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## EXPLANATORY FOREWORD

### 1. Introduction

This foreword has been written to provide a guide to the significant matters reported in these accounts. The Council's accounts for the year ended 31 March 2006 are set out on pages 21 to 68.

A glossary of terms used within the accounts is provided at pages 73 to 76.

The Council's Accounts consist of:

- the Consolidated Revenue Account – The main revenue account which shows the income and expenditure on all the Council's services and how this is met by government grants and local tax-payers;
- the Housing Revenue Account – which provides a separate analysis of income and expenditure on council housing;
- the Collection Fund – which shows the collection and disbursement of the council tax and non-domestic rates;
- the Consolidated Balance Sheet – which sets out the financial position of the Council as at 31 March 2006;
- the Statement of Total Movements in Reserves – which shows the changes in both revenue and capital reserves;
- the Cash Flow Statement – which summarises all inflows and outflows of cash.

These accounts are supported by the "Statement of Responsibilities for the Statement of Accounts" and the "Statement of Accounting Policies" which follow this foreword, and by various notes to the accounts. This includes a Statement on Internal Control which follows a review of the effectiveness of the Council's system of internal control and has been agreed with the Chief Executive and Leader of the Council.

This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. In particular, it compares the out-turn results with the approved budget, and explains the changes in reserves.

## 2. Large Scale Voluntary Transfer (LSVT)

The most significant impact on the 2005/06 accounts was the Large Scale Voluntary Transfer (LSVT) of the council dwellings to the new landlord, North Norfolk Housing Trust (NNHT) on 13 February 2006. The transfer has required a number of significant entries to the accounts, these are explained within the notes to the accounts.

From 13 February 2006 NNHT became responsible for managing and maintaining the housing stock. Resulting from the transfer the Council received a receipt of £36,664,329 which was reduced by payment of a levy to the Department for Communities and Local Government (DCLG, formerly the Office of the Deputy Prime Minister) of £2,864,450 and funding the costs associated with setting up the Housing Trust of £2,447,551. This left a useable capital receipt of £31,352,328 as at 31 March 2006. A proportion of this has been used to repay the Council's debt portfolio in 2006/07. The receipt of £36,664,329 reflects the condition of the housing stock at the point of transfer. Its calculation reflects a backlog of repairs of £49,991,542 which forms the basis of a development agreement between the Council and NNHT and will see the VAT element of £8,748,520 shared between them over a period of 10 years.

The figures included in the Housing Revenue Account (HRA) for 2005/06 on pages 32 to 38 are for the period 1 April 2005 to 12 February 2006. The HRA will remain open in 2006/07, it is anticipated to be closed in March 2007.

## 3. 2005/06 Revenue Activity

The following compares the budget for the year to the actual expenditure and income for the General Fund and Housing Revenue Account.

### (a) General Fund

The following table shows how the Council's General Fund expenditure, including precepts by parish councils and levies by other bodies, compared with the approved budget for 2005/06.

	<b>Original Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Net Expenditure on Services	12,158	12,010	(148)
Capital Charges	3,404	3,507	103
	<u>15,562</u>	<u>15,517</u>	<u>(45)</u>
Parish Precepts	974	974	0
	<u>16,536</u>	<u>16,491</u>	<u>(45)</u>
Less Non Service Expenditure:			
Interest on Balances	(422)	(682)	(260)
Net Contributions from funds etc	(3,302)	(3,013)	289
Council Tax	(5,729)	(5,729)	0
External Support (RSG etc.)	(7,102)	(7,102)	0
	<u>(16,555)</u>	<u>(16,526)</u>	<u>29</u>
Net (Surplus)/Deficit for year	<u>(19)</u>	<u>(35)</u>	<u>(16)</u>
Balance Brought Forward	(1,121)	(965)	156
Balance Carried Forward	<u>(1,140)</u>	<u>(1,000)</u>	<u>140</u>

The most significant variances in the year include:

- (i) A shortfall in car park fee income of £29,250 in March and additional expenditure of £25,345 as a result of machine break-ins and health and safety risks.

- (ii) An additional allocation of Local Authority Business Growth Incentive Grant totalling £53,793 and additional collection allowance for NNDR of £14,367.
- (iii) Additional employee costs of £61,560 resulting from the delay in the housing stock transfer
- (iv) Additional building maintenance costs of as a result of office re-structurings and increased energy costs totalling £76,493.
- (v) Additional Coast Protection expenditure of £47,532 on emergency shore maintenance works and rock armour for access ramps.
- (vi) Officer restructure costs of £112,515 within the Corporate Management Team, this was part of the first phase of the organisational development programme.

**(b) Housing Revenue Account**

The following summary compares the actual on the HRA to the revised budget. When the original budget was set the LSVT was not confirmed as the tenant ballot did not take place until 31 March 2005, therefore the original budget represented a full year's budget. The budget was revised to reflect the stock transfer that was originally planned to take place on 30 January 2006. The subsequent revision to the transfer date to 13 February resulted in a number of variances. Comments have been provided below for the more significant variances.

	<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>	
Supervision and Management	2,294	2,972	678	(i)
Repairs	2,319	2,512	193	(ii)
Rent Rebates	78	78	0	
Subsidy Surplus to National Pool	2,517	2,656	139	(iii)
Depreciation	2,088	2,185	97	(iv)
Capital Financing Charges	704	740	36	
Direct Revenue Finance	825	882	57	(v)
Other Expenditure	157	186	29	
	<u>10,982</u>	<u>12,211</u>	<u>1,229</u>	
Rent Income	(10,097)	(10,546)	(449)	(vi)
Government Grants	0	0	0	
Interest	(45)	(47)	(2)	
Other income	(639)	(1,193)	(554)	
	<u>(10,781)</u>	<u>(11,786)</u>	<u>(1,005)</u>	
Net (Surplus)/Deficit for the year	201	425	224	
Balance Brought Forward	(725)	(725)	0	
Balance Carried Forward 31 March	<u>(524)</u>	<u>(300)</u>	<u>224</u>	

The main variances are:

- (i) Additional staffing costs for the 2 weeks that the transfer was delayed for and additional energy costs.
- (ii) Additional repairs were carried out during the 2 weeks in February that the properties remained with the Council.
- (iii) Higher contribution to the National Pool, i.e. payable to the Government, due to the 2 extra weeks that the properties remained within the HRA of the Council.
- (iv) Additional depreciation chargeable for the 2 weeks. This reflects additional Major Repairs Allowance received which was used to finance HRA capital

- expenditure in the year.
- (v) Additional revenue contribution to capital to fund the shortfall on the capital resources in the year.
  - (vi) Rental income received for the 2 extra weeks that the Council was the landlord.

The actual Housing Revenue Account position for the year, with a net contribution from reserves of £424,964 is compared to the revised budget, which anticipated a net contribution of £200,780 from reserves.

#### 4. Retirement Benefits Disclosure

Financial Reporting Standards (FRS) 17 has been fully incorporated into the CIPFA Local Authority Accounting Statement of Recommended Practice from 2003/04. The disclosures required for the financial year ending 31 March 2006 are on pages 56 to 57 and show a Net Pension Liability of £16,700,000 as at 31 March 2006 (£17,200,000 at 31 March 2005).

#### 5. Capital

Capital expenditure in 2005/06 amounted to £7,837,515 and was incurred against the following areas:

	<b>Original Budget £000</b>	<b>Revised Budget £000</b>	<b>Actual £000</b>
Housing Services	4,204	4,007	3,983
Coast Protection	751	66	49
Other Services (Including GF Housing)	3,258	4,286	3,806
	<b>8,213</b>	<b>8,359</b>	<b>7,838</b>

The expenditure on Housing Services related to improvement works for Council Housing (£3,983,306), these works were carried out prior to LSVT.

Expenditure on the Coast Protection programme of £48,513 was mainly in respect of the Sheringham to Lowestoft Shoreline Management Plan (£29,381) and the Kelling to Cromer Coast protection strategy (£21,794).

The major areas of capital expenditure on other services in the year were the regeneration of the Cromer foreshore (£1,349,874), Cromer Town Revitalisation Scheme (£206,816), and the continuation of IEG works (£300,370).

Assistance continued to Housing Associations (£430,173) to enable provision of additional social housing. Grants to individuals for improvement to private properties totalled £926,784 with £222,000 of this sum being received by way of Government grant in respect of disabled facilities grants.

In the year £3,446,471 of the Council's own resources have been used to finance the capital programme. The balance relates to external sources of finance for example Major Repairs Allowance for the HRA, and other contributions and grants.

#### 6. Capital Programme

The Council's programme of capital works is continually being reviewed and updated. The Capital Strategy sets out the Council's approach and process to the deployment of capital resources in meeting the Council's overall aims and objectives. It also provides the strategic framework within which the Council's Asset Management Plan is prepared. The Housing Services programme follows the submission of a bid under the Housing Investment Programme (HIP). Coast Protection scheme progress depends on the Government approving the schemes and providing grant aid. For other services such

as leisure projects, town centre conservation and information technology, the programme is reviewed having regard to continuing and committed projects for which resources have been identified. The Capital strategy is in the process of being updated and is due for completion by the end of June 2006.

#### **7. Reserves**

The Council has a policy to maintain General Fund balances above a minimum of £1 million. At 31 March 2006 the General Fund balances are £1,000,607 and £300,141 for the Housing Revenue Account. Earmarked reserves are also held to fund future one-off projects and where there is a need to hold a contingency to meet future liabilities. The Council's reserves are detailed on page 54.

#### **8. Borrowing Facilities**

The Council enters into longer-term borrowing, to fund capital works, with the Public Works Loan Board (PWLB), an independent statutory body which lends to local authorities. Short-term borrowing requirements are met from borrowing on the London Money Market.

At 31 March 2006 the total amount borrowed was £18.4m, at an average interest rate of 5.44%, all of which was on loan from the Public Works Loan Board.

#### **9. Prudential Code**

The prudential code came into operation on the 1 April 2004 and allows local authorities to finance capital expenditure from unsupported borrowing. The objectives of the code are to ensure that local authority investment plans are affordable, prudent and sustainable. In 2005/06 the Council did not undertake any prudential borrowing to finance capital expenditure.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director - Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

### **The Strategic Director - Resources Responsibilities**

The Strategic Director - Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this statement of accounts, the Strategic Director - 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.

The Strategic Director - Resources has also:

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

### **Certificate by the Strategic Director - Resources**

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents fairly the financial position of the Council at 31 March 2006 and its income and expenditure for the year.

Dated: 2006. **S J Oxtoby BSc CPFA**

I confirm that these accounts were approved by the Council at the meeting held on 28 June 2006.

Signed on behalf of North Norfolk District Council

Chair of Meeting approving the accounts: Date:.....

## STATEMENT OF ACCOUNTING POLICIES

### 1. General Principles

The Financial Statements have been prepared under the historical cost convention as modified by any revaluation of fixed assets. They comply with "proper accounting practice" under the terms of The Local Government and Housing Act 1989. They have been prepared in line with the "Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice" (SORP), the Account and Audit Regulations 1996 and 2003 (where applicable) and also with reference to guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of accounting standards (Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS)).

### 2. Accruals and Prepayments (Creditors and Debtors)

The financial statements except for the Cash Flow Statement are prepared on an accruals basis in accordance with FRS18. The accruals basis of accounting requires items of income and expenditure to be accounted for in the year to which they relate.

**Supplies and Services** - The revenue and capital accounts at 31 March 2006 have been prepared with provision made for amounts owed by the Council for goods and services supplied as at that date.

**Customer and Client Receipts** – Customer and Client receipts in the form of sales, fees, charges and rents have been accounted for in the period to which they relate. The accounts at 31 March 2006 have been prepared with provisions made for amounts due to the Council (debtors) as at that date.

**Employee Costs** – The full cost of employees i.e. salaries and wages are charged to the period within which they worked.

### 3. Tangible Fixed Assets

**Recognition** - All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis. Generally assets with a value of less than £15,000 are not capitalised. Expenditure on the acquisition of a tangible fixed asset or expenditure which adds to the value of an existing asset is capitalised provided that it yields benefits to the authority and the services it provides for a period of more than one year.

**Measurement** - Infrastructure and community are included in the Balance Sheet at historical cost, net of depreciation, where appropriate. Similarly, assets still under construction at the year end are held at historic cost and are classified as non-operational until they are completed, at which time they are valued in accordance with the basis relevant to the particular class of asset and transferred to the relevant category.

Operational land and properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use.

Non-operational land and properties and other non-operational assets, including investment properties and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties this will normally be open market value.

When an asset is included in the Balance Sheet at current value, it will formally be

revalued at intervals of not more than five years and the revised amount included in the Balance Sheet.

A full valuation may be performed on a rolling basis to cover all the properties over a five-year cycle.

A full valuation of a property is conducted by either a qualified external valuer or a qualified internal valuer. A qualified valuer is a person conducting the valuations who holds a recognised and relevant professional qualification and having recent post-qualification experience, and sufficient knowledge of the state of the market, in the location and category of the tangible fixed asset being valued.

The following valuation bases have been used to determine net current replacement cost for revalued properties other than investment properties that are not impaired.

- non-specialised operational properties should be valued on the basis of existing use value (EUUV)
- specialised operational properties should be valued on the basis of depreciated replacement cost (DRC)
- investment properties and properties surplus to an entity's requirements should be valued on the basis of open market value (OMV).

For properties which are held on a short lease period a valuation is not appropriate.

**Disposals** – Upon disposal of fixed assets, for example council house sales, the net book value is written off against the fixed asset restatement account. Details of the treatment of income from fixed asset disposals are provided at section 9.

**Impairment** - Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

In accordance with FRS11: Impairment Assets and Goodwill, fixed assets, other than non-depreciable land are reviewed for impairment at the end of each reporting period.

#### 4. Depreciation

Depreciation is provided for on all operational fixed assets with a finite useful life. The adoption of FRS 15: Tangible Fixed Assets within the SORP defines depreciation as:

“The measure of the cost or revalued amount of the benefits of the fixed assets that have been consumed during the period.”

Provision for depreciation has been made by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. The depreciation methods used are the ones which are the most appropriate to the type of asset and their use in the provision of services.

Assets were depreciated on the following basis:

	<b>Useful Life (Years)</b>	<b>Depreciation Basis</b>
Other Buildings	30 to 100	Straight Line
Vehicles, Plant and Equipment	4 to 20	Straight Line
Infrastructure	40 to 60	Straight Line
Community Assets	100	Not Usually Depreciated
Non-Operational	40 to 60	Not Depreciated
Land		Not Depreciated

For fixed assets other than non depreciable land and non-operational investment properties the only reason for not depreciating would be where a depreciation charge would be immaterial. The expenditure on the coast protection works is also depreciated over a 20 year period with the net depreciation charge reflecting the write down of the government grant over the same period. General Fund depreciation charges are based on the asset value at the start of the year for most assets. The Major Repairs Allowance is used as a measure of depreciation for Council Dwellings within the HRA.

#### **5. Intangible Fixed Assets**

Intangible Fixed Assets contain the costs of computer software licences. In accordance with FRS 10: Goodwill and Intangible Assets, intangible assets must be capitalised and amortised to revenue over their useful life. Intangible Fixed Assets are defined as “non-financial fixed assets that do not have physical substance but are identified and are controlled by the entity through custody or legal rights”, and include for example software licences. Intangible assets are included in the Balance Sheet at historic cost. Grants to other organisations still exist as a deferred charge and are shown as a memorandum item (see section 6 below).

Amortisation charges are made to the service in accordance with their expected useful life and in line with the depreciation policy on Tangible Fixed Assets. Software licences are amortised to revenue over 5 years.

#### **6. Deferred Charges**

From 2004/05 it was no longer necessary to include deferred charges as a heading on the Balance Sheet following the designation of the new Intangible Fixed Asset category. Any expenditure that has been incurred which was previously disclosed as a deferred charge has been classified as either a tangible or an intangible fixed asset and included in the Balance Sheet under that heading. If the expenditure does not result in the acquisition of an asset by the Authority then 100% of the deferred charge will be amortised to revenue in the year the deferred charge is recognised with a corresponding entry from the Capital Financing Account to neutralise the impact.

The heading of Deferred Charges has continued to be used as a memorandum account during the year to maintain details of expenditure which can be treated as capital for financing purposes, but which does not result in the creation of a fixed asset, for example expenditure on grants to improve private housing.

Any capital income received in respect of the expenditure (for example Government grant towards the cost of improvement grants) is credited to the same account. There is no effect on the call on Council Tax as the net cost comes back to General Fund from the Capital Financing Account.

#### **7. Leasing**

Assets may be acquired by either finance or operating leases. If acquired under an operating lease as defined under SORP and SSAP 21, the rentals payable are charged directly to the Consolidated Revenue Account. The Council does not own these assets and their value does not appear on the Balance Sheet. The Council has not acquired any assets under finance leases.

Where the Council acts as lessor, rents receivable in respect of operating leases are credited to the Consolidated Revenue Account. The assets are held on the Balance Sheet and depreciated in accordance with Accounting Policy 3 – Tangible Fixed Assets.

#### **8. Basis Of Charging For Capital**

Service revenue accounts pay a capital charge which reflects any depreciation and interest on the capital value of assets used by the service.

## **9. Capital Receipts**

Capital receipts arise from the sale of assets, such as council house Right to Buy sales and other asset disposals. Income from the sale of fixed assets is credited to the useable capital receipts reserve and accounted for on an accruals basis. New pooling arrangements came into force in 2004/05 which requires 75% of money received from council house sales and 50% from other Housing Revenue Account assets to be paid to Central Government. Receipts from preserved Right to Buys are not subject to pooling arrangements.

## **10. Grants and Contributions**

Grants towards the cost of services are accrued, as necessary, and taken as a credit to the service revenue account. General grants, such as the Revenue Support Grant and redistributed Business Rates, in support of our overall spending, are credited to General Fund.

Grants and contributions towards capital spending are also accrued. Those which relate to deferred charges are credited to the revenue account to offset the capital expenditure charged there (see section 6 above). Others are credited to a Grants Deferred Account which is written down by the same proportion as the depreciation on the asset.

## **11. Stocks And Work In Progress**

Stock consisting of building materials, coast protection materials and stationery is valued at the lesser of actual cost and net realisable value. Work in progress is included at cost including an allocation of overheads where applicable.

## **12. Cost Of Support Services**

These include such services as accommodation, legal, personnel, finance and committee administration. Charges are made for support services on the basis of floor area, in respect of accommodation, and on actual time and/or activity for other services.

## **13. Provisions**

Provisions are made for any liabilities where there is a present obligation by the Council to make a future payment, but where there is uncertainty surrounding the timing or amount. When the provision is created, the cost is charged to the revenue account and when the liability is discharged, the expenditure is charged direct to the provision.

Provisions for bad and doubtful debts are maintained in respect of possible losses from non-collection of amounts owing to the Council. This includes Community Charge, Council Tax, Business Rates as well as Housing Rents and income generally. The provisions are recalculated each year based on age and category of outstanding debts.

## **14. Reserves**

Amounts that are set aside for purposes that fall outside the definition of provisions are classified as reserves. Transfers to and from reserves are distinguished from service expenditure. The General Fund reserves are separated into general and earmarked reserves. The general reserve is the Council's working balance. The Council's policy is to maintain general balances above a minimum of £1 million for the General Fund. There are a number of earmarked reserves where amounts have been set aside for specific purposes for example health and safety and funding future capital spending.

## **15. Pensions**

The council operates a pension scheme providing defined benefits based on final pensionable pay. The assets of the scheme are held separately from those of the council in an independently administered fund. Further detail on the measurement of the pension fund assets and liabilities is provided in note 24 the Consolidated Balance Sheet.

The cost of providing pensions for employees has been charged to the accounts in accordance with the statutory requirements of FRS 17 (Retirement Benefits) governing the particular pension schemes or funds to which the council contributes. FRS 17 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even though the actual giving may be many years in the future. An appropriation to or from the pensions reserve represents the net change in the pension liability recognised in the Consolidated Revenue Account. The accounting policy represents a change that came into force in 2003/04. 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.

Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability. There has been a change in the discount rate used in the year from 5.4% to 4.9% reflecting the yield available on long-dated, high quality corporate bonds (iboxx Sterling Corporates Index AA over 15 years). This is in accordance with CIPFA guidance.

The current service cost represents an estimate of the true economic cost of employing people in the year and their entitlement to retirement benefits in the future. The net cost of service has been charged with the current service costs which are based on the most recent actuarial valuation and have been apportioned to services based on employee time.

Past service costs arise from the award of discretionary retirement benefits for example early retirement and added years. These are charged to non distributed costs over a period in which the increase in benefit is payable. Settlement and curtailments are measured at the date the Council becomes committed to the transaction and are recognised in the net cost of services at that date.

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period. The interest cost and the expected return on assets are charged to the net operating expenditure in the year.

Actuarial gains and losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Balance Sheet date and is recognised in the Statement of Total Movement in Reserves. Allowance has been made for the transfer of assets and liabilities to the North Norfolk Housing Trust on 13 February 2006 relating to former council employees who joined the trust on that date.

## **16. Companies**

The Council has had no financial interest with any companies during 2005/06.

**17. Debt Redemption**

The premature repayment of debt and subsequent replacement borrowing is undertaken to achieve savings in interest charges, changes to the maturity profile of the portfolio or balance of volatility, i.e. the proportion of interest payable at variable as opposed to fixed rates of interest.

The SORP requires gains and losses arising on the repurchase of borrowing to be recognised in the period of the repurchase. Where the repurchase is coupled with a restructuring of the borrowing with substantially the same overall economic effect, the gains or losses may be written-off over the life of the replacement loan.

The relevant share of the gain or loss is passed to the Housing Revenue Account (HRA) in accordance with the Item 8 Determinations. The statutory provisions for the HRA require the gains and losses to be made on a straight line basis over the lesser of the unexpired period of the repurchased debt, or 10 years.

**18. Basis Of Valuation Of Investments**

Temporary Investments (for periods up to 364 days) with banks and building societies are valued on the Balance Sheet at their nominal value, i.e. the amount of the deposit in pounds sterling. This is in accordance with the SORP.

**19. Interest Charges**

Interest payable or receivable is charged or credited to the revenue account on an accruals basis.

**20. Value Added Tax**

In accordance with SSAP 5 VAT is not included in the expenditure or income whether of a capital or revenue nature, except where it is irrecoverable.

## **STATEMENT OF INTERNAL CONTROL 2006**

### **Scope of Responsibility**

1. North Norfolk District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. North Norfolk District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, North Norfolk District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of North Norfolk District Council's functions and which includes arrangements for the management of risk.

### **The purpose of the system of internal control**

3. The system of internal control is designed to manage risk rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed:
  - to identify and prioritise the risks to the achievement of North Norfolk District 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.
4. The system of internal control has been in place at North Norfolk District Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

### **The internal control environment**

5. Compliance with established policies, procedures, laws and regulations is ensured because the Section 151 officer, Monitoring officer and members of the Corporate Management Team (CMT) are kept fully informed. The Internal Audit section report directly to the Scrutiny Committee, this helps to ensure their independence from line management.
6. The establishment and monitoring of the authority's objectives are underpinned by the Corporate Plan, which has been agreed by the Council. The Corporate Plan is supported by the individual service plans. There is an evolving performance and risk management system combined with the increasing role of Scrutiny Committee. With a one party Cabinet, extensive scheme of delegation and the improved role of the Scrutiny Committee, it is ensured that both policy and decision making is evidenced. We will establish ad-hoc policy panels which make recommendations on policy to Cabinet and then to Council when necessary. Currently we have two (Car Parking and Public Conveniences).

7. The Authority is continuing to undergo a culture change that will ultimately lead to a more informal way of working combined with a greater empowerment of officers. It is recognised that for this to work will mean that both internal control and definition of responsibilities will need to be clear and well defined.
8. The implications of the Annual Efficiency Statement, and the Key Lines of Enquiry for Value for Money and Use of Resources are all issues that will impact on the internal control environment during 2006. The Authority has identified the whole issue of efficiency as linking the three initiatives together and have a Portfolio holder specifically tasked with efficiency issues and CMT have taken responsibility for ensuring implementation. The effect on efficiency will be closely monitored whether the change is in relation to a cash saving or a non- cash saving.

#### Risk Management

9. The risk management board was chaired by the Chief Executive with the Leader, Internal Audit and some Heads of Service as members.
10. A combined session with Cabinet and Corporate Management team during 2005 identified the reviewed the strategic risks of the authority and aligned them to the Corporate Plan. Each service business plan, completed by the individual service, includes a section which is devoted to risk management.
11. The performance management system includes a risk management module and work began to set the module up.

#### Continuous Improvement

12. Our Corporate Plan states that our ambition is to be a high-performing council, achieving service excellence through continuous improvement. The improvement plan which is attached to the Corporate plan is the starting point to achieving this and is monitored by the Corporate Management Team. In addition, it is a responsibility of the Scrutiny Committee to make arrangements to secure continuous improvement.

#### Financial information

13. The Section 151 officer is a member of the Corporate Management Team and presents budget monitoring reports quarterly to Cabinet and Scrutiny Committees. During 2005 the reporting of financial and risk implications was introduced into all reports to Cabinet. We will be monitoring to assess whether it should be extended to Corporate Management Team and all Committees.

#### Performance Management

14. The Performance Management Board, chaired by the Chief Executive with a Cabinet Member and some Heads of Service as members oversees the introduction of a performance management culture to the Council. Performance management is embedded at a corporate level, with regular reports to Corporate Management Team, Cabinet and Scrutiny Committee. Performance management was being embedded into the individual service planning process, which will link it into the risk management approach. Performance will eventually link in with budget monitoring, service planning and risk assessment. However, initially the system shows the best value indicators and they have been available for all staff and Members to see on the Council's intranet since April 2004. During 2005/6 we developed local indicators that will evidence whether our objectives have been achieved, this work will be

further enhanced during 2006/7. This will enable us to identify the key indicators at all levels. The aim is to link all parts of the Council, both officers and members, so that ultimately everyone is able to see how our own performance is helping to achieve the overall goals.

#### ISO 9000

15. Environmental Services have achieved the ISO 9000 standard and the Authority has yet to determine whether a wider roll out to other services would benefit the provision of service to customers.

### **Review of effectiveness**

16. North Norfolk District Council has responsibility for conducting, at least annually, a review of the effectiveness of internal control. The review of effectiveness of the system of internal control is informed by the work of internal auditors and the service managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

#### Constitution

17. The Constitution provides guidance on the operational services and functions about delegated authorities and the tender process. We aim to complete our process of defining delegated authorities which will show that management is responsible for risk assessment and control.  
Parts of the Constitution were reviewed during 2006 and further work on financial controls, procurement and asset management will be undertaken during 2007.

#### Members

18. All Committee decisions are reported to Full Council and all Members are kept informed via the Members' Bulletin and the Intranet. The Cabinet and Scrutiny Committee receive all financial and performance management information quarterly. The Scrutiny Committee have amongst other responsibilities "to secure continuous improvement in the way in which the Council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

#### Audit Commission (external auditors)

19. The Comprehensive Performance Assessment, Direction of Travel Statement, issued by the Audit Commission, showed that whilst we were making progress in most areas there were some areas that needed attention.  
Recommendations made by the Audit Commission are fully discussed with them and where they are significant form part of the improvement in service and / or corporate plan. In 2005/6 this included reviews on Partnership Working and Risk Management.

#### Internal Controls

20. The system of internal control seeks to manage and minimise risk. Any system of internal control can provide only reasonable, not absolute, assurance against misstatement or loss.  
The Cabinet and Corporate Leadership Team were responsible for internal control. (From April 2006 the Corporate Leadership Team was subsumed into the Corporate Management Team).  
Service Heads will provide a quarterly confirmation to CMT and Scrutiny Committee

on financial performance and other performance indicators. From 2005/2006 this will enable the service plans to focus CMT on the strategic and operational risks that affect the service and corporate plan.

The Risk Management Board, reviews risk management practice, and advises CMT, Cabinet and the Scrutiny Committee of issues identified as required.

The service areas have provided, through their service business plans, their key service risks and their relative importance. The process includes both financial and non-financial risks. It is the intention to review service business plans, in all their aspects, at least quarterly by CMT.

#### Internal Audit

21. Throughout the year an internal audit function has been in place, reporting quarterly to the Scrutiny Committee. The internal audit plan, which is approved annually by CMT and Scrutiny Committee, focuses on the core financial controls (as identified by the Audit Commission) and other material risks as identified by Internal Audit's audit needs assessment. The audit plan, which was 71% completed in 2005/6, is supplemented by ad hoc audits and investigations requested by management or Scrutiny Committee. Internal audit findings are reported to the relevant senior management. Summary of the reports and high risk recommendations are reported to the Scrutiny Committee. During 2005/6 the high risk recommendations were reported to the Scrutiny Committee and from 2006/7 the implementation or successful resolution of high and medium risk recommendations will be reported to them.
22. The Audit Commission's latest review of internal audit in March 2006 was that "Members should continue to monitor the delivery of the Internal Audit programme", this was to ensure that the Audit Plan was delivered as set out.
23. Internal Audit produced a new procedure manual in 2005/6 which included a new audit needs assessment process. This will be implemented in 2006/7. Internal audits plan will be a combination of a number of risk issues including internal audits assessment of risk (based on previous audits), the service managers assessment of risk, the requirements of our external auditors and the risk and control self assessment by service heads.

#### **Significant internal control issues**

24. As last year we continue to move ahead with implementing a performance and risk management culture. We are moving towards integrating internal control into a system that will enable regular review and assessment of performance and risk, at member, management and service level.
25. The Internal audit plan was not completed in full and the situation is to be monitored by the Scrutiny Committee, CMT and Section 151 Officer.
26. Each Service Head was required to sign a risk and control self assessment for 2006 which will be used to support the way forward for 2007.
27. The use of resources assessment by the Audit Commission has identified a number of areas which the Council feels needs to be addressed. These are being monitored by the Corporate Management Team but two key issues are appropriate for this statement.

28. There were two issues raised by the Head of Internal Audit which are shown below in the 2006 summary of proposals.

**2005 Action Plan – Implementation**

<b>Proposal 2005</b>	<b>Implementation</b>
The risks identified in the individual service plans will be linked to the corporate risks and identified on the performance and risk system.	The strategic risk register will be updated in line with the revised corporate plan.
Cabinet reports will have a template which includes both risk and financial implications.	Implemented
Service plans will be linked into the corporate performance management system.	Individual service models have their service plan and the models are linked to the corporate model.
The authority will develop local and key indicators that will identify whether or not the objectives are being met.	The new Corporate Management Team together with the Cabinet are currently reviewing the key indicators in order to include them in the 2006-2009 Corporate Plan which is to be presented to Full Council on 26 <sup>th</sup> July 2006.
The action plan agreed with the Benefits Fraud Inspectorate will be implemented.	The three year action plan is complete. Recommendations are being implemented in line with the action plan.
The Constitution will be reviewed and updated.	The Head of Legal Services is undertaking a review to be completed by September 06.
At least quarterly reporting on service plans to Corporate Management Team (CMT).	The Council's adopted Corporate Planning Framework from April 2006 includes monthly CMT performance management meetings, quarterly meeting between CMT and service managers, and quarterly meetings with CMT and Cabinet.
A Business Continuity plan for North Norfolk District Council will be developed	A project plan with timescales has been produced and agreed by the Risk Management Board.
The wider implications of the Civil Contingencies Act will be addressed.	Regular progress reports have been presented to the Risk Management Board during 2005/06 and this continues to be monitored.

<b>Proposal 2005</b>	<b>Implementation</b>
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The action plan to be agreed with the Housing Inspectorate, on Strategic Housing, will be implemented	The action plan has been agreed and recommendations are being implemented in accordance with the timescale.
Internal Audit will be a key participant in Business Process Review to ensure that Internal Control is an important part of any change in procedure.	Business Process Review will be managed through the Change Management Board. It has a two year project plan and it will form part of the Internal Audit plan.

### **Summary of Proposals for 2006**

The proposals contained below are intended to further strengthen the internal control arrangements of the Council:

To continue with the implementation of the outstanding 2005 proposals.

To drive the risk and control self assessments throughout the authority to both support the Heads of Service statements and have documentary evidence in support (para 26)

To regularly review the risk register and link it to the Corporate and Service Plans. (para 24)

The Members and CMT should monitor the achievement of the Internal Audit plan to ensure it is completed by year end. (para 25)

That consideration is given as to whether an Audit Committee is appropriate for this Council. If an Audit Committee is appropriate whether the Statement of Internal Control would form part of its responsibilities. (para 27)

That all business critical systems, identified by the Council, are appropriately documented and procedure manuals are in place. (para 27)

In addition the Head of Internal Audit Opinion made the following two recommendations for the statement of internal control:

- The Statement of Internal Control includes an action plan to address the points made. No officer has been assigned responsibility to follow up the implementation of the action plan and this needs to be addressed.
- One of the high risk recommendations, allied to some medium risk recommendations relates to the need for the Council to review and amend its Contract procedure rules and notification to Member Committees.

**The 2006 Action Plan for addressing the internal control issues and drive**

**forward continuous improvement.**

Any action still outstanding from the 2005 Statement of Internal Control proposals shown above will continue to be actioned.

<b>Action Plan 2006</b>	<b>Lead Officer</b>	<b>Timescale</b>
To drive the risk and control self assessments throughout the authority to both support the Heads of Service statements and have documentary evidence in support of the statements. (para 26)	Chief Executive	December 2006
To regularly review the risk register and link it to the Corporate and Service Plans. (para 24)	Chief Executive	October 2006
The Members and CMT should continue to monitor the achievement of the Internal Audit plan to ensure it is completed by 31 <sup>st</sup> March.(para 25)	Chief Executive	Ongoing
That consideration is given as to whether an Audit Committee is appropriate for this Council. If an Audit Committee is appropriate whether the Statement of Internal Control would form part of its responsibilities. (para 27)	Strategic Director Resources	July 2006
That all business critical systems, identified by the Council, are appropriately documented and procedure manuals are in place and being monitored. (para 2)	Internal Audit Manager	March 2007
The Council maintains a record of all contracts and ensures a copy is placed with legal services, linked to the Council's corporate property database and a risk analysis is undertaken of our key contractual arrangements.	Strategic Director Resources	December 2006
Review and amend the Council's Contract procedure rules and notification to Member Committees.	Strategic Director Resources	October 2006

We propose over the coming year to take steps to address the above matters to further enhance our internal control and ensure continuous improvement. Corporate Management Team will monitor the achievement of the action plan on a monthly basis as part of the new performance management framework to inform the next annual review.

Philip Burton  
Chief Executive  
Date

Simon Partridge  
Leader of the Council  
Date

**CONSOLIDATED  
REVENUE  
ACCOUNT**

## CONSOLIDATED REVENUE ACCOUNT

		2005/06		2004/05	
	Note	Gross Expenditure £000	Income £000	Net Expenditure £000	Net Expenditure £000
Central Services to the Public		8,421	(7,506)	915	1,066
Cultural, Environmental & Planning Services	(2,3)	15,756	(4,576)	11,180	10,984
Highways, Roads & Transport Services		1,102	(1,588)	(486)	(660)
Housing Services		18,122	(16,320)	1,802	1,990
Corporate and Democratic Core		2,096	(33)	2,063	2,026
Non Distributed Costs		271	0	271	1,560
<b>NET COST OF GENERAL FUND</b>		45,768	(30,023)	15,745	16,966
Housing Revenue Account (Discontinued)	(4)	11,131	(11,241)	(110)	8,429
<b>NET COST OF SERVICES</b>		56,899	(41,264)	15,635	25,395
Precepts of Parish & Town Councils	(5)	974	0	974	914
Net (Surplus)/deficit transfer from the Asset Management Revenue Account (AMRA)	(6)	0	(2,743)	(2,743)	(10,739)
Contribution of housing capital receipts to Government Pool	(7)	1,239	0	1,239	3,271
Premiums & Discounts		118	(29)	89	109
Trading Undertakings	(8)	155	(175)	(20)	(26)
Interest Receivable		0	(729)	(729)	(527)
Pensions Interest Costs & Expected Return on Pension Assets	(9)	400	0	400	100
<b>NET OPERATING EXPENDITURE</b>		59,785	(44,940)	14,845	18,497
<i>Appropriations</i>					
Transfer to/(from) HRA Balances				(425)	86
Contribution to/(from) Earmarked Reserves	(10)			(571)	386
Transfer from Useable capital receipts equal to contribution to housing Pooled Capital Receipts				(1,239)	(3,271)
Contributions to/(from) Capital Financing Account	(11)			590	(1,700)
Contributions to/(from) Pensions Reserves	(17)			(404)	(1,392)
<b>TO BE MET FROM GOVERNMENT GRANTS &amp; TAXPAYERS</b>				12,796	12,606
Council Taxpayers				(5,700)	(5,500)
Surplus to Collection Fund				(29)	0
Central Government Grants				(4,228)	(4,200)
Non – Domestic Rate Income				(2,874)	(2,693)
(Surplus)/Deficit for Year				(35)	213
<b>GENERAL FUND BALANCE</b>					
Balance on General Fund Brought Forward				965	1,178
Surplus/(Deficit) for Year				35	(213)
Balance on General Fund Carried Forward				1,000	965

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. General

The Consolidated Revenue Account follows the format prescribed in the Chartered Institute of Public Finance (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom. This also incorporates the CIPFA Best Value Accounting Code of Practice.

### 2. Land Drainage

Amounts of £222,102 (£231,277 2004/05) were paid to Internal Drainage Boards. The levies of the Boards are recovered from all Council Tax payers.

### 3. Building Control Charging Account

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

<b>Building Regulations Charging Account 2005/06</b>	<b>Chargeable £000</b>	<b>Non Chargeable £000</b>	<b>Total Building Control £000</b>
<b>EXPENDITURE</b>			
Employee Costs	302	62	364
Transport Related Expenditure	34	4	38
Supplies and Services	15	0	15
Central and Support Service Charges	84	26	110
Total Expenditure	435	92	527
<b>INCOME</b>			
Building Regulation Charges	(460)	0	(460)
Miscellaneous Income	(3)	0	(3)
Total Income	(463)	0	(463)
(Surplus)/Deficit for 2005/06	(28)	0	64
Expenditure 2004/05	440	89	529
Income 2004/05	(428)	0	(428)
(Surplus)/Deficit for 2004/05	12	89	101
(Surplus)/Deficit for 2003/04	(57)	89	32

### 4. Discontinued Operations – Housing Revenue Account

On 13 February 2006 the Council transferred its responsibility for Council Housing to North Norfolk Housing Trust. The Housing Revenue Account details are shown in a separate section on pages 32 to 38.

### 5. Precepts

A precept is an order for the payment to the Parish and Town Councils for the provision of services by those bodies.

## 6. The Asset Management Revenue Account

This account reconciles the need to reflect the cost of fixed assets within the service revenue costs. All capital charges are credited to this account, along with charges for external interest on borrowing and net depreciation.

Capital charges consist of a capital financing charge (nationally set) and a charge for depreciation where required. The capital financing charge was 3.5% on all assets held at current value (3.5% for 2004/05), and 4.95% on assets held at historic cost (4.8% for 2004/05). These charges have no impact on the net position of the revenue accounts, and depreciation charges are appropriated to the capital financing account.

The transactions are as follows:

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
<b>INCOME</b>		
Capital Charges for use of assets		
General Fund	(2,570)	(2,170)
Housing Revenue Account	(3,398)	(12,194)
Amortisation of Intangible Fixed Assets	(62)	(35)
Transfer from Grants Deferred Account	(1,227)	(690)
<b>EXPENDITURE</b>		
Provision for Depreciation	3,517	3,505
Reversal of Intangible Amortisation	62	
External Interest Charge	935	845
Balance to Consolidated Revenue Account	<u>(2,743)</u>	<u>(10,739)</u>

## 7. Capital Receipts Pooled

In accordance with capital receipt pooling arrangements, the Council is required to pay to central government 75% of money received from council house sales and 50% from other Housing Revenue Account asset disposals. Following the transfer of the Councils Housing Stock to the North Norfolk Housing Trust the pooling arrangements for house sales are no longer relevant.

## 8. Trading Services

There are two services which the council run as trading services, the position on these is as follows:

	<b>2005/06</b>			<b>2004/05</b>		
	<b>Expenditure</b>	<b>Income</b>	<b>Net</b>	<b>Expenditure</b>	<b>Income</b>	<b>Net</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Markets	93	(82)	11	95	(96)	(1)
Industrial Sites	62	(93)	(31)	61	(86)	(25)
Total	<u>155</u>	<u>(175)</u>	<u>(20)</u>	<u>156</u>	<u>(182)</u>	<u>(26)</u>

The markets are run weekly on car parks at Sheringham, Cromer and Stalham, Norfolk County Council manages this service as a partnering arrangement.

Industrial sites have been developed at Fakenham, North Walsham and Catfield. Catfield and North Walsham include starter units developed jointly with the Rural Development Commission.

## 9. Pensions Interest Costs & Expected Return on Pension Assets

	2005/06 £000	2004/05 £000
Expected Return on Employer Assets	(2,420)	(2,190)
Interest on Pension Scheme Liabilities	2,820	2,290
Net Return	<u>400</u>	<u>100</u>

## 10. Earmarked Reserves

The earmarked reserves represent those which have been identified for specific purposes. The title of each reserve indicates the nature of the reserve. The analysis of the movement of these balances is as follows:

	Balance 1 April 2005 £000	Movement 2005/06 £000	Balance 31 March 2006 £000
Health and Safety	10	(10)	0
Sheringham Splash	83	11	94
Sports Hall Equipment	15	(6)	9
Leisure Management Facility	18	0	18
Best Value	16	(16)	0
Common Training	12	0	12
Local Plan	50	(50)	0
Local Strategic Partnership	36	(19)	17
Street Signage	7	0	7
A Day out in North Norfolk	12	0	12
Estate Management Agreements	12	0	12
Coast Protection/Flood Defence	56	(56)	0
Housing Needs Assessment	75	0	75
Environmental Health	0	10	10
Environmental Policy	0	41	41
Organisational Development	0	400	400
HRA Capital	386	(386)	0
LSVT	890	(490)	400
TOTAL	<u>1,678</u>	<u>(571)</u>	<u>1,107</u>

## 11. Capital Financing Account

The capital reserves include movements in the Capital Financing Account. The analysis of the movements on these balances is as follows:

	Movement 2005/06 £000	Movement 2004/05 £000
Capital Reserve	(539)	(1,057)
Capital Financing	(8)	(9)
Revenue Contribution	2,014	984
Provision for Repayment of Loans	(2)	(273)
Deferred Charges net of grants and contributions	(875)	(1,345)
TOTAL	<u>590</u>	<u>(1,700)</u>

## 12. Provision for Debt Redemption

The authority is required by statute to set-aside, from revenue, a Minimum Revenue Provision (MRP) for the redemption of external debt. The method of calculating the provision is defined by statute.

A Commutation Adjustment to the MRP relates to the revenue impact of the Government's decision to commute grant payments in 1992, 2004/05 was the last year where the commutation adjustment had to be made.

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Current year calculations		
Non-housing amount - 4% of Capital Financing Requirement	165	159
Commutation Adjustment	0	(45)
Minimum Revenue Provision	<u>165</u>	<u>114</u>
Correcting Adjustments		
Housing amount	0	(34)
Minimum Revenue Provision Correction	<u>0</u>	<u>(34)</u>
 Minimum Revenue Provision (Net)	 <u>165</u>	 <u>80</u>
 Amount charged as depreciation (net)	 167	 353
Credit/Charge to Consolidated Revenue Account - in capital financing account	 (2)	 (273)
	<u>165</u>	<u>80</u>

## 13. Section 137 Expenditure

Under section 137 of the Local Government Act 1972 (as amended) the Council is allowed to incur a limited amount of expenditure, which is not otherwise authorised by statute and which, in its opinion, is in the interests of its area or residents. The amount it can spend is up to the product of £1.90 per resident. A disclosure is required of such expenditure. From 18 October 2000, Part I of the Local Government Act 2000 created a new discretionary power for authorities to do anything they consider likely to promote or improve the economic, social or environmental well being of the area. The expenditure disclosed below still comes under the Section 137 definition.

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Section 137 Limit	190	188
Section 137 Expenditure	45	51

## 14. Publicity

The Local Government Act 1986 requires Local Authorities to account separately for all expenditure on publicity. The cost of such expenditure is made up as follows:

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Recruitment Advertising	68	55
Other Advertising	35	50
Other Publicity	<u>424</u>	<u>432</u>
TOTAL	<u>527</u>	<u>537</u>

## 15. Agency Services- Local Authority (Goods and Services) Act 1970

Grass cutting was carried out for Norfolk County Council under the Local Authority

(Goods and Services) Act 1970. The income received from the County Council was £12,816 (£12,425 2004/05).

#### 16. Leases

The authority leases items of equipment, including printing and telephone equipment. The amount charged in 2005/06 under these leases was £99,833 (£59,692 2004/05). The future cash payments required under these leases total £89,188 (£70,804 2004/05)

The Authority is committed to making payments of £84,287 under these leases in 2006/07. Comprising of the following elements :-

Leases Expiring in 2006/07	£76,448
Leases Expiring between 2007/08-2011/12	£7,839
Leases Expiring after 2011/12	0

The value of finance leases which the council has entered into is not material.

As lessor, the Council has granted a number of leases on properties which have been accounted for as operating leases. The total of rentals receivable in 2005/06 was £222,466. These have been credited to the Consolidated Revenue Account.

#### 17. Pensions

Norfolk County Council is the Administering Authority for the Norfolk Pension Fund in respect of the Local Government Pension Scheme, of which North Norfolk District Council is a participating body. In addition to the employees' contribution (6% of pay, no change from 2004/05), the Council, as employer, contributed 14.7% in 2005/06 (13.5% in 2004/05) of the pay of employees who belonged to the scheme. The scheme is a defined benefit statutory scheme for which the latest formal valuation was at 31 March 2004. The next formal valuation is due as at 31 March 2007.

The formal valuation determines the rate at which the employing bodies participating in the Fund should contribute in the future to ensure that the existing assets and future contributions will be sufficient to meet future benefit payments from the Fund.

In 2005/06 the Council paid an employer's contribution of £1,091,420 (representing 14.7% of pensionable pay) (£935,528, 13.5%, 2003/04) into the Pension Fund, administered by Norfolk County Council. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being effective from 1 April 2004. Under Superannuation Fund Regulations contribution rates are set to meet the overall liabilities of the Fund. The employer's contribution rate is to increase to 15.9% from 1 April 2006.

In addition the Council is responsible for all pension payments relating to added years benefits it has awarded in respect of former employees, together with lump sums, compensation payments and related increases. In 2005/06 these amounted to £483,945 representing 6.52% of pensionable pay. (£521,697, 7.53% 2004/05)

The following transactions have been made in the Consolidated Revenue Account during the year:

	<b>2005/06</b> <b>£000</b>	<b>2004/05</b> <b>£000</b>
Net Cost of Services:		
Current Service Cost	1,310	1,190
Past Service Cost	271	1,559
	<u>1,581</u>	<u>2,749</u>
Net Operating Expenditure:		
Interest Cost	2,820	2,290
Expected return on assets in the scheme	(2,420)	(2,190)
	<u>400</u>	<u>100</u>
Amounts to be met from Government Grants and Local Taxation :		
Movement on Pensions Reserve	(404)	(1,392)
Actual Amount charged against council tax for pensions in the year:		
Employers' Contributions payable to scheme	<u>1,577</u>	<u>1,457</u>

See also note 24 to the Balance Sheet and note 6 to the Statement of Movements in Reserves.

Further information can be found in the Norfolk Pension Fund's Annual Report which is available upon request from the Pension Fund Administrator, Norfolk Pension Fund, County Hall, Martineau Lane, Norwich, NR1 2DW, telephone 01603 222842.

### 18. Employees

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 were:-

Remuneration Band	<b>2005/06</b> <b>Number of</b> <b>Employees</b>	<b>2004/05</b> <b>Number of</b> <b>Employees</b>
£50,000 to £59,999	7	4
£60,000 to £69,999	0	2
£70,000 to £79,999	0	0
£80,000 to £89,999	1	0
£90,000 to £99,999	1	1
£100,000 to £109,999	1	0
£110,000 to £119,999	0	0
£120,000 to £129,999	0	0
£130,000 to £139,999	1	0

The costs included for the employees in the two highest bands include costs associated with the officer restructure that took place in the year.

### 19. Related Party Transactions

The Accounting Code of Practice requires the disclosure of all material transactions

between the Authority and related parties in accordance with the principles of FRS 8. Related party transactions include mainly Central Government grants which are analysed in the Cash Flow Statement (pages 66 to 68) and transactions with the Pension Fund which are detailed in note 17 to the Consolidated Revenue Account on page 27 so do not require repeating here. No material transactions have been identified concerning Members of the Council or Corporate Management Team.

## 20. Members Allowances

The total of Members Allowances paid in the year amounted to £259,498 (£258,480 in 2004/05). Full details can be obtained by writing to North Norfolk District Council, Health and Corporate Services Directorate, P.O Box 1, Holt Road, Cromer, Norfolk, NR27 9PZ.

## 21. External Audit Fees

Fees Payable to the Audit Commission

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
External Audit Services	104	100
Statutory Inspection	10	13
Grant Claim>Returns Certification	88	55
Other	0	0
Total	<u>202</u>	<u>168</u>

## 22. The Euro

At present the UK is not participating in the European Monetary Union (EMU). We have specified that all new financial systems are capable of operating in Euro Currency should the UK enter the EMU. Otherwise there has been no expenditure relating to the possible introduction of the Euro.

Detailed plans to deal with the effect of joining the EMU will be drawn up as and when more information is available. There is already local co-ordination between this Council and other District Councils and the County Council to share experience of Euro preparation and to facilitate joint working where appropriate.



**HOUSING  
REVENUE  
ACCOUNT**

## HOUSING REVENUE ACCOUNT

	Notes	2005/06 £000	2004/05 £000
<b>INCOME</b>			
Dwelling Rents (Gross)	(3)	(10,368)	(11,519)
Non-dwelling Rents (Gross)	(4)	(178)	(199)
Charges for Services & Facilities	(5)	(535)	(571)
Contributions Towards Expenditure		(623)	(265)
Housing Revenue Account Subsidy (including MRA)	(6)	0	(80)
Supporting People transfer from General Fund	(7)	0	(103)
<b>Total Income</b>		<b>(11,704)</b>	<b>(12,737)</b>
<b>EXPENDITURE</b>			
Repairs & Maintenance		2,512	2,758
Supervision & Management	(8)	2,972	2,782
Rents, Rates, taxes & other charges		14	13
Rent Rebates	(9)	0	65
Subsidy Surplus to the Secretary of State	(6)	2,656	3,377
Increased Provision for Bad and Doubtful Debts	(10)	172	45
Cost of Capital Charge	(11,13)	1,213	9,734
Depreciation of Fixed Assets – Dwellings (=MRA)	(14)	2,176	2,451
– Other Assets	(14)	9	9
Debt Management Costs	(11)	25	32
Sums Directed by the Secretary of State	(16)	78	175
<b>Total Expenditure</b>		<b>11,827</b>	<b>21,441</b>
<b>Net Cost of Services</b>		<b>123</b>	<b>8,704</b>
Adjusting transfer from AMRA	(11,13)	(587)	(9,109)
Amortised Premiums & Discounts	(11)	89	109
Interest Receivable		(47)	(60)
<b>Net Operating Expenditure/ (Income)</b>		<b>(422)</b>	<b>(356)</b>
<b>Appropriations</b>			
HRA share of contribution (from) the pensions reserve	(15)	(26)	(36)
Revenue Contributions to Capital Expenditure		882	315
Transfer from Major Repairs Reserve	(22)	(9)	(9)
<b>(Surplus)/Deficit for Year</b>		<b>425</b>	<b>(86)</b>
<b>Balance Brought Forward</b>	(17)	<b>(725)</b>	<b>(639)</b>
<b>Balance Carried Forward</b>		<b>(300)</b>	<b>(725)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. General

The Housing Revenue Account (HRA) summarises the transactions relating to the management of the Council's stock of dwellings, garages, estate shops and land held for housing purposes. The transfer of the majority of the council's housing stock and associated functions to North Norfolk Housing Trust (NNHT) took place in 2005/06. The actuals in the year reflect the period for which the properties were the ownership of the council.

### 2. Housing Stock

	2005/06	2004/05
Stock at 1 April	4,693	4,770
Sales	(28)	(77)
Transfer to NNHT	(4,653)	N/A
Stock at 31 March	12	4,693

The analysis of the stock by type and age is as follows:

Houses	0	2,457
Bungalows	1	1,667
Flats, Maisonettes and Bedsits	11	569
	12	4,693
Pre 1919	0	86
1919 – 1944	0	1,007
1945 – 1964	11	1,664
Post 1964	1	1,936
	12	4,693

### 3. Dwelling Rents

This represents the total income due for the year after allowing for empty properties. The dwelling rents were increased by an average of £1.99 per week from 3 April 2005 - the average weekly rent for 2005/06 being £49.33 (£2.38 per week from 4 April 2004 - the average weekly rent for 2004/05 being £47.34).

### 4. Non-Dwelling Rents

Non dwelling rents include land, shops and garages.

### 5. Charges for Services and Facilities

£97,381 (£97,271 2004/05) of the charges for services relates to communal heating which is generally installed in the accommodation within grouped homes schemes for the elderly.

### 6. Housing Revenue Account Subsidy

Housing Revenue Account subsidy represents a grant paid to or from central Government towards the cost of providing social housing at below the market rent. Prior to 1 April 2004 rent rebate subsidy formed part of the overall assistance to the housing account which was calculated on a notional basis using factors and figures of spending and income decided by the Government. The account did not, in consequence, receive full reimbursement of rent rebates, the under recovery falling upon the housing tenants. The resultant housing element surplus is paid to the Government.

## 7. Supporting People

The supporting people transfer from the General Fund relates to grant received in respect of the floating support scheme for Council tenants, the cost of which is charged to the Housing Revenue Account, this is now accounted for within the general fund.

## 8. Supervision and Management

Supervision and Management includes, sale of council houses administration, communal heating, sheltered accommodation for the elderly and other special services (laundries, adaptations, ground maintenance, septic tank emptying, street lighting and fire fighting equipment).

## 9. Rent rebates

In 2004/05 some 60% of tenants received assistance with their rent under the Housing Benefit Scheme. This ranged from 50 pence per week (the minimum sum allowable) to full rent being remitted by benefit in cases where the tenant, with no non-dependants, was on Income Support.

## 10. Provision for Bad and Doubtful Debts

During the year, £16,244 was written off Housing Revenue Account Income as irrecoverable (£12,449 in 2004/05). At the 31 March 2006 the aggregate Balance Sheet provision in respect of uncollectible debts stood at nil since it had been fully utilised in writing off the gross arrears after the transfer of the housing stock.

## 11. Borrowing costs

Borrowing Costs are calculated upon the Housing Revenue Account's share of the Council's outstanding debt, in accordance with legislation and are made up of the following:

	2005/06 £000	2004/05 £000
The borrowing costs are made up of:-		
Interest	626	626
Premiums and Discounts on Premature Debt Repayment	89	109
Debt Management Expenses	25	32
	<u>740</u>	<u>767</u>

## 12. Fixed Assets

The total Balance Sheet value of land, houses and other property held by the Housing Revenue Account (HRA) amounted to £38.417m at 1 April 2005. A total of 4,653 properties were transferred to NNHT on 13 February 2006, some properties have been retained by the Council and others were sold in the year through the right to buy scheme.

	31/03/06 £000	01/04/05 £000	01/04/04 £000
Operational Assets			
Dwellings	1,300	34,669	278,092
Other Land and Buildings	0	0	0
	<u>1,300</u>	<u>34,669</u>	<u>278,092</u>
Non-operational Assets	419	3,748	4,293
Total	<u>1,719</u>	<u>38,417</u>	<u>282,385</u>

### 13. Cost of Capital Charge

A Cost of Capital Charge is debited to the HRA, calculated as 3.5% (3.5% 2004/05) of the opening value of HRA assets. The basis of valuation is Tenanted Market Value (TMV). The cost of capital charge acts as a signal in the accounts, to reflect the cost of public sector capital tied up in HRA assets. The charge is made in full in the net cost of services section of the account but is reversed out within the net operating expenditure section and replaced with the HRA's contribution to interest costs calculated in accordance with the Item 8 Determination. It therefore has no impact on the amount of income to be generated to achieve a balanced budget.

### 14. Fixed Asset Depreciation

The sum of £2,184,860 (£2,460,324 in 2004/05) in respect of depreciation has been charged to the HRA in 2005/06 within net cost of services comprising:

	<b>2005/06</b> <b>£000</b>	<b>2004/05</b> <b>£000</b>
Operational Assets		
Dwellings	2,176	2,451
Other Land and Buildings	9	9
	<u>2,185</u>	<u>2,460</u>
Non-operational Assets	0	0
Total	<u>2,185</u>	<u>2,460</u>

The depreciation charge for Council Houses £2,175,980 (£2,451,198 in 2004/05) reflects the sum received for the Major Repairs Allowance within The Housing Revenue Account Subsidy and this has been taken as a reasonable measure of depreciation for council housing. A further £8,880 has been charged for depreciation on garages (£9,126 in 2004/05). There has been no material impairment.

Depreciation in excess of the MRA is adjusted in the appropriations section of the HRA by a transfer from the Major Repairs Reserve and therefore does not impact on rents or other HRA services.

### 15. FRS 17 Adjustment

The 2003 Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP) requires Retirement Benefits to be accounted for in accordance with the Financial Reporting Standard No. 17 (FRS17) from 1 April 2003.

The Council concludes that neither ring fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice. Accordingly, only the current service cost has been included within the HRA net cost of services and a transfer from the pension Reserve has been made to bring the bottom line pension cost borne by the HRA to the Pension Scheme payment for the year.

### 16. Sums Directed by the Secretary of State

Transitional arrangements applied in 2004/05 allowing unsubsidised "incentive area" costs to be charged to the Housing Revenue Account based on 2001/02 audited data. The arrangements continued in 2005/06 where up to 50% of the 2001/02 amount can be charged to the Housing Revenue Account. By 2006/07 all authorities are expected to have adjusted to the new arrangements and the transitional arrangements will no longer apply.

The housing subsidy calculation is shown on page 38.

## 17. Balances

The Housing Revenue Account balance may be analysed between earmarked and general elements. There is also a reserve earmarked for capital projects as detailed below, this was fully utilised in the year financing the HRA capital programme.

	2005/06 £000	2004/05 £000
General Reserve	300	716
Computer Modules	0	9
	<u>300</u>	<u>725</u>
HRA Capital Reserve	0	386
Total	<u><u>300</u></u>	<u><u>1,111</u></u>

## 18. Gross arrears

As part of the agreement for the transfer of the Housing stock the gross arrears (£574,314) for current and former tenants were purchased by North Norfolk Housing Trust for £270,000. Any remaining have been written off against the bad debt provision for the Housing Revenue Account.

## 19. Capital Expenditure and Financing

The following provides analysis on the capital expenditure incurred in the year in respect of the HRA along with the sources of financing.

	2005/06 £000	2004/05 £000
Housing Construction and Improvement	3,983	4,294
Financed by:		
Borrowing	0	889
Major Repairs Reserve	2,236	3,113
Capital Reserve	386	0
Capital Receipts	906	0
Contributions	134	0
Direct Revenue Financing	882	0
	<u>4,544</u>	<u>4,002</u>
Net Movement in Capital Creditors	<u>(561)</u>	<u>292</u>
Total Financing	<u><u>3,983</u></u>	<u><u>4,294</u></u>

## 20. Deferred Charge - Capital Grants

No grants were given to tenants under the Cash Incentive Scheme in 2005/06 (No grant was given in 2004/05). Such grants are shown as a deferred charge attributable to the HRA in the accounts.

## 21. Capital Receipts

The following capital receipts were received in the year from Right to Buy (RTB) after pooling. The net useable receipt in the year was £449,226. This does not include the receipt from LSVT, details of this are included on page 53.

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
RTB Sales	1,644	4,447
Discount Repaid	38	10
Repayments of grants and advances	6	8
Land Sales	0	95
Other	0	13
	<u>1,688</u>	<u>4,573</u>
 Total Usable Receipts Received in Year	 449	 1,302

## 22. Major Repairs Reserve

The Major Repairs Reserve reflects amounts received from the Government in the form of the Major Repairs Allowance and capital expenditure financed from the allowance.

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	60	722
 Transfer into Reserve	 2,185	 2,460
Transfer from Reserve to HRA	(9)	(9)
Financing of Capital expenditure	(2,236)	(3,113)
	<u>0</u>	<u>60</u>

**NOTIONAL HOUSING REVENUE ACCOUNT  
(HOUSING SUBSIDY)**

This is a purely notional account which is used by the Government in the calculation of the subsidy payment.

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
<b>INCOME</b>		
Notional Rental Income	(10,209)	(11,622)
Interest on Receipts	(1)	(2)
<b>Total Income</b>	<b>(10,210)</b>	<b>(11,624)</b>
<b>EXPENDITURE</b>		
Management Allowance	1,272	1,346
Maintenance Allowance	3,077	3,235
Major Repairs Allowance	2,176	2,451
Admissible Allowance	22	33
Charges for Capital	1,007	1,182
<b>Total Expenditure</b>	<b>7,554</b>	<b>8,247</b>
<b>Total Housing Element</b>	<b>(2,656)</b>	<b>(3,377)</b>
Rent Rebates	0	65
<b>Net Subsidy for Year</b>	<b>(2,656)</b>	<b>(3,312)</b>
Prior Year Final Claim	3	15
<b>Total Subsidy</b>	<b>(2,653)</b>	<b>(3,297)</b>

# **COLLECTION FUND**

**COLLECTION FUND**

	Notes	2005/06 £000	2004/05 £000
<b>INCOME</b>			
Council Tax Net of Benefits & Transitional relief		(44,144)	(42,791)
Transfers from General Fund	(2)		
Council Tax Benefits		(5,967)	(5,539)
Transitional Relief		<u>1</u>	<u>1</u>
Business Ratepayers	(3)	(16,577)	(17,043)
Contributions			
Adjustment to Previous Years' Community Charge		<u>(1)</u>	<u>(1)</u>
		<b><u>(66,688)</u></b>	<b><u>(65,373)</u></b>
<b>EXPENDITURE</b>			
Precepts & Demands	(4)	49,683	48,061
Business Rates			
Payment to National Pool		16,365	16,844
Costs of Collection		<u>212</u>	<u>199</u>
Bad & Doubtful Debts/Appeals			
Write Offs		40	36
Provisions		<u>55</u>	<u>(95)</u>
Contributions towards Previous Year Estimated Surplus	(4)	251	0
Surplus / (Deficit) for the Year		<u>82</u>	<u>328</u>
		<b><u>66,688</u></b>	<b><u>65,373</u></b>
<b>BALANCE</b>			
At start of year	(7)	395	67
Surplus / (Deficit) for year		<u>82</u>	<u>328</u>
At end of year		<b><u>477</u></b>	<b><u>395</u></b>

## NOTES TO THE COLLECTION FUND

### 1. General

This account reflects the statutory requirement for billing authorities, (those responsible for collecting the Council Tax) to maintain a separate Fund showing the transactions in relation to Business Rates, Council Tax and Community Charge. It illustrates the way in which these have been distributed to precepting councils and the General Fund. The Collection Fund is consolidated with the other accounts of the billing authority for Balance Sheet purposes.

### 2. Transfers from General Fund

Of the amount shown as transfers from General Fund, subsidy is received from the Department of Social Security for credit to General Fund, on account of benefit expenditure. The standard rate of subsidy is 100% but some benefit payments attract lower subsidy rates

The transitional relief credit is retained by the General Fund.

### 3. Business Ratepayers

Business rates are collected from the occupiers of such premises based upon a rateable value and a national rate in the £ of that rateable value. The total rateable value for the District was £49,149,767 on 31 March 2006 (£42,361,932 on 31 March 2005). The substantial increase in rateable value followed a revaluation effective from 1 April 2005. The Government fixed the rate at 42.2p in the £ for 2005/06 (45.6p in 2004/05). Transitional arrangements are in force which phase in increases and decreases in liability from the former rates base and the revaluation.

The Business Rates collected are paid to the Government who also collect, on a basis of a centrally maintained valuation list, from such occupiers as electricity, gas and water undertakings. The total received, in the National Pool, by the Government is redistributed on the basis of resident population. North Norfolk received £2,873,805 in the year (£2,692,468 in 2004/05). The payment to the National Pool is net of the cost of collection which is reimbursed by the Government.

### 4. Precepts and Demands

The authorities which made a precept or demand on the Collection Fund are;

	<b>Precept/ Demand £</b>	<b>Plus Collection Fund Surplus £</b>	<b>Net Payment 2005/06 £</b>	<b>Net Payment 2004/05 £</b>
North Norfolk District Council (including Parish precepts)	5,700,263	28,730	5,728,993	5,499,906
Norfolk County Council	38,175,200	193,470	38,368,670	37,036,459
Norfolk Police Authority	5,807,083	28,861	5,835,944	5,524,994
<b>Total</b>	<u>49,682,546</u>	<u>251,061</u>	<u>49,933,607</u>	<u>48,061,359</u>

**5. The Council Tax Base for 2005/06 is as follows:**

Valuation Band	Number of Chargeable Dwellings adjusted for Discounts		Equivalent Number of band D Dwellings		Adjusted Equivalent Number of Band D Dwellings	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
A	8,449	8,456	5,630	5,635	5,503	5,500
B	12,022	12,034	9,351	9,360	9,139	9,136
C	9,861	9,882	8,765	8,784	8,567	8,574
D	7,607	7,629	7,607	7,629	7,435	7,447
E	4,026	3,995	4,921	4,883	4,810	4,766
F	1,866	1,841	2,696	2,660	2,635	2,597
G	902	893	1,503	1,488	1,470	1,452
H	68	67	135	133	132	130
Contribution from Ministry of Defence	0	0	0	0	212	235
<b>Total Tax Base</b>	<b>44,801</b>	<b>44,797</b>	<b>40,608</b>	<b>40,572</b>	<b>39,903</b>	<b>39,837</b>

Therefore each £1 of Council Tax set was calculated to produce income of £39,903 (£39,837 in 2004/05).

**6. Band D Tax Rate**

This Council set a Council Tax of £1,220.67 for a band D dwelling, (£1,183.50 in 2004/05), which consisted of £956.70 (£929.70 in 2004/05) for Norfolk County Council, £145.53 (£138.69 in 2004/05) for the Norfolk Police Authority and £118.44 (£115.11 in 2004/05) for the District's requirements. Sums ranging from nil to £60.27 (nil to £51.68 in 2004/05) were the subject of additional charges for parish and town council requirements. The calculation of the Council Tax is based upon the adjusted equivalent number of band D dwellings in an area.

The adjustment to arrive at the Council Tax base is in respect of anticipated non-collection of a small percentage of the amounts due.

Discounts are given for empty and other properties, in respect of students, disabled people and single occupiers. Since 2004/05 the Council has implemented the provisions of the Local Government Act 2003 and exercised its discretionary powers to reduce or eliminate discounts on certain empty properties and second homes.

**7. Balances**

The balance on the fund represents a surplus from the community charge transactions and also from the council tax transactions. The former is used to reduce the District Council tax payers bills and the latter is shared with the Norfolk County Council and Norfolk Police Authority in the proportions of their and our Council Taxes.

# **CONSOLIDATED BALANCE SHEET**

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH

		2006		2005	
		£000	£000	£000	£000
<b>Fixed Assets</b>	Note				
Council Dwellings	(1,2)	1,300		34,669	
Other Land and Buildings		22,283		23,256	
Infrastructure		4,923		5,438	
Vehicles, Plant & Equipment		4,201		4,145	
Community Asset		196		196	
Non –Operational Property		<u>12,128</u>		<u>10,550</u>	
			45,031		78,254
Intangible Fixed Assets	(3)		262		264
Deferred Charges	(14)		0		0
Long Term Investments			0		0
Long Term Debtors	(6)				
Mortgages		9		15	
Others		<u>64</u>	<u>73</u>	<u>85</u>	<u>100</u>
<b>Total Long Term Assets</b>				45,366	78,618
<b>Current Assets</b>					
Stock & Work in Progress		207		99	
Debtors	(7)	4,902		6,233	
Short Term Investments	(9)	51,076		6,150	
Cash at Bank		<u>146</u>	56,331	<u>5</u>	12,487
<b>Current Liabilities</b>					
Creditors	(8)	(17,254)		(8,405)	
Loans Payable within 12 months	(10)	(6,000)		(6,000)	
Cash Overdrawn		<u>(1,458)</u>	<u>(24,712)</u>	<u>(1,131)</u>	<u>(15,536)</u>
Net Current Assets/(Liabilities)				31,619	(3,049)
<b>Liabilities</b>					
Long term Borrowing	(11)		(12,400)	(7,700)	
Deferred Capital Receipts			(5)	(11)	
Deferred Liabilities	(12)		(32)	(27)	
Pensions Scheme Liability	(24)		(16,700)	(17,200)	
Other Provisions			<u>0</u>	<u>0</u>	<u>(24,938)</u>
<b>Total Assets less Liabilities</b>				<u>47,848</u>	<u>50,631</u>
<b>Funds &amp; Reserves</b>					
Fixed Asset Restatement Account	(13)		(27,167)	8,345	
Capital Financing Account	(16)		40,456	37,836	
Government Grants – Deferred Account	(20)		16,620	16,001	
Deferred Premiums & Discounts	(15)		(294)	(384)	
General Fund Balance	(18)		1,000	965	
Housing Revenue Account Balance	(18)		300	725	
Useable Capital Receipts	(17)		31,389	1,012	
Pensions Reserve	(18)		(16,700)	(17,200)	
Major Repairs Reserve	(18)		0	60	
Earmarked Reserves	(18)		<u>2,244</u>	<u>3,271</u>	<u>50,631</u>
<b>Total Equity</b>				<u>47,848</u>	<u>50,631</u>

The Statement of Accounts presents fairly the financial position of authority at the accounting date and its income and expenditure for the Year ended 31 March 2006.

Dated : 2006

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. Movement On Fixed Assets

	Council Dwell- ings	Other Land & Buildin gs	Vehicles, Plant & Equip ment	Infras- tructure	Comm- unity Assets	Non- Operatio nal	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value at 1 April 2005	37,130	23,576	4,463	7,804	197	10,550	83,720
Movements in Year:							
Additions	3,983	65	148	48	0	1,561	5,805
Disposals	(35,830)	0	0	0	0	(1,946)	(37,776)
Revaluations	0	(292)	(40)	0	0	2,533	2,201
W/O to Revaluation Reserve	(3,983)	(65)		0	0	0	(4,048)
Impairments	0	0	0	0	0	(650)	(650)
Transfers	0	(416)	301	0	0	80	(35)
Gross Book Value at 31 March 2006	1,300	22,868	4,872	7,852	197	12,128	49,217
Depreciation and Impairment							
Depreciation B/fwd as at 1 April 2005	2,460	320	318	2,365	1	0	5,464
Depreciation in Year	2,185	385	383	564	0	0	3,517
Depreciation on Disposals	(4,645)	0	0	0	0	0	(4,645)
Revaluations	0	(85)	(30)	0	0	0	(115)
Transfers	0	(35)	0	0	0	0	(35)
Impairments	0	0	0	0	0	0	0
Depreciation at 31 March 2006	0	585	671	2,929	1	0	4,186
Net book value as at 31 March 2006	1,300	22,283	4,201	4,923	196	12,128	45,031
<b>Previous Year End figures – as at 31 March 2005</b>							
Gross Book Value	37,130	23,576	4,463	7,804	197	10,550	83,720
Depreciation	2,460	320	318	2,366	1	0	5,465
Net Book Value	34,670	23,256	4,145	5,438	196	10,550	78,255

### Movement on Fixed Assets 2005/06 (Analysis of Non Operational Assets)

	Non Operational Assets			Total
	Investment Properties	Assets Under Construction	Assets held for Disposal	
	£000	£000	£000	£000
Gross Book Value at 1 April 2005	4,068	4,475	2,007	10,550
Movements in Year:				
Additions	114	1,448	0	1,561
Disposals	(1,512)	0	(434)	(1,946)
Revaluations	1,664	0	869	2,533
Revaluation Reserve	0	0	0	0
Impairment	0	0	(650)	(650)
Transfers	(1,299)	(148)	1,527	80
Gross Book Value at 31 March 2006	3,034	5,775	3,319	12,128
Depreciation at 31 March 2006	0	0	0	0
Net book value as at 31 March 2006	3,034	5,775	3,319	12,128
Previous Year End figures – as at 31 March 2005				
Gross Book Value	4,068	4,475	2,007	10,550
Depreciation	0	0	0	0
Net Book Value	4,068	4,475	2,007	10,550

The Basis of valuation of the fixed assets is set out in the Statement of Accounting Policies.

All land and buildings were initially valued at 1 April 1994. These values are reviewed at 5-yearly intervals in a rolling programme, or sooner where there is a material change in value in any year. All non-housing properties were valued as at 31 March 2004 by the Council's own valuer at the time G E Kidd, Dip. Urb. Est. Man., FRICS., IRRV.

The majority of the 2005/06 revaluations were undertaken by the Council's own valuer, currently Mr D Selwyn (MRICS). The remaining valuations were undertaken by Mr Mark Catley (MRICS, FAAV) of The District Valuer, Rosebery Court, Central Avenue, Norwich and relate to former HRA assets which have now been appropriated to the general fund (non operational properties).

The Council received a positive ballot on 31 March 2005 to transfer its housing stock to a new Registered Social Landlord (RSL) through Large Scale Voluntary Transfer (LSVT). The transfer took place on the 13 of February 2006 to the North Norfolk Housing Trust (NNHT), hence the value of the Council's dwellings has been reduced to nil. The properties that did not transfer have been appropriated to General Fund. The balance included at 31 March 2005 reflects the indicative valuation at that date in respect of the council dwellings.

## 2. Rolling Programme of Revaluation

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

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infras- tructure</b>	<b>Comm- unity Assets</b>	<b>Non- Operational Properties</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Valued at historical cost			4,750	7,852	197	5,774	18,573
New certified GBV included in Balance Sheet:							
2005/06	(35,830)	(388)	122	0	0	279	(35,816)
2004/05	(240,962)	2,122	0	0	0	(516)	(239,357)
2003/04	278,092	21,134	0	0	0	6,591	305,817
2002/03	0	0	0	0	0	0	0
2001/02	0	0	0	0	0	0	0
	<b>1,300</b>	<b>22,868</b>	<b>4,872</b>	<b>7,852</b>	<b>197</b>	<b>12,128</b>	<b>49,217</b>

## 3. Intangible Fixed Assets

The following provides an analysis of the movement on the intangible fixed assets in the year.

	<b>2005/06 £000</b>	<b>2004/05 £000</b>
Balance at 1 April	264	0
Reclassification from Deferred Charges	0	154
Reclassification from assets under construction	0	9
Expenditure in the year	60	136
Written off to Revenue in the year	(62)	(35)
Balance at 31 March	<u>262</u>	<u>264</u>

#### 4. (a) Information on Assets Held

Fixed assets owned by the Council include the following:

	Number as at 31 March 2006	Number as at 31 March 2005
Council Housing		
Dwellings	12	4,693
Garages	0	673
Operational Land & Buildings		
Offices	4	4
Depots	1	1
Car Parks	30	30
Public Conveniences	38	43
Tourist Information Centre	2	2
Leisure Pool	2	2
Other	12	11
Infrastructure		
Protected Coastline	25km	25km
Community Assets (Number of sites)		
Parks and Open Spaces	48	48
Pier	1	1
Non-operational Assets (Number of sites)		
Commercial Property for rent	28	28
Land awaiting development	56	13
Strategic Land Holding Site	1	1

Other operational land and buildings includes blocks of beach chalets and industrial units.

The transfer of the Council's Housing stock to the North Norfolk Housing Trust took place on the 13 February 2006, hence the reduction in council dwellings and garages to 12. The properties remaining that did not transfer to the Trust have been appropriated to General Fund.

#### (b) The Council as Lessor

With regard to the authority's activity as a lessor, the gross value of assets held for use in operating leases was £7,617,710 at 31 March 2006 and subject to £461,590 depreciation to 31 March 2006.

## 5. Capital Expenditure and Financing

The following provides an analysis of the capital expenditure incurred in the year along with the sources of financing.

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Opening Capital Financing Requirement	16,337	15,294
Capital Investment		
Operational Assets	4,244	6,913
Non-operational Assets	1,561	3,129
Deferred Charges	1,967	2,242
Intangible Fixed Assets	60	137
Sources of Finance		
Capital Receipts	(1,432)	(705)
Government Grants and Contributions	(2,938)	(6,495)
Sums set aside from Revenue (includes Direct Revenue financing, MRP and voluntary set aside)	(4,415)	(4,178)
Closing Capital Finance Requirement	<u>15,384</u>	<u>16,337</u>
Explanations of Movement in Year		
Increase/(Decrease) in underlying need to borrow (supported by Government Financial Assistance)	1,008	943
Increase/(Decrease) in underlying need to borrow (Unsupported by Government Financial Assistance)	(1,961)	100
<b>Increase/(Decrease) in capital Financing Requirement</b>	<u><b>(953)</b></u>	<u><b>1,043</b></u>

## 6. Long Term Debtors

These are amounts due to the Council over a period of more than one year and are analysed as follows:

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Mortgages	<u>9</u>	<u>15</u>
Others:		
Car Loans to officers	62	83
Other Long Term Debtors	<u>2</u>	<u>2</u>
	64	85
Total	<u><u>73</u></u>	<u><u>100</u></u>

## 7. Debtors

The debtors represent amounts owed to the Council at the 31 March 2006 and are analysed below. The Council makes a provision for outstanding amounts for which recovery of debtors is not anticipated (bad debt provision). Debtors are shown net of the bad debt provision within the Balance Sheet.

	2005/06		2004/05	
	£000	£000	£000	£000
Debtors				
Government departments	1,161		324	
Tenants rent	135		540	
Payments in advance	225		204	
Collection Fund - Local Taxes	1,255		1,207	
Other debtors	<u>3,288</u>	6,064	<u>5,248</u>	7,523
Less Bad Debt Provision				
General Fund	(520)		(564)	
Housing Revenue Account	0		(145)	
Collection Fund	<u>(642)</u>		<u>(581)</u>	
		<u>(1,162)</u>		<u>(1,290)</u>
TOTAL		<u>4,902</u>		<u>6,233</u>

## 8. Creditors

Creditors represent the amounts owed by the Council at the 31 March 2006. The increase in the creditors for Government Departments represents an amount totalling £8,748,520 that was due to HM Revenue and Customs (HMRC) at the year end. This represents a payment made to the Council by HMRC in error in connection with the VAT shelter, this was repaid in April 2006.

	2005/06	2004/05
	£000	£000
Government departments	12,015	2,253
Receipts in Advance		
Tenants Rent	37	181
Collection Fund	925	753
Other Receipts	1,239	1,108
Other Creditors	<u>3,038</u>	<u>4,110</u>
TOTAL	<u>17,254</u>	<u>8,405</u>

## 9. Short Term Investments

	2005/06 £000	2004/05 £000
Temporary Investments		
Banks	18,076	650
Building Societies	25,000	5,500
Money Market Funds	4,000	0
Debt Management Office	4,000	0
TOTAL	<u>51,076</u>	<u>6,150</u>

Temporary Investments are valued as the amount of actual deposit with the individual institutions. Deposits were made for fixed periods of up to 1 year, into "Reserve Accounts" which can be instantly repaid, or into funds and accounts which require 7 days notice of repayment. The significant increase in investments was due to the investment of the capital receipt from the large scale voluntary transfer of the Council's Housing Stock.

## 10. Loans Maturing Within 12 Months

	2005/06 £000	2004/05 £000
Analysis of Loans by Type:		
Public Works Loan Board	6,000	3,500
Temporary Loans	0	2,500
TOTAL	<u>6,000</u>	<u>6,000</u>

## 11. Long Term Borrowing

	2005/06 £000	2004/05 £000
Analysis of Loans by Type		
Public Works Loan Board	<u>12,400</u>	<u>7,700</u>
	<u>12,400</u>	<u>7,700</u>
Analysis of Loans by Maturity		
Between 1 & 2 years	0	0
Between 2 & 5 years	0	0
Between 5 & 10 years	0	0
Over 10 years	12,400	7,700
TOTAL	<u>12,400</u>	<u>7,700</u>

These loans have since been repaid on 17 May 2006.

## 12. Deferred Liabilities

These represent the outstanding principal on finance leases.

### 13. Fixed Asset Restatement Account

This account shows changes in the revaluation of assets, expenditure in a year which does not increase the value of the Council's assets and reductions when assets are disposed of. The writing out of the Council Housing Stock in the year has resulted in a Negative balance on the account. This balance represents capital expenditure that was not financed prior to the new capital accounting regime and cash that has been spent on the assets.

	2005/06 £000	2004/05 £000
Balance brought forward	8,345	254,202
Revaluation during year	2,317	(236,221)
Impairment	(650)	0
Expenditure in Year resulting in no added Value	(4,048)	(4,379)
Less value of disposals in year	(33,131)	(5,257)
Balance carried forward	<u>(27,167)</u>	<u>8,345</u>

### 14. Deferred Charges

Deferred charges represent capital expenditure on items that do not result in the acquisition of a fixed asset for the Council. The Code of Practice requires that they are written off to revenue in the year that the expenditure is incurred, grants and other contributions received have reduced the impact to the Revenue Account.

	2005/06 £000	2004/05 £000
Balance brought forward	0	159
Reclassification as Intangible Fixed Asset	0	(154)
Deferred Charge expenditure:		
Improvement Grants	927	751
Social Housing Grant	430	569
Other	610	922
	<u>1,967</u>	<u>2,242</u>
Written down in year		
Improvement Grants	(927)	(751)
Social Housing Grant	(430)	(569)
Other	(610)	(927)
	<u>(1,967)</u>	<u>(2,247)</u>
Balance carried forward	<u>0</u>	<u>0</u>

### 15. Deferred Premiums and Discounts

This represents debt premium of £448,192 (£566,442 2004/05) which is to be written off to the Housing Revenue Account and discount of £154,035 (£183,375 2004/05) which is to be written back to the Housing Revenue Account, in accordance with the Accounting Policy on Debt Redemption.

## 16. Capital Financing Account

The capital financing account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the total amount provided for depreciation and the amount required to be charged to revenue to repay the principal element of external loans.

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	37,836	37,147
Minimum Revenue Provision (less depreciation)	(3,352)	(3,423)
Capital Financing:		
Capital Receipts	1,432	705
Revenue	2,014	983
Major Repairs Reserve	2,236	3,113
Grants & Contributions	1,092	903
Deferred Grants written down	1,227	690
Less		
Deferred charges written down	(1,967)	(2,248)
Intangible Fixed Asset Amortisation	(62)	(34)
Balance at 31 March	<u>40,456</u>	<u>37,836</u>

## 17. Capital Receipts

These represent the receipts from the sale of capital assets. The capital receipts in 2005/06 include the receipt from the sale of the Council Housing stock of £36,664,329 net of the levy (£2,864,450), pre ballot and set up costs (£2,447,551), leaving a net receipt of £31,352,328. The receipt of £36,664,329 reflects the condition of the housing stock at the point of transfer. Its calculation reflects a backlog of repairs of £49,991,542 which forms the basis of a development agreement between the Council and NNHT and will see the VAT element of £8,748,520 shared between them over a period of 10 years.

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Balance Brought Forward		
HRA	828	165
General Fund	184	231
Total	<u>1,012</u>	<u>396</u>
Net Receipts		
HRA	1,688	4,573
LSVT	31,352	0
General Fund	8	19
Total	<u>33,048</u>	<u>4,592</u>
Capital Receipts Pooled	(1,239)	(3,271)
Used for Financing Capital Expenditure	(1,432)	(705)
Balance carried forward:		
HRA	0	828
General Fund	31,389	184
	<u>31,389</u>	<u>1,012</u>

## 18. Reserves

The Reserves for the Housing Revenue Account are maintained separately from the General Fund and include the Housing Revenue Balance and the Major Repairs Reserve (MRR) which is used for capital purposes in relation to the HRA and Housing Revenue Balance. The Collection Fund reserve is held by the council. Part of this reserve is split between Norfolk County Council, Norfolk Police Authority and North Norfolk District Council. The balance in respect of Community Charge transactions can be taken into account when determining the level of Council Tax for North Norfolk. Other earmarked reserves are held for specific purposes.

	<b>Balance as at 01/04/05 £000</b>	<b>Transfers In / (Out) £000</b>	<b>Balance as at 31/03/06 £000</b>
General Fund Balance	965	35	1,000
Housing Revenue Account Balance	725	(425)	300
Major Repairs Reserve	60	(60)	0
Pensions Reserve	(17,200)	500	(16,700)
Other Earmarked Reserves:-			
Capital Projects	952	(539)	413
Collection Fund	395	82	477
Grassed Area Deposits	246	1	247
Other Revenue Earmarked Reserves:-			
Health and Safety	10	(10)	0
Sheringham Splash	83	11	94
Sports Hall Equipment	15	(6)	9
Leisure Management Facility	18	0	18
Best Value	16	(16)	0
Common Training	12	0	12
Local Plan	50	(50)	0
Local Strategic Partnership	36	(19)	17
Street Signage	7	0	7
A Day Out in North Norfolk	12	0	12
Estate Maintenance Agreements	12	0	12
Coast Protection/Flood Defence	56	(56)	0
Housing Needs Assessment	75	0	75
Environmental Health	0	10	10
Environmental Policy	0	41	41
LSVT Reserve	890	(490)	400
Organisational Development	0	400	400
HRA Capital Reserve	386	(386)	0
Total Revenue Earmarked Reserves	1678	(571)	1,107
<b>Total Earmarked Reserves</b>	<b>3,271</b>	<b>(1,027)</b>	<b>2,244</b>
<b>TOTAL</b>	<b>(12,179)</b>	<b>(977)</b>	<b>(13,156)</b>

## 19. Government Grants and Contributions

Government Grants totalling £1,410,337 (£3,464,971 2004/05) and Contributions totalling £1,527,635 (£3,029,939 in 2003/04) have been used to finance capital expenditure. Amounts not utilised have been included as receipts in advance.

## 20. Government Grants and Contributions Deferred

Capital financing from grants and contributions are written down over the life of the related asset in line with depreciation.

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Balance Brought Forward	16,001	11,099
Additions	1,846	5,592
Written down	<u>(1,227)</u>	<u>(690)</u>
Balance Carried Forward	<u>16,620</u>	<u>16,001</u>

## 21. Analysis Of Net Assets Employed

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
General Fund	46,883	22,024
Housing Revenue Account	<u>965</u>	<u>28,991</u>
TOTAL	<u>47,848</u>	<u>51,015</u>

The reduction in the HRA assets in the year reflects the change in the basis of valuation of Council Dwellings as a result of the impending LSVT (see note 1 also).

## 22. Contingent Liabilities

At the balance sheet date the following contingent liabilities have been recognised:

### Housing Stock Transfer

As part of the legal agreements associated with the transfer of the housing stock to the North Norfolk Housing Trust, the Council provided a number of environmental and non-environmental warranties, guarantees and indemnities to the Trust, its Lenders and the Norfolk Pension Fund.

The risks associated with these warranties and indemnities have been assessed following professional advice and where felt appropriate the Council has or is making arrangements to transfer some of the potential risks. Specifically, insurance is being arranged in respect of the environmental warranties and the Trust have provided a bond with an initial sum of £1.2 million in favour of the Council with regard to any liabilities to the Norfolk Pension Fund in the event of the insolvency, winding up and liquidation of the Trust. On 3 February 2006 the actuary's total value of the indemnity required to meet all risks was estimated at £2.23 million.

To the extent that claims have to be met some time in the future beyond those covered by the environmental warranty insurance and the pension bond, the Council recognises a contingent liability. The LSVT Reserve (£400,000 at 31 March 2006) has been earmarked for the meeting of any legitimate claims. In the period from transfer to 31 March 2006 the Council received no claims.

### Waste Recycling

A contingent liability of £42,000 has been recognised at 31 March 2006 relating to a claim by NEWS Limited in respect of their Materials Recycling Facility (MRF). In order to improve the efficiency and profitability of the plant, NEWS is withholding part of the profit share due to the Council from the operation of the MRF under the partnership arrangement. They wish to use this to make an investment in the infrastructure at the plant. A collective decision will be made by the Chief Executives of all the local authorities who are members of the recycling partnership arrangement with NEWS.

### 23. Committed Capital Expenditure

At 31 March 2006 there is £207,896 material items of contractually committed capital expenditure, for the Cromer seafront enhancement project (at 31 March 2005 there were two material items of contractually committed capital expenditure, Cromer Seafront Enhancement £1.4m and HRA door contractor £3.0m).

### 24. Retirement Benefits

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. The Council participates in the Local Government Pensions Scheme (the LGPS), which is a defined benefit statutory scheme, administered by Norfolk County Council. The latest formal valuation was 31 March 2004, with the next formal valuation due as at 31 March 2007.

Note 17 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme administered by Norfolk County Council.

At 31 March 2006, the Council has the following overall assets and liabilities for pensions that have been included in the Balance Sheet:

Net Pension Asset as at	<b>31 March 2006 £000</b>	<b>31 March 2005 £000</b>
Estimated Employer Assets (A)	41,400	35,300
Present Value of Scheme Liabilities	54,400	49,100
Present Value of Unfunded Liabilities	3,700	3,400
Total Value of Liabilities (B)	<u>58,100</u>	<u>52,500</u>
Net Pension Asset/(Liability) (A) – (B)	<u>(16,700)</u>	<u>(17,200)</u>

Liabilities have been assessed on an actuarial basis using the projected unit method of valuation. The main assumptions used in the calculations are:

Assumptions as at	<b>31 March 2006 % per annum</b>	<b>31 March 2005 % per annum</b>
Price Increases	3.1%	2.9%
Salary Increases	4.6%	4.4%
Pension Increases	3.1%	2.9%
Discount Rate	4.9%	5.4%

Assets in the County Council Pension Fund consist of the following:

Assets (Whole Fund)	Long Term Return 31 March 2006 % per annum	Long Term Return 31 March 2005 % per annum	Fund value at 31 March 2006		Fund Value at 31 March 2005		NNDC Share of Assets at 31 March 2006 £000
	£000	%	£000	%			
Equities	7.4%	7.7%	1,223,448	71.2	908,350	69.2	29,500
Bonds	4.6%	4.8%	244,936	14.2	211,536	16.1	5,900
Property	5.5%	5.7%	209,106	12.2	146,347	11.2	5,000
Cash	4.6%	4.8%	40,882	2.4	46,360	3.5	1,000
<b>Total</b>	<b>6.7%</b>	<b>6.9%</b>	<b>1,718,372</b>	<b>100.0</b>	<b>1,312,593</b>	<b>100.0</b>	<b>41,400</b>

The above figures have been provided by the actuaries to the Norfolk County Fund using information provided by the scheme and assumptions determined by the Council

in conjunction with the actuary. The 31 March 2006 figures provided in the table above are estimated by the actuary and will be replaced by actuals in the 2006/07 accounts. The values at 31 March 2005 are those reported in the 2004/05 Financial Statements as the estimated figures provided by the actuary have now been confirmed.

The movement in the net pension liability for the year to 31 March 2006 is as follows:

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Net Pension Liability at 1 April	(17,200)	(9,089)
Movements in the year:		
Current service costs	(1,310)	(1,190)
Employers' contributions payable to scheme	1,320	1,140
Retirement benefits payable to pensioners	230	310
Past service costs	(270)	(1,430)
Impact of Settlements and Curtailments	0	(130)
Net Expected return on assets in the scheme	(400)	(100)
Actuarial gains/(losses)	930	(6,711)
Net Pensions liability at 31 March	<u>(16,700)</u>	<u>(17,200)</u>

Note 6 to the Statement of total Movements in Reserves provides a detailed analysis of the actuarial gain in the year.

The primary causes of the change from an estimated net liability of £17,200,000 at 31 March 2005 to an estimated net liability of £16,700,000 at 31 March 2006 are firstly the good asset returns relative to the movement in liabilities and second the effect of the transfer of assets and liabilities to the North Norfolk Housing Trust. The £16,700,000 net liability represents the difference between the value of the Authority's pension fund and assets at 31 March 2006 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2006 would also have an impact on the capital value of the pension fund assets.

The actuary has calculated the value of assets by estimating the return on the fund for the year to 31 March 2006 to be 24.7%, this was based on actual fund returns of 20.8% for the period 1 April 2005 to 31 January 2006 and index returns for the period from 31 January 2006 to 31 March 2006. The actual fund return for the year to 31 March 2006 was 28.4%, and the total fund value including all employers as at 31 March 2006 was £1,736,327,000. This total includes the assets attributable to North Norfolk District Council.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently, the valuation of the Council's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change in the pension scheme.

**25. Contingent Asset**

In accordance with FRS12 "Provisions, Contingent Liabilities and Contingent Assets" the Council recognizes the following contingent assets

- the Council sold 3 dwellings under Rent to Mortgage terms. The Council's share of the property can be purchased at any time, but must be paid if the dwelling is subsequently sold or in the event of death of the purchaser.
- VAT Sharing Agreement - As part of the transfer of the housing stock, the council has entered into a VAT sharing agreement with NNHT. Under this agreement the Council should receive a 50% share of £8,748,520 over the next 10 years. No amounts were received in the year.
- The Council may have a contingent asset at the balance sheet date of approximately £1.2 million. This is in respect of VAT that has been collected from off street car parking charges over the past 7 years that may be refunded to the Council pending the outcome of the legal case against HM Revenues and Customs by the Isle of Wight Council.

**26. Deferred Credits**

Deferred Credits represent capital income that is still to be received following sales of assets and will be received over a period of time. Under the Preserved Right to Buy (PRTB) sharing agreement that was included within the housing stock transfer the Council will receive a share of the PRTB receipts. There were no amounts due at 31 March 2006.

**27. Discontinued Operations**

The Council transferred its housing stock to NNHT on 13 February 2006. A number of outstanding transactions are included within the figures reported on the balance sheet, the most significant are within Note 8 – Creditors and include the following:

- £8,748,520 due to HMRC in relation to the VAT sharing agreement;
- £2,864,450 due to DCLG for the LSVT levy;
- £207,500 due in relation to environmental warranties;
- £151,846 is due to DCLG in respect of outstanding Housing Revenue Account Subsidy.

**STATEMENT OF  
TOTAL MOVEMENTS  
IN RESERVES**

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	2005/06 £000	2004/05 £000
Surplus/(deficit) for the year:		
General Fund	35	(213)
Housing Revenue Account	(425)	86
add back movements on revenue reserves	(701)	(1,289)
add appropriations (to) and from revenue	(386)	315
deduct appropriation from pensions reserve	(430)	(1,400)
Actuarial gains & losses relating to pensions (note 6)	930	(6,711)
<b>Total increase/(decrease) in revenue resources (note 1)</b>	<b>(977)</b>	<b>(9,212)</b>
Increase/(decrease) in usable capital receipts	30,377	616
Increase/(decrease) in unapplied capital grants and contributions	0	0
<b>Total Increase/(decrease) in realised capital resources (note 2)</b>	<b>30,377</b>	<b>616</b>
Gains/(losses) on revaluation of fixed assets	(1,731)	(240,600)
Impairment losses on fixed assets due to general changes in prices	(650)	0
<b>Total increase/(decrease) in unrealised value of fixed assets (note 3)</b>	<b>(2,381)</b>	<b>(240,600)</b>
<b>Value of assets sold, disposed of or decommissioned (note 4)</b>	<b>(33,131)</b>	<b>(5,257)</b>
Capital receipts set aside	1,432	705
Revenue resources set aside	1,188	(16)
Movement on Government Grants Deferred	619	4,902
<b>Total increase/(decrease) in amounts set aside to finance capital investment (note 5)</b>	<b>3,239</b>	<b>5,591</b>
<b>Total recognised gains and (losses)</b>	<b>(2,873)</b>	<b>(248,862)</b>

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

### 1. Movements in Revenue Resources

	General Fund Balances £000	HRA Balances £000	Earmarked Revenue Reserves £000	Pensions Reserve £000	Total £000
Surplus/ (deficit) for 2005/06	35	(425)	0	0	(390)
Appropriations (to)/from revenue	0	(386)	(701)	(430)	(1,517)
Actuarial gains and (losses) relating to pensions	0	0	0	930	930
	35	(811)	(701)	500	(977)
<b>Balance brought forward at 1 April 2005</b>	<b>965</b>	<b>1,111</b>	<b>2,945</b>	<b>(17,200)</b>	<b>(12,179)</b>
<b>Balance carried forward at 31 March 2006</b>	<b>1,000</b>	<b>300</b>	<b>2,244</b>	<b>(16,700)</b>	<b>(13,156)</b>

Earmarked reserves are held where there is a need to fund future one-off projects or as a contingency to meet a future liability. The pensions reserve represents the fund established to meet pension liabilities and a negative figure means that the fund is in deficit.

### 2. Movements in realised capital resources

	2005/06 Usable Capital Receipts £000	2004/05 Usable Capital Receipts £000
Amounts receivable in 2005/06	31,809	1,321
Amounts applied to finance new capital investment in 2005/06	(1,432)	(705)
<b>Total Increase /(decrease) in realised capital resources in 2005/06</b>	<b>30,377</b>	<b>616</b>
<b>Balance brought forward at 1 April</b>	<b>1,012</b>	<b>396</b>
<b>Balance carried forward at 31 March</b>	<b>31,389</b>	<b>1,012</b>

The usable capital receipt balance at 31 March 2006 is available to finance spend within the 2006/07 capital programme and the repayment of debt.

### 3. Movements in unrealised value of fixed assets

	<b>2005/06 Fixed Asset Restatement Account £000</b>	<b>2004/05 Fixed Asset Restatement Account £000</b>
Gains/(losses) on revaluation of fixed assets in 2005/06	(1,731)	(240,600)
Impairment losses on fixed assets due to general changes in prices in 2005/06	(650)	0
Total increase/(decrease) in unrealised capital resources in 2005/06	<u>(2,381)</u>	<u>(240,600)</u>

### 4. Value of assets sold, disposed of or decommissioned

Amounts written off fixed asset balances for disposals in 2005/06	(33,131)	(5,257)
Total movement in reserve in 2005/06	<u>(35,512)</u>	<u>(245,857)</u>
Balance brought forward at 1 April	8,345	254,202
Balance Carried forward at 31 March	<u>(27,167)</u>	<u>8,345</u>

The Fixed Asset Restatement Account shows changes in the revaluation of assets, expenditure in a year which does not increase the value of the Council's assets and reductions when assets are disposed.

## 5. Movements in amounts set aside to finance capital investment

	2005/06 Capital Financing Account £000	2005/06 Government Grants Deferred £000	2005/06 Total £000	2004/05 Total £000
Capital receipts set aside in 2005/06				
Reserved receipts	0	0	0	0
Usable receipts applied	1,432	0	1,432	705
<b>Total capital receipts set aside in 2005/06</b>	<b>1,432</b>	<b>0</b>	<b>1,432</b>	<b>705</b>
Revenue resources set aside in 2005/06				
Capital expenditure financed from revenue	2,014	0	2,014	983
Reconciling amount for provisions for loan repayment	(826)	0	(826)	(999)
<b>Total revenue resources set aside in 2005/06</b>	<b>1,188</b>	<b>0</b>	<b>1,188</b>	<b>(16)</b>
Grants applied to capital investment in 2005/06	0	1,846	1,846	5,592
Amounts credited to the asset management revenue account in 2005/06	0	(1,227)	(1,227)	(690)
Movements on Government Grants Deferred	0	619	619	4,902
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>	<b>0</b>	<b>0</b>	<b>3,239</b>	<b>5,591</b>
<b>Total movements in reserve in 2005/06</b>	<b>2,620</b>	<b>619</b>	<b>3,239</b>	<b>5,591</b>
<b>Balance brought forward at 1 April</b>	<b>37,836</b>	<b>16,001</b>	<b>53,837</b>	<b>48,246</b>
<b>Balance carried forward at 31 March</b>	<b>40,456</b>	<b>16,620</b>	<b>57,076</b>	<b>53,837</b>

The capital financing account contains capital receipts that have been set-aside as well as those applied, revenue contributions used to finance capital and revenue contributions to loan repayments that have been set-aside in the year.

The government grants deferred account is the balance of grants applied to the financing of fixed assets, awaiting write down to the asset management revenue account to match depreciation on the relevant assets.

## 6. Movements on Pensions Reserve

The actuarial losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006.

	2005/06		2004/05		2003/04		2002/03	
	£000	%	£000	£000	%	%	£000	%
Difference between the expected and actual return on assets	6,230	15.0	1,360	6,230	15.0	3.8	(8,122)	(30.7)
Differences between actuarial assumptions about liabilities and actual experience	560	1.0	(1,340)	560	1.0	(2.6)	17	(0.0)
Changes in the demographic and financial assumptions used to estimate liabilities	(5,860)	1.6	(6,731)	(5,860)	1.6	12.8	0	0
<b>Net Difference (expressed as a percentage of the present value of liabilities.)</b>	<b>930</b>	<b>1.6</b>	<b>(6,711)</b>	<b>930</b>	<b>1.6</b>	<b>(12.8)</b>	<b>(8,105)</b>	<b>(22.1)</b>

The above figures have been provided by the actuaries to the Norfolk County Council Pension Fund using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

# **CASH FLOW STATEMENT**







## **Independent Auditor's Report to the Members of North Norfolk District Council**

### **Opinion on the financial statements**

I have audited the financial statements of North Norfolk District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to North Norfolk District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission

### **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read 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. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my 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. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In my/our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Andy Perrin

Audit Commission

1st Floor, Sheffield House

Lytton Way off Gates Way

Stevenage, Herts,

SG1 3HB

September 2006

Readers of the accounts should please note that the formal audit report was signed on 29 September 2006, and will be posted on the website shortly.

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

### **Authority's responsibilities**

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

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's responsibilities**

I am 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 me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in September 2005, in all significant respects, North Norfolk District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006 except for

- the failure to put in place arrangements to maintain a sound system of internal control; and
- the failure to put in place arrangements for the management of its asset base.

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### **Best Value Performance Plan**

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 15 December 2005. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

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

Andy Perrin

Audit Commission

1st Floor, Sheffield House

Lytton Way off Gates Way

Stevenage, Herts,

SG1 3HB

September 2006

Readers of the accounts should please note that the formal audit report was signed on 29 September 2006, and will be posted on the website shortly.

## **GLOSSARY OF TERMS**

### **Amortisation**

The process of spreading a cost to revenue over a number of years. For example Intangible Assets are amortised to revenue over their useful life.

### **Assets**

Representing, as fixed assets, the value of what the Council owns in terms of property, land etc. and what is owed to the Council in respect of debt.

### **Bad Debts**

Amounts owed to the Council which are considered unlikely to be recovered. An allowance is made in the accounts for this possibility.

### **Balance Sheet**

The Council's financial position at the year end. It summarises what the respective assets and liabilities are.

### **Business Rates**

Or National Non-Domestic Rates, are collected from occupiers of business properties based upon a rateable value and a nationally set rate. The money collected is paid to the Government who redistributes it to Councils based on population.

### **Capital Expenditure**

Spending on the purchase or enhancement of significant assets which have an expected life of over a year - for example major improvements to council housing or construction of a car park.

### **Capital Receipts**

Money from the sale of assets, such as Council houses. These are split into what can be used to pay for future capital spending (25% for Council house sales) and the balance is paid to Central Government that came into force from April 2004.

### **Collection Fund**

The account which contains all the transactions relating to Community Charge, Council Tax and Business Rates together with the payments to this Council, Norfolk County Council and Norfolk Police Authority to meet their requirements.

### **Commutation**

The discharge of a recurring liability by payment of a one off capital sum. This occurred in 1992 when Office of the Deputy Prime Minister commuted their annual improvement grant subsidy. Adjustments continue to be made for grants repaid.

### **Contingent Assets**

A Contingent Assets is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control.

### **Contingent Liabilities**

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

### **Creditors**

Amounts which the Council owes to others for goods and services received before the year end of 31 March but which were not paid until after 1 April.

### **Debtors**

Sums which at 31 March are owing to the Council.

### **Deferred Capital Receipts**

Representing the amounts that are not available as cash. They arise from Council house sales on mortgage to the Council, and where repayments of principal sums due are received over a number of years.

### **Deferred Charges**

Capital expenditure that does not result in the creation of a Council owned tangible fixed asset (for example, grants in respect of improvements to private houses) is treated as a deferred charge.

### **Department for Communities and Local Government (DCLG)**

Government department that replaced the Office of the Deputy Prime Minister (ODPM) in 2006.

### **Depreciation**

A measure of wearing out, consumption or other reduction in the useful life of a fixed asset.

### **Financial Reporting Standard 17 (FRS 17)**

The requirement for Local Authority's to include the forecast cost of future pensions in the accounts on a notional basis.

### **Housing Investment Programme (HIP)**

An annual detailed submission to the Department for Communities and local Government (DCLG) by Housing authorities, to enable the DCLG to assess housing needs.

### **Impairment**

Reduction in the value of a fixed asset below its amount included in the Balance Sheet.

## **Intangible Assets**

Intangible Assets are non financial fixed assets that do not have a physical substance and include for example software licences.

## **Large Scale Voluntary Transfer (LSVT)**

The process of transferring Council House stock from a local Authority to a Registered Social Landlord. North Norfolk District Council transferred its housing stock to North Norfolk Housing Trust in February 2006.

## **Leasing**

A method of acquiring items such as vehicles and computer equipment by payment of a lease charge over a period of years. There are two types of lease.

- A finance lease is where the Council effectively pays for the cost of an asset (it counts as capital expenditure for control purposes and is included on our Balance Sheet).  
A primary lease period is that period for which the lease is originally taken out and a secondary period relates to any extension.
- An operating lease (a long-term hire) is subject to strict criteria and the cost can be charged as a running expense. The item leased must be worth at least 10% of its original value at the end of the lease and does not appear on the Balance Sheet.

## **Liabilities**

This shows what the Council owes for borrowing, creditors etc. at the Balance Sheet date.

## **Minimum Revenue Provision**

The minimum amount which must be charged to the revenue account each year and set aside as a provision to meet the rest of credit liabilities for example borrowing

## **Precepts**

The amount which the Norfolk County Council and Norfolk Police Authority require us to collect, as part of the Council Tax, to pay for their services is called a precept. Town and Parish Councils also precept on the District Council to pay for their expenses.

## **Preserved Right to Buy Receipts (PRTB)**

Preserved Right to Buy Receipts arise following a housing stock transfer where the local Authority and the Registered Social Landlord entered into a sharing agreement whereby the proceeds from Preserved Right to Buy sales are split between them.

## **Prudential Code**

Professional code of practice developed by CIPFA which came into effect from the 1 April 2004 to ensure Local Authorities Capital investment plans are affordable, prudent and sustainable.

## **Public Works Loans Board (PWLB)**

An independent statutory body which lends to Local Authorities requiring loans for capital purposes.

**Reserves**

Accumulated balances built up from excess of income over expenditure or sums that have been specifically identified for a particular purpose.

**Revenue Expenditure**

The day to day running expenses on the services provided.

**Revenue Income**

Amounts receivable for such items as rents and charges for services and facilities.

**Supported Capital Expenditure**

The amount of capital expenditure for which the Authority receives support for the associated debt costs through the Revenue Support Grant.

**Temporary Loans**

Money borrowed on a short-term basis as part of the overall borrowing strategy.

**VAT Shelter**

A procedure agreed by the DCLG and HM Revenues and Customs to ensure that following a housing stock transfer there is no impact on taxation. Had the Council retained the housing stock and carried out the necessary works on the properties the VAT would have been reclaimed by the Council, however the Housing Trust are unable to recover the VAT and the VAT shelter arrangement allows the VAT to be recovered and shared between the Council and NNHT.