	0	0	148	0	(55)	0	0
Gross value as at 31st March 2010	69,174	10,989	31,314	21,734	615	6,380	680	140,886
Depreciation b/fwd as at 1 st April 2009	4,366	5,118	0	68	364	142	219	10,277
Amortisation	0	0	0	0	0	0	68	68
Depreciation for year	1,569	1,137	0	4	27	120	0	2,857
Depreciation on Disposals	(14)	(31)	0	0	0	0	0	(45)
Depreciation on reclassification	(7)	0	0	0	0	0	0	(7)
Depreciation on Impairment	(145)	0	0	0	0	0	0	(145)
Total Depreciation as at 31st March 2010	5,769	6,224	0	72	391	262	287	13,005
Net value as at 31st March 2010	63,405	4,765	31,314	21,662	224	6,118	393	127,881
31st March 2009	64,128	4,987	31,259	24,114	251	6,298	386	131,423

Reclassification – some of the assets have been reclassified as part of updating the asset schedule. There is no overall change in the value of these assets.

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 valuation officers. The basis for valuation is set out in the statement of accounting policies.

	Other Land and Buildings	Vehicles Plant & Equipment	Investment Properties	Land Awaiting Development	Infra-structure Assets	Community Assets	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Historical Cost	0	10,989	0	0	615	6,380	680	18,664
Value at current value in:								
2009/2010	2,044	0	144	7,832	0	0	0	10,020
2008/2009	13,915	0	1,691	10,286	0	0	0	25,892
2007/2008	1,422	0	1,615	1,605	0	0	0	4,642
2006/2007	9,263	0	25,925	1,149	0	0	0	36,337
2005/2006	42,530	0	1,939	862	0	0	0	45,331
Gross value 31st March 2010	69,174	10,989	31,314	21,734	615	6,380	680	140,886

3 Analysis of Fixed Assets

	31 st March			
	2010 (No's)		2009 (No's)	
Beach	1		1	
Commercial Property (Shops)	12		12	
Community Centres	4		4	
Crematorium	1		1	
Depots and Workshops	2		2	
Former Council Dwellings (see note below)	2		2	
Industrial units	114		114	
Land Awaiting Development	155	acres	159	acres
Managed Workshops	1		1	
Offices	3		3	
Off-street parking	19		19	
Parks and Recreation Grounds (see note below)	172	acres	172	acres
Sports Centres and Pools	4		4	
Theatres and Concert Halls	3		3	
Town Halls	1		1	
Land associated with the Buildings listed above (excluding Parks)	978	acres	978	acres

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.

The Council retained two dwellings following the transfer of the council housing stock to Freebridge Community Housing in April 2006. These former council dwellings are leased to a housing association.

In addition, the Council retained numerous parcels of amenity land following the stock transfer. The area of this land has not yet been formally quantified. This will take place as the estate management system is developed. As such, this amenity land is not included within the total for parks and recreation grounds shown above.

4 Fixed Asset Valuation

The freehold and leasehold properties which comprise the Council's property portfolio have been valued in accordance with the Royal Institute of Chartered Surveyors Standards Valuation Manual (6th Edition), 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 page 48.

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

Valuation Bases

For valuation purposes local authority property usually falls into the following groups:

- non-operational property (investment, surplus and development property), valued on the basis of Market Value;
- operational, non-specialised property, valued on the basis of Existing Use Value (EUV);
- operational, specialised properties valued using the depreciated replacement cost method.

Impairment Review

Assets are assessed at each reporting date to determine whether there is any evidence of impairment. The value of assets was adjusted during 2008/2009 for impairment caused by a downturn in the economy. As part of the programme of asset revaluations a further impairment review was undertaken during 2009/2010. The value of a number of assets was adjusted for impairment as a result of the continued downturn in the economy. In addition the value of land held within the Nar Ouse Regeneration Area (NORA) was valued during 2009/2010. The asset values within the balance sheet 2008/2009 included land remediation expenditure capitalised as adding value to the land. The individual parcels of land have now been separately valued.

5 Community Assets

Community assets include two historical monuments in King's Lynn; the Red Mount Chapel and Greyfriars Tower, as well as The Walks, an area of park land.

6 Summary of Capital Financing

	2009/2010 £'000	2008/2009 £'000
Grants & Third Party Contributions	2,626	1,857
Prudential Borrowing	4,317	5,229
Capital Receipts	1,262	836
Reserves	3,226	1,354
Creditors/Debtors	(542)	1,134
Total	10,889	10,410

Revenue expenditure funded from capital under statute includes £404,000 (£399,000 in 2008/2009) of expenditure on renovation assistance which has been funded from capital resources. This has been included in the table above.

7 Contributions and Government Grants Deferred Account

	2009/2010 £'000	2008/2009 £'000
Balance brought forward 1st April	(16,223)	(16,145)
Grants & Contributions applied during the year	(2,626)	(1,857)
Grants & Contributions applied for Affordable Housing and Amenity Areas (see note)	(1,079)	(100)
Grants & Contributions written down	1,575	1,779
Grants and Contributions written down for Affordable Housing	777	100
Adjustment Prior Year	5	0
Balance carried forward 31st March	(17,571)	(16,223)

Capital Contributions received under Section 106 Planning Agreements for the provision of affordable housing and amenity areas are now included within this account. These receipts are held by the Council pending the progression of suitable capital schemes. The amount shown was previously held within earmarked reserves and has been transferred to the account in 2008/2009.

Capital Reserves

The SORP 2007 replaced the Fixed Asset Restatement Account and the Capital Financing Account with two new reserves:

- Revaluation Reserve, which will record any net gains, or any off-setting losses, from revaluations made after 1st April 2007 (see page 16).
- Capital Adjustment Account, which reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them (see page 17).

8 Revaluation Reserve

The Reserve was formed on 1st April 2007 and records the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

The Reserve is also debited with amounts equal to the depreciation and impairment charges on assets that have been incurred only because the asset has been revalued i.e. the difference between depreciation charged and that which would have been charged if the asset was held at historic cost. On disposal, the Revaluation Reserve balance for the asset disposed of is cleared to zero by a transfer to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

Whilst these gains arising from revaluations increase the net worth of the authority they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

	2009/2010	2008/2009
	£'000	£'000
Balance Brought forward 1 st April	9,833	2,426
Revaluation	6,507	11,452
Disposals	(339)	(164)
Depreciation	(64)	(83)
Impairment	0	(3,798)
Write out impairment on disposal	85	0
Balance carried forward at 31 st March	16,022	9,833

9 Capital Adjustment Account

The Account accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal, and the resources that have been set aside to finance capital expenditure. The balance on the Account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements. It was formed on the 1st April 2007 by amalgamating the Fixed Asset Restatement Account and the Capital Financing Account.

	2009/2010	2008/2009
		(Restated)
	£'000	£'000
Balance brought forward 1st April	96,291	103,386
Capital Financing	4,947	2,590
Capital Grants and Contributions written down	1,575	1,779
Appropriated Revenue Expenditure funded from Capital under statute	(404)	(399)
Depreciation and amortisation of fixed assets	(2,925)	(2,796)
Write out depreciation on disposals, revaluation and impairment	197	0
Transfer from the revaluation reserve for excess depreciation on revalued assets	64	83
Impairment	(17,082)	(9,764)
Repayment of loans	(11)	(28)
Revenue Provision	385	224
Carrying value of assets disposed of during the year	(806)	(410)
Transfer from revaluation reserve for fixed assets disposed of	339	164
Principal payment of finance leases	2	2
Soft Loans – Advances	186	1,503
Soft Loans - Repayments	(9)	(43)
Balance carried forward 31 st March	82,749	96,291

Note: With the creation of the new Revaluation Reserve, the historic cost is the asset value at 1st April 2007.

10 Future Commitments

Outstanding commitments for future capital expenditure at 31st March 2010 are estimated to be £31,409,000 (£29,415,000 in 2008/2009). Commitments are divided between schemes having legal contract and schemes which have not progressed to contract stage.

The period of investment in these schemes ranges from one to three years.

	Commitment Contractual	Commitment Non- Contractual
	31st March 2010	31st March 2010
	£'000	£'000
Car Parks	0	2,005
Civic Buildings	0	755
Community Centres	0	5
Community Grants	0	222
Conservation	0	19
Crematoriums & Cemeteries	150	248
Disability Discrimination Act	21	133
Industrial Estates Refurbishment	0	1,292
Leisure & Arts	70	2,855
Office Equipment	75	1,166
Offices	20	111
Other	258	471
Parks & Open Spaces	0	166
Private Sector Housing/Energy Efficiency	303	3,820
Public Conveniences	0	74
Refuse & Recycling	0	42
Regeneration Schemes	2,689	12,302
Resort Services	0	22
Sewage Treatment Works/Bawsey Drain	0	298
Staff	46	0
Street Lighting	0	115
Vehicles & Equipment	71	1,585
	3,703	27,706

11 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.

12 Capital Receipts Reserve

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

	31st March	
	2010	2009
	£'000	£'000
Balance in hand 1 st April	0	0
Receipts in year		
Miscellaneous capital receipts	1,297	892
Capital receipts pool	(35)	(56)
Financing during the year		
Capital programme	(1,262)	(836)
Balance in hand 31 st March	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS – FINANCIAL INSTRUMENTS

13 Minimum Revenue Provision

The Council is required by statute to charge the General Fund with a minimum amount for the repayment of external debt (as explained within the Statement of Accounting Policies on page 49). The 2009/2010 revenue provision for the repayment of debt is calculated in accordance with this policy. The Minimum Revenue Provision (MRP) for Repayment of Debt in the 2009/2010 accounts is £385,290.

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

	31 st March	
	2010 £'000	2009 £'000
Long-term		
Fund Managers	13,637	13,486
Bonds	13	13
Long-term Investments	13,650	13,499
Short-term		
Banks	13,401	7,918
Building Societies	0	5,279
Short-term Investments	13,401	13,197
Total Investments	27,051	26,696

15 Short Term Borrowing

Temporary Loans outstanding at 31st March 2010.

Source of Loan	Balance Outstanding 31 st March	
	2010 £'000	2009 (Restated) £'000
Building Societies	800	500
Banks	94	93
Local Authorities	8,201	4,501
Other	23	1,330
Total	9,118	6,424

16 Long Term Borrowing

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

Interest rates are between 2.92% and 3.8%.

Source of Loan	Balance Outstanding 31 st March	
	2010 £'000	2009 (Restated) £'000
PWLB	1,900	0
Barclays	10,000	10,000
Subtotal	11,900	10,000

17 Leases

The Council has finance and operating leases. A finance lease transfers all rights and rewards of ownership of an asset to the lessee. An operating lease is any lease that is not a finance lease.

Operating Leases

The Council has operating lease agreements for the provision of service vehicles, trade refuse containers, grounds maintenance, sports and communications equipment, land and buildings.

The Council is committed to making payments of £70,111 under operating leases in 2010/2011 (£158,831 in 2009/2010) comprising the following elements:

<u>Operating Leases</u>	Other Land and Buildings £	Vehicles, Plant and Equipment £
Leases expiring in 2010/2011	40,182	0
Leases expiring between 2011/2012 to 2014/2015	12,700	2,833
Lease expiring after 2014/2015	14,396	0
	67,278	2,833

NOTES TO THE CORE FINANCIAL STATEMENTS – FINANCIAL INSTRUMENTS

Finance Leases

The Council has a number of long term leases on land and buildings which have been accounted for as finance leases. These leases include industrial units at Flitcham, the Arts Centre and Old Cattle Market car park in King's Lynn and Downham Market Leisure Centre. All payments have been taken to the deferred liability included in the Balance Sheet and this figure represents the outstanding finance lease obligations, previously included within the Capital Adjustment Account. The rentals payable in 2009/2010 were £44,040 (£42,425 in 2008/2009).

The following values of assets are held under finance leases by the Council, accounted for as part of tangible fixed assets.

	Other Land and Buildings
	£'000
Obligations payable in 2010/2011	2
Obligations payable between 2011/2012 and 2015/2016	9
Obligations payable after 2015/2016	857
Total liabilities as at 31st March 2010	868

As at 31st March 2010 the Authority had not signed any new leases.

In addition to the above finance leases where the Council is leasing assets from a third party i.e. acting as the lessee, the Council leases a number of its assets to third parties i.e. acting as the lessor. Assets where the Council acts as lessor include industrial units and town centre shops. The Council has not yet reviewed its lease arrangements where it acts as lessor. As a result, the accounting treatment of such arrangements has not been reviewed. It is considered that these arrangements are not material to the Council's financial statements. The Council have commenced a review of these lease arrangements in preparation for International Financial Reporting Standards (IFRS) and this review will be completed during 2010/2011.

<u>Finance Leases</u>	Other Land and Buildings
	£'000
Value at 1st April 2009	8,878
Additions	0
Revaluations	3
Impairment	(3)
Depreciation	(143)
Disposals	0
Value at 31st March 2010	8,735

Outstanding obligations to make payments under these finance leases (excluding finance costs) as at 31st March 2010, accounted for as part of long term liabilities, are as follows:

18 Treasury Management – Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments; this includes all applicable borrowing and investments, creditors and debtors:

	Long-Term 31 st March 2010	Current 31 st March 2010	Long-Term 31 st March 2009	Current 31 st March 2009
Financial liabilities at amortised cost	11,940	10,957	10,058	9,217
Total borrowings	11,940	10,957	10,058	9,217
Loans and receivables	14,791	16,170	14,572	15,649
Total investments	14,791	16,170	14,572	15,649

NOTES TO THE CORE FINANCIAL STATEMENTS – FINANCIAL INSTRUMENTS

19 Financial Instruments – Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and the Statement of Recognised Gains and Losses, in relation to financial instruments are made up as follows in the table below. The current policy relating to External Fund Managers is to value assets at amortised cost. These assets at 31st March 2010 have a value of £13,637,258 (£13,485,972 at 2009) and no fair value adjustment is necessary.

	Financial Instruments		
	Financial Liabilities measured at amortised cost	Loans and receivables	Total
	£'000	£'000	£'000
Interest Income – Soft Loans	0	(30)	(30)
External Interest payable	489	0	489
External Interest and Investment income (cost of borrowing and brokerage)	0	(633)	(633)
Net gain for the year	489	(663)	(174)

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector. As this authority does not actively trade with its internally managed loans and investments no adjustment is required within the accounts relating to fair value.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

The fair values calculated are as follows :

	31 st March 2010		31 st March 2009	
	Carrying amount	Fair values	Carrying amount	Fair values
	£'000	£'000	£'000	£'000
Long Term Loans	11,900	11,682	10,000	8,938
Other Financial Liabilities	10,997	10,997	9,275	9,275
Financial liabilities	22,897	22,679	19,275	18,213

The fair value is less than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the balance sheet date. This commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

NOTES TO THE CORE FINANCIAL STATEMENTS – FINANCIAL INSTRUMENTS

	31 st March 2010		31 st March 2009	
	Carrying amount	Fair values	Carrying amount	Fair values
	£'000	£'000	£'000	£'000
Financial Instruments				
Long Term Investments	13	13	13	13
Fund Managers	13,637	13,637	13,486	13,486
Other Financial Assets	17,311	17,371	16,722	16,920
	30,961	31,021	30,221	30,419

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the balance sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the investments.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account contains the difference between financial instruments measured at fair value and the balances required to comply with statutory requirements. As part of its Private Sector Housing Policy the Council makes loans to private individuals at nil interest. This means that market rates of interest have not been charged and these loans are classified as soft loans. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net credit required against the General Fund Balance is managed by a transfer to/from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. The 2008/2009 accounts have been restated as detailed on page 9 in respect of soft loans. The movement on the account is summarised as follows:

	2009/2010 £'000	2008/2009 £'000
Balance at 1 April	973	0
Adjustment to reflect fair value of Private Sector Housing Improvement loans prior years	0	931
In year fair value adjustment of Private Sector Housing loans	82	42
Balance at 31 March	1,055	973

20 Financial Instruments Credit Risk

Treasury Management

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council’s customers. Deposits are not made with banks and financial institutions, other than building societies and local government institutions, unless they are rated independently with the following ratings. The Council has a policy of not lending more than £5m of its surplus balances to one institution at any one time.

The Council’s minimum ratings for banks are:

Short term Rating	Individual Rating	Support Rating	Long Term Rating
F1	B/C	4	A

F1 = Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments. Have an added “+” to denote any exceptionally strong credit feature.

B = A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects.

C = An adequate bank which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment and prospects.

4 = A bank, for which support from a state or from an institutional owner is likely but not certain.

A = A low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. There may be some vulnerability to changes in circumstances or in economic conditions than is the case for higher ratings.

In addition to the above the following institutions are also allowed:

- Top UK Building Societies, whose assets exceed £2,000,000,000
- Government departments
- Non-privatised National Industries

Counter parties are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council and shown above.

Other Financial Instruments

Trade Receivables

Customers are assessed, taking into account their financial position, past experience and other factors, with credit limits being set in accordance with internal ratings within parameters set by the Council.

Tenants

The Council has a policy in place to try and reduce credit risk on tenants. This involves obtaining a bank reference and two trade references for new leases, in addition to accounts and credit checks. If the Council is aware of a new tenant leasing other commercial property, a reference is also obtained from their landlord. In some circumstances a surety may also be requested. In all cases a three month deposit is required.

Income Recovery

To reduce credit risk, there is a policy in place to ensure timely collection of outstanding amounts.

Payment terms are set up on accounts when they are opened. Computer generated reminders are issued a week after the term expires and a second reminder is sent after a further 14 days. Following on from this if the debt remains unpaid it is passed for further recovery action.

21 Treasury Management - Limits

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The Council does not allow credit for counter parties.

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than £5m of long-term loans are due to mature within any financial year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. All loans in the less than one year category relate to new temporary loans.

The maturity analysis of financial liabilities is as follows:

	31 st March 2010			31 st March 2009		
	Loans	Other	Total	Loans	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	9,118	1,839	10,957	6,424	2,793	9,217
More than five years	11,900	40	11,940	10,000	58	10,058
	21,018	1,879	22,897	16,424	2,851	19,275

All trade and other payables are due to be paid in less than one year.

22 Market risk

Interest rate risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be recorded in the Income and Expenditure Account and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is offset by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31st March 2010, if interest rates had been 1% higher with all other variables held constant the financial effect would be:

	31st March 2010
	£'000
Increase in interest payable on variable rate borrowings	15
Increase in interest receivable on variable rate investments	(14)
Impact on Income and Expenditure Account	1

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

Price risk

The Council does not invest in equity shares. The Council is consequently not exposed to losses arising from movements in the prices of the shares.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

23 Local Government Pension Scheme (LGPS)

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 Standard 17). 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 General Fund in the Statement of Movement on General Fund Balance. The following transactions have been made in the Accounts during the year:

Income and Expenditure Account	2009/2010		2008/2009	
	£'000	£'000	£'000	£'000
Net Cost of Services:				
Current Service Cost	(1,279)		(1,523)	
Past Service Cost	(104)		(636)	
		(1,383)		(2,159)
Net Operating Expenditure:				
Interest Cost	(5,980)		(6,194)	
Expected Return On assets In The Scheme	3,943		5,632	
		(2,037)		(562)
Net charge to the Income and Expenditure account		(3,420)		(2,721)

Statement of Movement on the General Fund Balance	2009/2010		2008/2009	
	£'000	£'000	£'000	£'000
Net charges made for retirement benefits in accordance with FRS 17		(3,420)		(2,721)
Actual amount charged against Council Tax for Pensions in the Year				
Employers' Contributions Payable To Scheme	(2,220)		(2,127)	
Unfunded Benefits	(258)		(251)	
Employer's contributions payable to Norfolk County Council pension fund and retirement benefits payable direct to pensioners		(2,478)		(2,378)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £31,960,000 were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £44,167,000 (see note 26).

24 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 23, page 26 contains details of the Council's participation in the Local Government Pensions Scheme (administered by Norfolk County Council).

The Local Government Pension Scheme (LPGS) regulations were revised on 30th March 2006 and give retiring LGPS members in England and Wales the option to increase the amount of tax-free cash taken from the scheme at retirement from the current fixed amount of three years' pension to the new maximum permissible under the Finance Act 2004 of 25% of the total value of the benefits. Hymans Robertson, the Council's actuary, has made an allowance for 50% of future retirements to elect to take tax-free lump sums up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service. They have also based life expectancy on the PMA/PFA 92 table, projected to 2033 for non-pensioners and 2017 for pensioners.

The Income and Expenditure Account figures for the year to 31st March 2010 are calculated, based on a discount rate derived from corporate bond yields as at 31st March 2010 (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 2010.

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

Assumptions as at	31 st March				
	2010 % p.a.	2009 % p.a.	2008 % p.a.	2007 % p.a.	2006 % p.a.
Rate of Inflation	3.8	3.1	3.6	3.2	3.1
Rate of Salary increases	5.3	4.6	5.1	4.7	4.6
Rate of Increase in Pensions, Payments and Deferred Pensions	3.8	3.1	3.6	3.2	3.1
Rate of Discounting Scheme Liabilities	5.5	6.9	6.9	5.4	4.9

	2009/ 2010 %	2008/ 2009 %	2007/ 2008 %
Long-term expected rate of return on assets in the scheme:			
Equity	7.8	7.0	7.7
Bonds	5.0	5.4	5.7
Property	5.8	4.9	5.7
Cash	4.8	4.0	4.8
Mortality assumptions:			
Longevity at 65 for current pensioners:			
Men	20.8	19.6	19.6
Women	24.1	22.5	22.5
Longevity at 65 for future pensioners:			
Men	22.3	20.7	20.7
Women	25.7	23.6	23.6

NOTES TO THE CORE FINANCIAL STATEMENTS - PENSIONS

25 Reconciliation of opening and closing balances of present values of assets and liabilities

A reconciliation of the present value of the scheme liabilities is shown below:

	2009/2010 £'000	2008/2009 £'000
Value as at 1st April	87,660	90,206
Current Service Costs	1,279	1,523
Interest Cost	5,980	6,194
Contributions by scheme participants	833	824
Actuarial (gains) and losses	47,709	(7,860)
Benefits paid	(3,978)	(3,612)
Unfunded Benefits paid	(258)	(251)
Losses / (Gains) on curtailment	93	0
Past Service Costs	11	636
Value as at 31st March	139,329	87,660

A reconciliation of the present value of the scheme assets is shown below:

	2009/2010 £'000	2008/2009 £'000
Value as at 1st April	64,062	81,955
Expected Return on Assets	3,943	5,632
Contributions by members	833	824
Contributions by the Employer	2,220	2,127
Contributions in respect of Unfunded Benefits	258	251
Actuarial gains / (losses)	15,749	(22,864)
Unfunded Benefits paid	(258)	(251)
Benefits paid	(3,978)	(3,612)
Value as at 31st March	82,829	64,062

Local Government Pension Scheme

	2009/2010 £'000	2008/2009 £'000	2007/2008 £'000	2006/2007 £'000	2005/2006 £'000	2004/2005 £'000
Present value of liabilities	(139,329)	(87,660)	(90,206)	(98,800)	(111,300)	(93,500)
Fair value of assets	82,829	64,062	81,955	84,200	83,700	66,800
(Deficit) in the scheme	(56,500)	(23,598)	(8,251)	(14,600)	(27,600)	(26,700)

In 2008/2009, assets were restated from mid-market to bid value. Figures in the balance sheet were not changed for 2007/2008 because the impact was minimal (£75,000) and was adjusted in actuarial gains / (losses) on assets in 2008/2009. The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £56.5m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains adequate; the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed the scheme's actuary. Due to a £1m upfront payment in 2007/2008 contributions for 2008/2009 to 2010/2011 were reduced by 3%, from 19.4% to 16.4%.

NOTES TO THE CORE FINANCIAL STATEMENTS - PENSIONS

26 Cumulative amount actuarial gains and losses from 2004/2005 onward

	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006	2004/2005
	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward	(12,207)	2,797	(2,190)	(12,787)	(12,197)	0
Actual gain / (losses) recognised in Statement of Recognised Gains and Losses	(31,960)	(15,004)	4,987	10,597	(590)	(12,197)
Actuarial gains/(losses) - cumulative	(44,167)	(12,207)	2,797	(2,190)	(12,787)	(12,197)

27 Breakdown of the fair value of the attributable assets between classes of fund

For each asset as at the 31st March 2010

Class of fund asset	Expected return	Fair Value of the attributable assets	Proportion of assets held by the fund
		£'000	%
Equities	7.8	55,495	67
Bonds	5.0	14,081	17
Property	5.8	8,283	10
Cash	4.8	4,970	6
	6.9	82,829	100

For each asset as at 31st March 2009

Class of fund asset	Expected return	Fair Value of the attributable assets	Proportion of assets held by the fund
		£'000	%
Equities	7.0	39,719	62
Bonds	5.4	13,453	21
Property	4.9	6,406	10
Cash	4.0	4,484	7
	6.2	64,062	100

NOTES TO THE CORE FINANCIAL STATEMENTS - PENSIONS

28 Actual return on Scheme Assets

The return on the fund in market value terms for the year 31st March 2010 is estimated based on actual Fund returns provided by the administering authority for the quarter 31st March 2010. Details are shown below:

Actual return for the period from 1 st April 2009 to 31 st December 2009	%
	22.8
Estimated Return for the period from 1 st April 2009 to 31 st March 2010	31.0

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Fair value of Employer Assets	82,829	64,062	81,955	84,200	83,700	66,800
Present Value of Defined Benefit Obligation	(139,329)	(87,660)	(90,206)	(98,800)	(111,300)	(93,500)
Surplus/(Deficit)	(56,500)	(23,598)	(8,251)	(14,600)	(27,600)	(26,700)
Experience gains/(Losses) on assets	15,749	(22,864)	(8,971)	(450)	11,900	2,560
as % scheme assets	19.0%	(35.7%)	(10.9%)	(0.5%)	14.2%	3.8%
Experience gains/(Losses) on liabilities	(177)	107	(1,189)	5,510	(130)	(1,737)
as % scheme liabilities	0.1%	(0.1%)	1.3%	(5.6%)	0.1%	1.8%

29 Estimate of contributions expected to be paid to the scheme for year ending 31st March 2011

Projected pension expense for the year to 31st March 2011

	£'000	% of pay
Projected current service cost	2,858	22.6
Interest on obligation	7,645	60.3
Expected return on plan assets	(5,675)	(44.8)
	4,828	38.1

30 Creditors

	31 st March	
	2010	2009 (Restated)
	£'000	£'000
Government Departments	0	313
Inland Revenue	5	2
Industrial Estate Deposits	274	260
Deferred Income	2,366	2,320
Sundry Creditors	2,768	3,882
Council Tax Net Balance- (County Council & Police)	3,334	2,860
Total	8,747	9,637

31 Long Term Debtors

	31 st March	
	2010	2009 (Restated)
	£'000	£'000
Local Authorities	273	294
Housing Advances	44	55
Housing Association	108	109
Council House Sales	40	58
Specific long term	99	96
Soft Loans	582	487
	1,146	1,099
Provision for doubtful debt	(31)	(26)
Total	1,115	1,073

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

32 Short Term Debtors

Local Authority Debtors	31 st March	
	2010	2009 (Restated)
	£'000	£'000
Due within one year		
Government	3,568	735
Prepayments	199	47
Rechargeable works	66	38
Sundry Debtors	2,209	1,968
Accrued Income	1,521	1,746
	7,563	4,534
Provision for doubtful debt	(560)	(620)
Total	7,003	3,914

33 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 Income and Expenditure Account and Cash Flow statement. Goods and services supplied by member related businesses are £368,063 (£52,334 in 2008/2009). Grants awarded to organisations on which Councillors and Senior Officers have an interest totalled £249,058 (£164,356 in 2008/2009).

34 Related Parties - Debtors and Creditors

The debtors and creditors of related parties are as follows:

	31 st March	
	2010	2009
	£'000	£'000
Debtors		
Government Departments	3,568	735
Local Authorities	273	294
Creditors		
Government Departments	0	313
Public Authorities	3,334	2,860

Government Departments

Debtors for Government departments include, for both years, Value Added Tax owed to the Borough Council and, in 2009/2010 only, a debtor for National Non Domestic Rates pool expenditure.

Local / Public Authorities

Debtor for Local Authorities is transferred debt to Norfolk County Council from the 1974 reorganisation.

Creditors for Public Authorities relate mainly to collection fund balances from Norfolk County Council and Norfolk Police Authority.

NOTES TO THE CORE FINANCIAL STATEMENTS – EARMARKED RESERVES

35 Earmarked Reserves

This represents the aggregate of reserves of the Council.

		1st April 2009	2009/2010 Contributions to the General Fund	2009/2010 Contributions from the General Fund	Transfer to / (from)	Fund Capital Programme	31st March 2010
		£'000	£'000	£'000	£'000	£'000	£'000
(1)	Amenity Areas	647	(66)	173	0	0	754
(2)	Capital Programme Resources	4,524	(181)	3,152	0	(2,849)	4,646
(3)	West Norfolk Partnership	1,159	(671)	500	48	0	1,036
(4)	Safer, Stronger Communities Fund	905	(275)	0	0	(178)	452
(5)	Insurance Reserve	117	(3)	13	0	0	127
(6)	Restructuring Reserve	957	0	251	0	0	1,208
(7)	Repairs and Renewals Reserve	1,671	(73)	880	0	(182)	2,296
(8)	Holding Accounts	1,864	(678)	839	(10)	(17)	1,998
(9)	Ring Fenced Reserves	249	(43)	283	0	0	489
(10)	Housing and Planning Delivery Grant	0	0	274	0	0	274
(11)	Local Public Service Agreement	400	(159)	156	0	0	397
(12)	Other	119	(80)	54	(38)	0	55
		12,612	(2,229)	6,575	0	(3,226)	13,732

35 Earmarked Reserves (continued)

- 1 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.
- 2 The Capital Programme Resources reserve is used to fund the capital programme. It has been established by annual contributions from the revenue budget and is a combination of various specific capital reserves. This now includes the VAT shelter money, the Affordable Housing Reserves and the Shared Services (Revenue) Reserve.
- 3 The West Norfolk Partnership exists to tackle the toughest problems affecting the residents of West Norfolk. The partnership is a joint initiative between the Borough and County Councils, the Police, voluntary sector, education sector and the health sector.
- 4 The Safer, Stronger Communities Fund is a Government sponsored initiative aimed at tackling crime, anti-social behaviour and drugs, empowering communities, and improving the condition of streets and public spaces.
- 5 The Insurance Reserve was established to fund expenditure required as necessary by our Insurance Company and also to meet areas of risk management expenditure.
- 6 The Restructuring Reserves includes the Restructuring Reserve and the Financing Revenue reserve which are to reduce the impact on future years from changes in interest rates. Contributions are from the movement in the Treasury Management position.
- 7 Repairs and Renewal Reserves are maintained for replacing vehicles, personal computers and office equipment, and to help equalise the impact on the revenue accounts of programmed repairs. Annual contributions help to maintain the levels of the funds.
- 8 Holding Accounts are reserves which reflect the over and under recovery of charges for departmental expenses.
- 9 Ring Fenced Reserves can only be used for specific purposes. Included are the Building Control Account and Trust Funds that are administered by the Council on behalf of Trustees.
- 10 The Housing and Planning Delivery Grant was established in 2007 to reward local authorities for improved delivery of housing and other planning outcomes. The grant replaces the Planning Delivery Grant.
- 11 Local Public Service Agreement is funding for initiatives on service delivery with other local authorities within Norfolk.
- 12 Other Earmarked Reserves reflect primarily suspense accounts of the various feeder systems and Collection Fund.

NOTES TO THE CORE FINANCIAL STATEMENTS – GOVERNMENT GRANTS

36 Government Grants

Capital Grants	2009/2010	2008/2009
	£'000	£'000
BIG Lottery	227	30
Department for Culture, Media and Sport	0	43
Department for Communities and Local Government	24	5
East of England Development Agency	319	304
Education, Culture and Sport Lottery Fund	0	88
Energy Efficiency	25	0
English Heritage	9	185
Football Foundation	148	0
Homes and Community Agency	2,016	864
Local Public Service Agreement	0	78
Marine Fisheries Agency	0	14
National Heritage Memorial Lottery Fund	375	1,276
Norfolk County Council	325	27
Norfolk Constabulary	5	8
Norfolk Job Centre Plus	8	68
Other Government Agencies	0	5
Sport England	0	53
Waste Performance	65	0
Total Government Grants	3,546	3,048

Revenue Grants	2009/2010	2008/2009
	£'000	£'000
Business Rates cost of collection	30	221
Concessionary Travel - Administration for new card scheme	516	504
Community Safety	28	35
Contaminated Land	0	1
Local Development Framework	81	95
Department for Works and Pensions - Performance standards funding	13	8
Disabled Facilities	470	360
East of England Development Agency	0	144
Football Foundation	11	3
Growth Point Funding	189	100
Homelessness	233	115
Housing Capital	200	351
Local Public Service Agreement	62	135
Norfolk Constabulary	1	9
Norfolk Drug and Alcohol Action Team	17	17
Primary Care Trust	9	16
Planning Delivery	553	203
Rural Payment Agency	0	10
Safer, Stronger Communities Fund	461	413
Sports Council / Sport England	8	36
Supporting People	256	150
West Norfolk Insulation Scheme	35	0
Total Grants Received	3,173	2,926

NOTES TO THE CORE FINANCIAL STATEMENTS – CASH FLOW

37 Reconciliation of Revenue Cash Flow

This note reconciles the movement in the Council's Income & Expenditure Account and the Collection Fund to the movement in cash used for the provision of revenue services.

	2009/2010		2008/2009 (Restated)	
	£'000	£'000	£'000	£'000
(Surplus)/Deficit for the Year				
Income & Expenditure Account		12,361		9,884
Working Capital Movements				
Increase/(Decrease) in debtors	3,801		(2,052)	
Increase/(Decrease) in stocks	25		(5)	
(Increase)/Decrease in creditors	(297)		2,205	
		3,529		148
Non-cash and non-revenue Movements				
Net Interest	173		1,135	
Amortisation, depreciation and impairment of fixed assets	(20,006)		(16,358)	
Government grants and contributions	1,629		1,845	
Revenue Expenditure funded from Capital under Statute	(404)		(399)	
Principal repayment of finance leases	2		2	
Pension costs	(942)		(343)	
Net gain on sale of fixed assets	546		576	
Net transfer in respect of soft loans	(82)		(42)	
Housing capital receipts paid to government pool	(35)		(56)	
		(19,119)		(13,640)
Revenue Activities Net Cash Flow		(3,229)		(3,608)

38 Financing Movements

This note shows the overall movement in cash between years.

	31 st March		Movement	
	2010	2009	2009/2010	2008/2009
	£'000	£'000	£'000	£'000
Cash Balances	452	265	187	(472)

39 Analysis of Net Debt

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

	1st April 2009 Opening	Movement	31st March 2010 Closing
	£'000	£'000	£'000
Cash	265	187	452
Investments	26,696	355	27,051
Loans	(16,424)	(4,594)	(21,018)
Deferred Liabilities	(870)	2	(868)
Net Debt	9,667	(4,050)	5,617
Reconciliation of changes in cash to movement in debt:			
Change in cash (from cash flow statement)			187
Movement on investments including capitalisation			355
Movement on Short-term loans			(2,694)
Movement on Long-term loans			(1,900)
Deferred Liabilities			2
Movement in net debt			(4,050)
Net debt 1 st April 2009			9,667
Net debt 31 st March 2010			5,617

40 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.

	1st April 2009 Opening (Restated)	Movement	31st March 2010 Closing
	£'000	£'000	£'000
Short-Term Deposits	13,197	204	13,401
Short-Term Loans	(6,424)	(2,694)	(9,118)
Long-Term Loans	(10,000)	(1,900)	(11,900)
Deferred Liabilities	(870)	2	(868)
	(4,097)	(4,388)	(8,485)
Fair value Adjustment		4	
Total		(4,384)	
Management of Liquid Resources		204	
Financing		(4,588)	
Total		(4,384)	

NOTES TO THE CORE FINANCIAL STATEMENTS - OTHER

41 Trading Operations

Under the CIPFA Best Value Accounting Code of Practice, services have been redefined to include trading services with the public or other third parties.

	2009/2010 Gross Expenditure £'000	2009/2010 Gross Income £'000	2009/2010 Net Expenditure £'000	2008/2009 Gross Expenditure £'000	2008/2009 Gross Income £'000	2008/2009 Net Expenditure £'000
Industrial Estates	542	1,530	(988)	1,054	1,445	(391)
Markets	107	106	1	244	115	129
Trade Refuse	534	660	(126)	476	624	(148)
Trading Operations (I & E) (see Page 6)	1,183	2,296	(1,113)	1,774	2,184	(410)
Arts & Entertainment	3,464	1,996	1,468	3,566	2,030	1,536
Sport & Recreation	5,471	2,682	2,789	4,692	2,449	2,243
Total Trading Operations	10,118	6,974	3,144	10,032	6,663	3,369

42 Agency Income and Expenditure

Grass cutting is carried out on behalf of the County Council and the Commonwealth Graves Commission, by the Borough Council on an agency basis. Also, a Care and Repair agency is carried out on behalf of the Borough Council, Fenland and Breckland Councils. Income received in 2009/2010 was £109,489 (£103,301 in 2008/2009). The service is provided at cost: hence the expenditure incurred in providing the service is equal to the income earned.

43 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. The figures for 2008/2009 have been restated to include employer's pension contributions. The highest pay band shown includes compensation for loss of office.

	2009/2010	2008/2009
£50,000 - £54,999	12	12
£55,000 - £59,999	8	6
£60,000 - £64,999	3	4
£65,000 - £69,999	3	3
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	1	1

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Senior employees (head of paid service, statutory chief officer) are now excluded from the table and are shown separately below – where individual details are shown.

		Salary, Fees & Allowances £	Taxable Expenses £	Employers Pension contribution £	Non-cash emoluments £	Total £
Chief Executive (See note below)	2009/2010	121,066	0	19,795	3,536	144,397
	2008/2009	110,786	88	18,121	3,535	132,530
Deputy Chief Executive/Executive Director Finance & Resources	2009/2010	84,604	0	13,860	4,821	103,285
	2008/2009	83,498	41	13,694	4,209	101,442
Executive Director Leisure & Public Space	2009/2010	67,875	0	11,181	3,908	82,964
	2008/2009	68,188	19	11,156	3,946	83,309
Executive Director Development Services	2009/2010	63,546	0	10,422	4,460	78,428
	2008/2009	65,608	0	10,760	4,673	81,041
Executive Director Revenues & Customer Services	2009/2010	68,502	138	11,042	790	80,472
	2008/2009	67,626	155	10,911	727	79,419
Executive Director Regeneration	2009/2010	67,536	109	10,883	0	78,528
	2008/2009	66,660	156	10,752	0	77,568
Executive Director Central Services	2009/2010	64,053	0	10,529	4,452	79,034
	2008/2009	62,209	85	10,401	4,069	76,764
Executive Director Environmental Health & Housing	2009/2010	63,160	0	10,248	2,142	75,550
	2008/2009	62,914	64	10,138	727	73,843

There were no bonus payments or termination payments to report.

Note

In 2009/2010 the Chief Executive received £9,217 for election fees, which attracted employers pension contributions of £1,512 (2008/2009 £277; pension contribution £45). The fees were for County Council and European Elections and were reimbursed by the County Council and the European Parliamentary Fund.

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

44 Members Allowances

The total paid to members of the Council in 2009/2010 under the Local Authorities (Members Allowance) (Amendment) Regulations 1995 was £435,780 2009/2010 (£407,585 in 2008/2009). Further details can be obtained from Democratic Services (01553 616327).

45 Disclosure of Audit Costs

In 2009/2010 the Borough Council incurred the following fees relating to external audit and inspection:

	2009/2010 £'000	2008/2009 £'000
Fees payable in regard to external audit services carried out by appointed auditor	125	152
Fees payable to the Audit Commission in respect of statutory inspection	8	16
Fees payable to the appointed auditor for the certification of grant claims and returns	43	29
Total	176	197

46 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	
	2010	2009 (Restated)
	£'000	£'000
General Fund	58,892	96,670
Total	58,892	96,670

The 2008/2009 figures have been restated following changes regarding the accounting of the Collection Fund.

47 Stocks

	31 st March	
	2010	2009
	£'000	£'000
Nursery	35	36
Lynnsport	13	10
Swimming Pools	12	12
Office Services	19	16
Tourist Information	14	14
Theatres	14	15
Depot	19	0
Other	8	6
Total	134	109

48 General Government Grants

	2009/2010 £'000	2008/2009 £'000
Rate Support Grant	2,822	1,796
Area Based Grant	414	508
Housing and Planning Delivery Grant	553	203
Total	3,789	2,507

49 Post Balance Sheet Event

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. Although there is some uncertainty about the impact this will have on the value of the liabilities in the Fund, the scheme actuaries have estimated that this change will reduce the present value of liabilities in the Fund for an average employer by around 6-8%



COLLECTION

FUND



○ 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.

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 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 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.

From 2009/2010, within the Borough Council's accounts, accounting for Council Tax and NNDR has changed. The accounts no longer reflect the collection fund in total, only the amounts collected on behalf of the Borough Council are shown in the accounts.

COLLECTION FUND

EXPLAINING THIS STATEMENT

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

Note	2009/2010		2008/2009	
	£'000	£'000	£'000	£'000
INCOME				
		35,105		34,022
	64,200		62,607	
	10,807		9,854	
		75,007		72,461
		110,112		106,483
EXPENDITURE				
2, pg 42		34,276		33,683
	55,885		53,751	
	9,229		8,793	
	5,508		5,321	
	2,031		1,916	
		72,653		69,781
	275		338	
	1,682		2,154	
	226		288	
	214		210	
	280		194	
	213		61	
		2,890		3,245
		109,819		106,709
		293		(226)
		4,065		4,291
5, pg 42		4,358		4,065

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 relief and other deductions, is paid to a central pool (the NNDR 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 NNDR pool but not the income received from the pool, which is paid directly to each Council's Income and expenditure account.

	2009/2010	2008/2009
	£'000	£'000
Gross non-domestic rates payable	39,882	37,797
Less: Allowances and other adjustments	(5,606)	(4,114)
Net Contribution to NNDR pool	34,276	33,683

The Gross Non Domestic Rateable Value at 31st March 2010 was £101,276,493 (31st March 2009 £83,076,396) with basic NNDR multiplier 48.5p (2008/2009 46.2p)

3 Irrecoverable Debt

In 2009/2010 irrecoverable debt was as follows:

	2009/2010	2008/2009
	£'000	£'000
Council Tax	213	61
NNDR	280	194
Total	493	255

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 1st April 1991	No of Chargeable Dwellings	Ratio to Band D	Band D Equivalent
A	*	69	5/9	39
A	Up to £40,000	18,590	6/9	12,393
B	£40,001 - £52,000	14,274	7/9	11,102
C	£52,001 - £68,000	11,426	8/9	10,157
D	£68,001 - £88,000	7,794	9/9	7,794
E	£88,001 - £120,000	3,923	11/9	4,795
F	£120,000 - £160,000	2,035	13/9	2,940
G	£160,001 - £320,000	857	15/9	1,428
H	More than £320,000	81	18/9	162
				50,810
Council tax base at 97% collection rate				49,286
Contributions in lieu				445
Total Council tax base at 97% collection rate				49,731

* entitled to a disabled relief reduction

The Council set a precept of £5,507,770 representing Band D council tax of £110.75 for its services. In addition special expenses under section 34(1) of the Local Government Finance Act 1992, totalling £479,300 and parish precepts totalling £1,551,260 were levied, averaging £40.83 for a Band D property. Norfolk County Council set a precept of £55,884,720 representing a Band D Charge of £1,123.74 and Norfolk Police Authority set a precept of £9,229,080 representing a Band D Charge of £185.58. 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 2010 stands at £4,358,300 (2008/2009 £4,064,840). This amount is shared as follows:

	2009/2010	2008/2009
	£'000	£'000
Borough Council	454	421
Norfolk County Council	3,344	3,130
Norfolk Police Authority	560	514
Total	4,358	4,065

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), 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 FRs). 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

The level of provision for housing benefits bad debts has been reviewed and additional transfers to reserves have been made to safeguard the Council’s future financial standing.

Collection Fund

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

Council Tax

Prior Years	(2005/2006)	100.0%
	(2006/2007)	75.0%
	(2007/2008)	50.0%
Previous Year	(2008/2009)	10%
Current Year	(2009/2010)	1.5%

NNDR

Prior Years	(Pre 2008/2009)	100.0%
Previous Year	(2008/2009)	50.0%
Current Year	(2009/2010)	33.0%

STATEMENT OF ACCOUNTING POLICIES

Capital Adjustment Account The Statement of Recommended Practice (SORP) required authorities to create a Capital Adjustment Account on 1st April 2007. The balance as at 1st April 2007 is the amalgamation of the Fixed Asset Restatement Account and the Capital Financing Account as at that date. Consequently, the opening balance consists of:

- The consolidation of gains arising from the revaluation of fixed assets (as previously taken to the Fixed Assets Restatement Account); and
- Revenue funds set aside as a provision to repay external loans and the financing of capital payments from capital receipts and revenue reserves (formerly presented in the Capital Financing Account).

The Account accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal, and the resources that have been set aside to finance capital expenditure. The balance on the Account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Receipts Capital receipts from the disposal of assets are held in the Capital Receipts Reserve until such time as they are used to finance other capital expenditure. Interest on unspent capital receipts is credited to the General Fund 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.

Cash Flow The Council, in accordance with FRS 1 Cash Flow statements and the SORP 2008, presents its Cash Flow statement using the indirect method. The net Cash Flow from revenue activities is derived by means of a reconciliation from the surplus or deficit on the Income and Expenditure Account for the year.

Charges to Revenue General Fund service revenue accounts, central support services and statutory trading accounts include a capital charge for all fixed assets used in the provision of services. From 2006/2007 the total charge only includes depreciation.

Amounts set aside from revenue for the repayment of external loans, including Minimum Revenue Provision (see Page 49), to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately in the Statement of Total Movement on the General Fund.

Collection Fund There is a statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transaction of the billing authority in relation to the Non Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

From 2009/2010, within the Borough Council's accounts, accounting for Council Tax and Non Domestic Rates has changed. The accounts no longer reflect the collection fund in total, only the amounts collected on behalf of the Borough Council are shown in the accounts.

STATEMENT OF ACCOUNTING POLICIES

Contributions and 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 into the revenue accounts as the assets are depreciated. 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.

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. Un-apportionable overheads representing unused but unrealisable assets, pension payments for added years and early retirement are shown separately in the Income and Expenditure 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.

Depreciation / Amortisation 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 the life of the asset
- non-depreciable assets include land, non-operational investment properties and where the charge would be immaterial

Asset Lives:	Intangible	up to 40 years
	Buildings	up to 60 years
	Equipment	up to 15 years
	Vehicles	up to 10 years

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

Financial Instruments The SORP 2007 required the Council to account for financial instruments in accordance with UK generally accepted accounting practice, as modified by the SORP 2008 and Capital Financing Regulations in 2007/2008.

Recognition

Financial instruments are recognised when the Council becomes a party to the contractual provisions of the instrument. For example, the recognition of a financial asset (e.g. investment) is when the Council becomes committed to a date to buy or sell the asset. Receivables and payables are recognised once the related goods or services have been delivered or rendered.

STATEMENT OF ACCOUNTING POLICIES

Financial Instruments (Continued)

In accordance with the SORP 2007 some financial instruments are not disclosed within the note to the accounts on financial instruments because they are covered by disclosures made elsewhere within the accounts. These are:

- Rights and obligations under leases – see page 19-20, note 17; and
- The Council's rights and obligations under pension schemes – see page 27, note 24

The Council discloses all financial instruments that are considered material to the Council's financial position and performance in the year.

Derecognition

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Council has transferred substantially all of the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Measurement

Financial Instruments are initially measured at fair value less the transaction costs that are directly attributed to the acquisition or issue of the financial asset or financial liability. Subsequent measurement depends on the classification of the instrument as detailed by Financial Reporting Standard 26: Financial Instruments – Measurement, and permitted by the SORP 2007:

Classification	Description	Measurement Base
Financial liabilities		
▪ Amortised cost	All financial liabilities not held for trading or are derivatives, e.g. operational creditors and borrowings.	Amortised cost
▪ Fair value through profit and loss	Liabilities held for trading or derivatives with a negative value. Not expected to be held.	Fair value
Financial assets		
▪ Loans and Receivables	Financial assets that have fixed or determinate payments that are not quoted in an active market, e.g. operational debtors and bank deposits.	Amortised cost
▪ Fair value through profit and loss	Assets that are held for trading and derivatives with a positive value.	Fair value
▪ Available for sale	All other financial assets not Included above.	Fair value

STATEMENT OF ACCOUNTING POLICIES

Financial Instruments (Continued)

Basis for Charging to Revenue

The impact on the income and expenditure account depends upon the type of financial instruments:

Classification	Measurement Base	Impact on Income and Expenditure Account
Financial liabilities		
▪ Amortised cost	Amortised cost	The interest payable using the effective interest rate is charged.
▪ Fair value through profit and loss	Fair value	Gains and losses on the fair value of the liability are charged as they arise.
Financial assets		
▪ Loans and Receivables	Amortised cost	The interest receivable using the effective interest rate is charged together with any impairment losses and any gain or loss or de-recognition.
▪ Fair value through profit and loss	Fair value	Gains and losses on the fair value or the liability are charged as they arise.
▪ Available for sale	Fair value	The interest receivable using the effective interest rate is charged to the income and expenditure account together with any loss on de-recognition. In addition, gains and losses on the fair value are taken to the STRGL as they arise.

Financial Instruments Adjustment Account

Contains the difference between financial instruments measured at fair value and the balances required to comply with statutory requirements.

Fixed Assets

All expenditure over £10,000 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 Council 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 Royal Institute of Chartered Surveyors Standards Valuation manual (6th Edition). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

During the year Housing assets were re-valued.

STATEMENT OF ACCOUNTING POLICIES

Fixed Assets (Continued)	Assets involved	Last Dates for next Revaluation	
	Culture	31 st March	2011
	Resources & Performance and Culture & Recreation	31 st March	2012
	Regeneration (King's Lynn and Other)	31 st March	2013
	Environmental Health and Resources & Performance	31 st March	2014
	Housing	31 st March	2015

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

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 with the exception of the fire damage at St James' swimming pool, King's Lynn, sustained in May 2007 and reported as part of the 2007/2008 Accounts. The reinstatement works to St James' swimming pool were completed during 2008/2009 and the impairment has therefore been removed. As a result of the current economic conditions an impairment review of assets has taken place and appropriate adjustments have been made in the 2008/2009 Accounts. As part of the programme of asset valuations a further impairment review was undertaken during 2009/2010. Appropriate adjustments have been made in the 2009/2010 accounts. New assets, and changes to asset 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.

Impairment of Fixed Assets

The values of each category of assets, including material individual assets that are not being depreciated, are reviewed at the end of each financial year for evidence of reductions in value. Where a permanent reduction in the value of the assets is identified, due to consumption of economic benefits, the impairment loss is recognised, within the income and expenditure account, against the relevant service's revenue account. Where impairment results from a general fall in prices, or where the cause cannot be clearly determined, the loss is treated as a downward revaluation that is charged to the Revaluation Reserve to the extent that there are accumulated gains within the reserve in respect of that specific asset. Any remaining balance is charged to the relevant service's revenue account before being charged to the Capital Adjustment Account via the Statement of Movement on the General Fund Balance. The Council also treats as impairment capital expenditure which results in no increase in asset value.

STATEMENT OF ACCOUNTING POLICIES

Interest Interest payable on external borrowing, together with interest income is accrued and accounted for in the period in 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 The Council has finance and operating leases.

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the lease asset transfer to the Council. Rents payable are apportioned between:

- A charge for the acquisition of the interest in the asset (recognised as a liability in the Balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable).
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent payable becomes payable).

Fixed Assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable. The council also lease properties to third parties. The rental income is taken directly into the income and expenditure account, within the net cost of services, as it becomes due.

Minimum Revenue Provision (MRP)

Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years so as to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and will in future be determined under Guidance.

The Council's method of calculating MRP is included within the Treasury Management Strategy statement 2009/2012. The major portion of the MRP relates to the more historic debt liability that continues to be charged at the rate of 4%. Certain expenditure reflected within the debt liability is charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

STATEMENT OF ACCOUNTING POLICIES

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 16.4% of superannuable employees' reckonable pay into Norfolk County Council's Superannuation Fund (for 3 years 2008/2009 to 2010/2011) a reduction of 3% compared to 2007/2008 which reflects the £1 million paid in 2007/2008 following the Housing Stock Transfer. The costs of inflation awards (Pensions Increase Act payments) to pensioners of the Fund are met by the Fund. 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 represent 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.

Under the 2008 SORP the Authority adopted the amendment to FRS17 retirement benefits. As a result of this quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value.

The 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 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 is by charging (as past service costs) the projected cost of discretionary awards to Non Distributed Costs in the year that the award decision is made.

Provisions

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

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

Revaluation Reserve	<p>The code of Practice on local Authority Accounting in the UK – A Statement of Recommended Practice 2007 required the Council to establish, on 1st April 2007, a revaluation reserve. The reserve records the gains and losses arising on the revaluation the Council's fixed assets from that date. Previously, such gains and losses were taken to the Fixed Asset Restatement Account. The balance on the Fixed Asset Restatement Account as at 31st March 2007 was transferred to the Capital Adjustment Account on 1st April 2007 in accordance with the SORP 2007.</p> <p>The reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).</p> <p>The reserve is also debited with amounts equal to the depreciation charges on assets that have been incurred only because the asset has been revalued i.e. the difference between depreciation charged and that which would have been charged if the asset was held at historic cost. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.</p>
Revenue Expenditure Funded from Capital under Statute	<p>If an authority incurs expenditure previously disclosed as a deferred charge (expenditure which may properly be deferred, but which does not result in, or remain matched with, assets controlled by the authority), 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 Council, it should be charged to revenue.</p>
Soft Loans	<p>As part of its Private Sector Housing Policy the Council makes loans to private individuals at nil interest. These loans are secured by a charge on the individual's property. This means that market rates of interest have not been charged and these loans are classified as soft loans. When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. The Council calculates the loss based on the interest rate charged for borrowing with the Public Works Loan Board as at 1 April of the financial year for a new loan up to 20 years, with a 1% risk premium to cover the possible credit risk arising from non-repayment. Interest is credited at the real effective rate of interest with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net credit required against the General fund Balance is managed by a transfer to/from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.</p>
Stocks and Work in Progress	<p>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.</p>

SCOPE OF RESPONSIBILITY

The Borough Council of King's Lynn and West Norfolk 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 statutory 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 the above.

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.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.west-norfolk.gov.uk. This statement explains how this council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

The Council confirms that its financial management arrangements conform to the CIPFA statement "the Role of the Chief Financial Officer in Local Government 2010". A copy of this statement can be found at www.west-norfolk.gov.uk.

1. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks, 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.

The governance framework has been in place for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

2. INTERNAL GOVERNANCE FRAMEWORK

The Council has approved and adopted a Code of Corporate Governance and recognises that effective governance is achieved through the following core principles:

1. Focusing on the purpose of the Council and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting the values of the Council and demonstrating the values of good governance through behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members to be effective and ensuring that officers, including the statutory officers, also have the capability and capacity to deliver effectively.
6. Engaging with local people and other stakeholders to ensure robust local public accountability.

The table at Appendix A demonstrates how these core principles have been upheld during the year 2009-2010

3. STRATEGIC RISK MANAGEMENT

Significant business risks that may impact upon the Council's priorities have been identified and mapped, and appropriate control measures are in place. There is a Corporate Risk Register, integral to the Council's performance management system, which is regularly updated and reported upon to senior management team and members.

During 2009/10, the Council continued to strengthen its approach to the management of risk, focussing particularly on business continuity and ICT security:

- Worked with insurers to identify business critical activities
- Developed the detailed business continuity threat plans
- Carried out a desk top exercise to test business continuity plans
- Endorsed a business continuity strategy and policy
- Enhanced security of access to computer systems
- Took various steps to protect computer data of the Council
- Implemented the findings / recommendations of the external health and safety review
- Strengthened treasury management policies

4. REVIEW OF EFFECTIVENESS

The Council has a responsibility to review the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Internal Audit and the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process of maintaining and reviewing the effectiveness of the system of internal control includes the following measures and actions:

- There is a well established Overview and Scrutiny function which has been revised and updated in the light of experience. Scrutiny Panels review the work of the Council throughout the year and also report annually to Council.
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.
- The Audit and Risk Committee carries out an overview of the activities of the Council's internal and external audit functions. Members are provided with copies of all reports produced by Internal Audit and by the Audit Commission. They approve the annual plans for each, and receive regular progress reports throughout the year. The Audit Manager submits to them an annual report and opinion, and the external auditor, PricewaterhouseCoopers (PwC) submits an audit and inspection annual letter. The Audit Manager has included an audit opinion on the adequacy and effectiveness of the council's systems of internal control in the annual report on work completed during 2009/10. This will go before the committee 20 May 2010.
- The Audit Manager has completed reviews of the effectiveness of the Internal Audit Service and the Audit & Risk Committee. The results of these reviews were reported to Audit and Risk Committee on 18 Feb 2010 and 4 Mar 2010 respectively.
- The Internal Audit service is a directly employed in-house service, providing a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2003. It operates under the APB (Auditing Practices Board) Guidelines and CIPFA Code of Practice for Internal Audit in Local Government, as approved by the Audit and Risk Committee.
- The Council's external auditors (PwC) review the activities of the Council and approve the annual accounts. Conclusions and significant issues arising are reported in their report to those charged with governance.
- A Member / Officer protocol was adopted by Council following consultation with staff and

consideration by the Standards Committee and Panels.

5. EFFICIENCY / VALUE FOR MONEY

The Council's corporate strategy is founded on the principle of high quality services at lowest cost to the taxpayer. It prides itself on delivering quality services at an affordable price, and is recognised as being efficient. In light of the impact of the recession on the Council's financial position a comprehensive structured programme of fundamental service reviews are currently being conducted. We are also engaged in a number of shared services feasibility studies / business cases including one for Revenues / Benefits / Customer Services with two neighbouring councils and in a major joint procurement exercise for our largest outsourced contract (Refuse and Recycling).

6. USE OF RESOURCES AUDITOR JUDGEMENT

In December 2009 the Council received its latest "Use of Resources" auditor judgment. The assessment evaluates how well local authorities manage and use their financial resources, and focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.

Overall, the Council produces its accounts on time, has a comprehensive medium term financial plan linked to a balanced budget, has a good financial standing and deals well with financial controls. Although the Council maintains council tax increases within the rate of inflation and remains amongst the best in terms of total expenditure per head of population and level of council tax, the auditor would like to see further work in respect of comparing these costs to other authorities, understanding the nature of the costs and linking these to service quality.

Previous assessments have rated the Council as follows (on a scale 1-4 where 4 is the best).

Key Line of Enquiry	2007	2008	Change 2008-2009
Financial Reporting	2	2	
Financial Management	2	3	+1
Financial Standing	3	3	+1
Internal Control	2	2	+1
Value for Money	2	2	

In 2009 the assessment criteria were changed slightly and the Council was rated as follows –

Managing Finances	3
Governing the Business	2
Managing Resources	2

7. SIGNIFICANT GOVERNANCE ISSUES

In her report to the Audit and Risk Committee on 21 May 2009 the Audit Manager stated that in her opinion, based on the work carried out by Internal Audit in 2009/2010, internal controls and risk management are considered to be adequate and effective.

The Audit Letter produced by PricewaterhouseCoopers, our external auditors, stated that “In overall terms, the Council continues to maintain strong control over its financial resources.” (November 2009)

The Auditors raised performance improvement observations relating to the Council’s accounts and Use of Resources assessment. Whilst the Council would wish to improve on the assessments of the accounts and the Use of Resources it would only do so where the outcome added value and was considered value for money. In a number of instances the audit report is seeking perfection in the quality of the presentation of the data and information and to attempt to achieve all of the recommendations in the reports would mean involving significant levels of resources that the Council does not have available. Members endorsed this approach in approving the action plan below. It is intended therefore to focus on those areas where it is considered that improvement is necessary and will add value to the Council’s current arrangements.

The following action plan has been approved by Cabinet to deal with the following governance issues. It sets out the aims for 2010/2011. In a number of instances action has already been taken.

	Issue	Action	Responsible Officer	Target Date
1	Accounting Changes – treatment of deferred charges, fixed asset register, review of lessor arrangements, International Financial Reporting Standards.	All of these issues will be dealt with as part of the closing of the 2009/2010 accounts. The procurement of an asset register that is compliant with the new accounting demands is set to be completed early in 2010.	Chief Accountant	June 2010 Training ongoing Accountancy working to timetable
2	Pension Fund	The Council will continue to monitor the state of the pension fund and plan to deal with any changes with the Financial Plan as identified by the County Council as the administering body.	Chief Accountant	Ongoing CEO attended pension update early March
3	Regeneration Activities	A separate Action Plan has been agreed by Council and the Regeneration and Environment Panel is to monitor progress.	Executive Director, Regeneration	Ongoing
4	Demonstrating Outcomes	Reports to members will be amended to include information on outcomes and outputs where appropriate.	Democratic Services Manager	February 2010
5	Equalities Impact Assessments	Training for service managers will take place in early 2010. Reports to members on policy and resource issues will incorporate such information once training is completed.	Policy and Partnerships Manager	April 2010 & ongoing
6	Asset Management	The recommendations on Asset Management will be considered and a separate Action Plan will be submitted to the Resources and Performance Panel in early 2010.	Property Services Manager	April 2010 Draft underway

ANNUAL GOVERNANCE STATEMENT

7	Performance and Financial Data	The Council will use performance and financial data to benchmark services and challenge the use of resources as part of the service reviews and when considering service priorities.	Management Team	Ongoing Already taking place on service reviews
8	Procurement	The Council will review its Procurement Strategy setting out an improvement plan and setting targets for the percentage of orders procured through the on line market place.	Chief Accountant	April 2010 Draft underway – looking at other councils
9	Information Technology Strategy	The Council will produce an Information Technology Strategy.	ICT Manager	April 2010 Draft underway
10	Audit Committee	The Council will consider reports on the effectiveness of the Audit Committee and Internal Audit.	Audit Manager	April 2010 Audit on agenda Committee due
11	Community Engagement and Communication Strategy	The Council will produce a Community Engagement and Communication Strategy to formalise arrangements	Policy and Partnerships Manager	Sept 2010
12	Workforce Development Plan	The Council will update its Workforce Development Plan	Executive Director Central Services	Sept 2010 Almost completed – meeting with unions
13	Equality Standard	The Council will implement the new Equality Framework, improving the Council's performance when compared to the level 2 on the Equality Standard	Executive Director Central Services	Sept 2010 Ongoing

8. DECLARATION

This statement, and progress on the actions set out above is reviewed and monitored by the Cabinet and the Audit and Risk Committee on a regular basis.

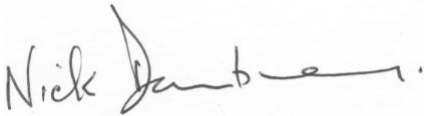
We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and a plan to address weakness and ensure continuous improvement of the system is in place.

Signed:



Ray Harding, Chief Executive

Date 17th June 2010



Cllr Nick Daubney, Leader of the Council

Date 17th June 2010

ANNUAL GOVERNANCE STATEMENT

APPENDIX A: APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

Principles	Requirements	Evidence
1. Focusing on the purpose of the Council and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area		
<ul style="list-style-type: none"> Exercising leadership by clearly communicating the Council's purpose and vision and its intended outcome for citizens and service users 	<ul style="list-style-type: none"> Develop & promote the authorities' purpose & vision 	Corporate Strategy Sustainable Community Strategy
	<ul style="list-style-type: none"> Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements 	Code of Corporate Governance
	<ul style="list-style-type: none"> Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners 	Partnership working protocol Sustainable Community Strategy
	<ul style="list-style-type: none"> Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance 	Annual financial statement Annual Report published through Your Council
<ul style="list-style-type: none"> Ensuring that users receive a quality service whether directly, or in partnership or by commissioning 	<ul style="list-style-type: none"> Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available 	Corporate Strategy Annual Service plans Medium term financial strategy Customer satisfaction surveys 'Quest' Assessments Service Reviews
	<ul style="list-style-type: none"> Put in place effective arrangements to identify and deal with failure in service delivery 	Complaints procedure
<ul style="list-style-type: none"> Ensuring that the Council makes best use of resources and that tax payers and service users receive value for money 	<ul style="list-style-type: none"> Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions. Explore and rigorously test opportunities for shared services and joint procurement 	Value for Money strategy Service Plans Performance Reports Benchmarking Reports Environmental Statement Monitoring Report
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles		
<ul style="list-style-type: none"> Ensuring effective leadership throughout the Council by being clear about executive and non executive functions and of the roles and responsibilities of the scrutiny function 	<ul style="list-style-type: none"> Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach to putting this into practice 	Constitution Record of delegated decisions Scheme of Delegation
	<ul style="list-style-type: none"> Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers 	Constitution Member / Officer protocol

ANNUAL GOVERNANCE STATEMENT

APPENDIX A: APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

<ul style="list-style-type: none"> Ensuring that a constructive working relationship exists between elected Members and officers and that the responsibilities of Members and officers are carried out to a high standard 	<ul style="list-style-type: none"> Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required 	Constitution Member / Officer Protocol
	<ul style="list-style-type: none"> Make a chief executive or equivalent responsible and accountable for all aspects of operational management 	Conditions of employment Scheme of delegation Statutory provisions Job description / spec. Performance management system
	<ul style="list-style-type: none"> Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained 	Member / officer protocol
	<ul style="list-style-type: none"> Make a senior officer (the s151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control 	Section 151 responsibilities Statutory provision Statutory reports Budget documentation Job description / spec.
	<ul style="list-style-type: none"> Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and regulations complied with 	Monitoring officer provision Statutory provision Job description / spec.
<ul style="list-style-type: none"> Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other 	<ul style="list-style-type: none"> Develop protocols to ensure effective communication between members and officers in their respective roles 	Member / officer protocol
	<ul style="list-style-type: none"> Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable) 	Pay & conditions Member Allowance Scheme Independent Allowances Panel
	<ul style="list-style-type: none"> Ensure that effective mechanisms exist to monitor service delivery 	Performance management framework Reporting Schedule
	<ul style="list-style-type: none"> Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other stakeholders, and that they are clearly articulated and disseminated 	Corporate Strategy & Community Strategy - Vision & Objectives Corporate improvement plan Service plans Budgets Consultation mechanisms (eg Citizen's Panel) Communications and Consultation Strategy Neighbourhood Charter Improving Neighbourhoods Board

ANNUAL GOVERNANCE STATEMENT

APPENDIX A: APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority. 	Partnership working protocols Partnership Terms of Reference Partnership scheme of delegation
	<ul style="list-style-type: none"> • When working in partnership: <ul style="list-style-type: none"> - Ensure that there is clarity about the legal status of the partnership - Ensure that representatives of organisations both understand and make clear to all other partnerships the extent of their authority to bind their organisations to partnership decisions 	Partnership working protocols Partnership Terms of Reference Partnership scheme of delegation Budget monitoring reports
3. Promoting the values of the Council and demonstrating the values of good governance through behaviour		
<ul style="list-style-type: none"> • Ensuring Council Members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance 	<ul style="list-style-type: none"> • Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect 	Corporate strategy Values
	<ul style="list-style-type: none"> • Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols 	Members / officers' code of conduct & protocols Performance appraisal system Complaints procedures Anti-fraud & anti-corruption policy
	<ul style="list-style-type: none"> • Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice 	Standing orders Codes of conduct Financial regulations
<ul style="list-style-type: none"> • Ensuring that organisational values are put into practice and are effective 	<ul style="list-style-type: none"> • Develop and maintain shared values including the leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners 	Codes of conduct Corporate Strategy - Values Community Strategy - Values
	<ul style="list-style-type: none"> • Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice 	Codes of conduct
	<ul style="list-style-type: none"> • Develop and maintain an effective standards committee 	Terms of reference Reports to the Council
	<ul style="list-style-type: none"> • Use the organisation's shared values to act as a guide for decision-making and as a basis for developing positive and trusting relationships within the authority 	Decision-making practices Service Plans
	<ul style="list-style-type: none"> • In pursuing partnership working, agree a set of values against which decision-making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively 	Partnership working protocols. Sustainable community strategy

APPENDIX A: APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
<ul style="list-style-type: none"> Exercising leadership by being rigorous and transparent about how decisions are taken and listening to and acting upon the outcome of constructive scrutiny 	<ul style="list-style-type: none"> Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible 	Scrutiny is supported by robust evidence & data analysis
	<ul style="list-style-type: none"> Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based 	Decision-making protocols record of decisions and supporting materials
	<ul style="list-style-type: none"> Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice 	Members' code of conduct Register of Interests
	<ul style="list-style-type: none"> Develop and maintain an effective audit committee which is independent of the executive and scrutiny functions 	Terms of reference Membership Member training programme
	<ul style="list-style-type: none"> Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints 	Complaints procedure
<ul style="list-style-type: none"> Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs 	<ul style="list-style-type: none"> Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications 	Members induction scheme Training for committee chairs Cabinet / Portfolio report templates
	<ul style="list-style-type: none"> Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision-making and used appropriately 	Record of decisions and supporting materials
<ul style="list-style-type: none"> Making sure that an effective risk management system is in place 	<ul style="list-style-type: none"> Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs 	Risk register Risk management protocol Financial regulations Service Plans Equality Impact Assessments
	<ul style="list-style-type: none"> Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access 	Whistle-blowing policy

ANNUAL GOVERNANCE STATEMENT

APPENDIX A: APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

<ul style="list-style-type: none"> Recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area 	<ul style="list-style-type: none"> Actively recognise the limits of lawful activity placed upon them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities 	Constitution Monitoring officer provisions Statutory provisions
	<ul style="list-style-type: none"> Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law 	Monitoring officer provisions
	<ul style="list-style-type: none"> Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes 	Monitoring officer provisions Job description / spec. Member / Officer protocols Statutory provisions
5. Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively		
<ul style="list-style-type: none"> Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles 	<ul style="list-style-type: none"> Provide induction programmes tailored to individual needs and opportunities for members and officers to upgrade their knowledge on a regular basis 	Training and development plan Induction programme Ad hoc courses and seminars (CPD)
	<ul style="list-style-type: none"> Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority 	Job description / person specifications Membership of management team
<ul style="list-style-type: none"> Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group 	<ul style="list-style-type: none"> Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively 	Training & development plan
	<ul style="list-style-type: none"> Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed 	Members training programme
	<ul style="list-style-type: none"> Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs 	Performance management system Resources & performance panel & monitoring

ANNUAL GOVERNANCE STATEMENT

APPENDIX A: APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

<ul style="list-style-type: none"> Encouraging new talent for membership of the Council so that best use can be made of resources in balancing continuity and renewal 	<ul style="list-style-type: none"> Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority 	Citizens' panel Consultation Strategy Neighbourhood Management Programme
	<ul style="list-style-type: none"> Ensure that career structures are in place for members and officers to encourage participation and development 	Succession planning
6. Engaging with local people and other stakeholders to ensure robust local public accountability		
<ul style="list-style-type: none"> Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships 	<ul style="list-style-type: none"> Make clear to themselves, all staff and the community to whom they are accountable and for what 	Scrutiny Panels Community strategy
	<ul style="list-style-type: none"> Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required 	LSP provides mechanism for strengthening links with other key stakeholders
	<ul style="list-style-type: none"> Produce an annual report on the activity of the scrutiny function 	Annual Report
<ul style="list-style-type: none"> Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery 	<ul style="list-style-type: none"> Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure they operate effectively 	Community strategy Your Council newsletter Diverse Community Forum Consultation & Communication strategy Partnership E-Newsletters
	<ul style="list-style-type: none"> Hold meetings in public unless there are good reasons for confidentiality 	Constitution
	<ul style="list-style-type: none"> Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands 	Consultation strategy Service Plans Citizens' Panel Neighbourhood Board & Charter Equalities Policy
	<ul style="list-style-type: none"> Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanisms for those consultees to demonstrate what has changed as a result 	Consultation strategy Service Plans Impact Assessments Local Development Framework – Statement of Community Involvement

ANNUAL GOVERNANCE STATEMENT

APPENDIX A: APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial settlements as well as information about its outcomes, achievements and the satisfaction of services users in the previous period • Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so 	<p>Annual Report Annual financial statements Corporate Strategy Service Plans</p> <p>Constitution Corporate Strategy - Values</p>
<ul style="list-style-type: none"> • Making best use of resources by taking an active and planned approach to meet responsibility to staff. 	<ul style="list-style-type: none"> • Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making 	<p>Internal Consultation & Engagement Internal communications channels JEC</p>

Independent auditor's report to the Members of Borough Council of King's Lynn and West Norfolk**Opinion on the financial statements**

We have audited the financial statements of the Borough Council of Kings Lynn and West Norfolk for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Executive Director, Finance and Resources and auditor

The Executive Director, Finance and Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for the Borough Council of Kings Lynn and West Norfolk's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in April 2008. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 of:

- the financial position of the Borough Council of Kings Lynn and West Norfolk and its income and expenditure for the year

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Authority'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 financial statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and related notes.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority as at 31 March 2010 and of the Authority income and expenditure and cash flows for the year then ended.



Julian Rickett
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Norwich

28th September 2010

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

Authority's Responsibilities

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, the Borough Council of Kings Lynn and West Norfolk made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Certificate

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



Julian Rickett
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Norwich

28th September 2010

GLOSSARY

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 Adjustment Account	Introduced in the 2007 Statement of Recommended Practice, and reflecting the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
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 Receipts	Receipts from the sale of fixed assets. These may be used to finance capital expenditure.
Capital Reserves	An internal account used as an alternative to external borrowing to finance capital expenditure.
Counterparty	A party to a contract.
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.
Current Liabilities	Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors, cash overdrawn.
Fair Value	An estimate of the market value of an asset or liability for which a market price cannot be determined.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Instruments Adjustment Account	Contains the difference between financial instruments measured at fair value and the balances required to comply with statutory requirements.
Fixed Assets	These are assets that are likely to be in use by the Council for more than one year, such as land and buildings, and plant and equipment.

GLOSSARY

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 previously given 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. Even though the Council's housing stock was transferred to Freebridge Community Housing in April 2006, the Council had to maintain the Housing Revenue Account until it was formally closed on 31 st March 2008.
Impairment	A downward revaluation of fixed assets to ensure the carrying value is equal to the recoverable amount.
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.
Local Area Agreement	A partnership with other public bodies which uses Government grants to finance work towards jointly agreed objectives for local public services.
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	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.
Revaluation Reserve	Introduced in the 2007 Statement of Recommended Practice, and recording the net gain (if any) from revaluations, depreciation and impairment made after the 1 st April 2007.
Revenue Contributions to Capital	The use of revenue monies to finance capital expenditure instead of financing the expenditure from loan, capital receipts, lease or unsupported borrowing.

GLOSSARY

Revenue Expenditure Funded from Capital under Statute	Capital expenditure that does not result in a new or enhanced asset in the Council's Accounts. An example is improvement grants made to individuals. These are charged to the Income and Expenditure Account.
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.
Soft Loans	Loans made at less than market value rates are classified as soft loans.
Trading Operations	Services which are operated partly or wholly on commercial lines, e.g. 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).
Unsupported Borrowing	A form of capital finance funded by revenue either by increased income or a reduction in costs. There is no Government grant to support this form of funding.

PRIOR PERIOD ADJUSTMENTS

○ Prior Period Adjustments

	2008/2009							2008/2009 Restated
	2008/2009 Statement of Accounts	Prior Period Adjustment Collection Fund	Prior Period Adjustment Interest Reclassified	General Government Grants	Prior Period Adjustment Stock	Other Capital Adjustments		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Income and Expenditure Account (Page 6-7)								
Planning & Development	5,797			203			6,000	
Housing General Fund	184					42	226	
Corporate & Democratic Core	9,258				1		9,259	
Demand on Collection Fund	(7,436)	(36)					(7,472)	
General Government Grants	(2,304)			(203)			(2,507)	
Statement of Movement on General Fund Balance (Page 8-9)								
Deficit on the income and Expenditure Account for the year	9,877	(35)				42	9,884	
Net contribution to/from the General Fund Balance for the year	(9,509)	35				(42)	(9,516)	
Net transfer in respect of soft loans	0					(42)	(42)	
Council tax adjustment	0	(53)					(53)	
Net transfer to earmarked reserves	3,246	88					3,334	
Statement of Total Recognised Gains and Losses (Page 10)								
Deficit on the Income and Expenditure Account for the year	9,877	(35)				42	9,884	
Surplus on fixed assets and other capital adjustments	(11,264)					(529)	(11,793)	
Collection Fund (Surplus)	(64)	64					0	
Balance Sheet (Page 11)								
Long term debtors	586					487	1,073	
Stock and work-in progress	110				(1)		109	
Debtors	5,576	(1,662)					3,914	
Short Term Borrowing	(6,331)		(93)				(6,424)	
Creditors	(11,271)	1,634					(9,637)	
Long Term Borrowing	(10,093)		93				(10,000)	
Capital Adjustment Account	94,831					1,460	96,291	
Collection Fund	561	(561)					0	
Collection Fund Adjustment Account	0	421					421	
Financial Instruments Adjustment Account	0					(973)	(973)	
Earmarked Reserves	12,501	111					12,612	