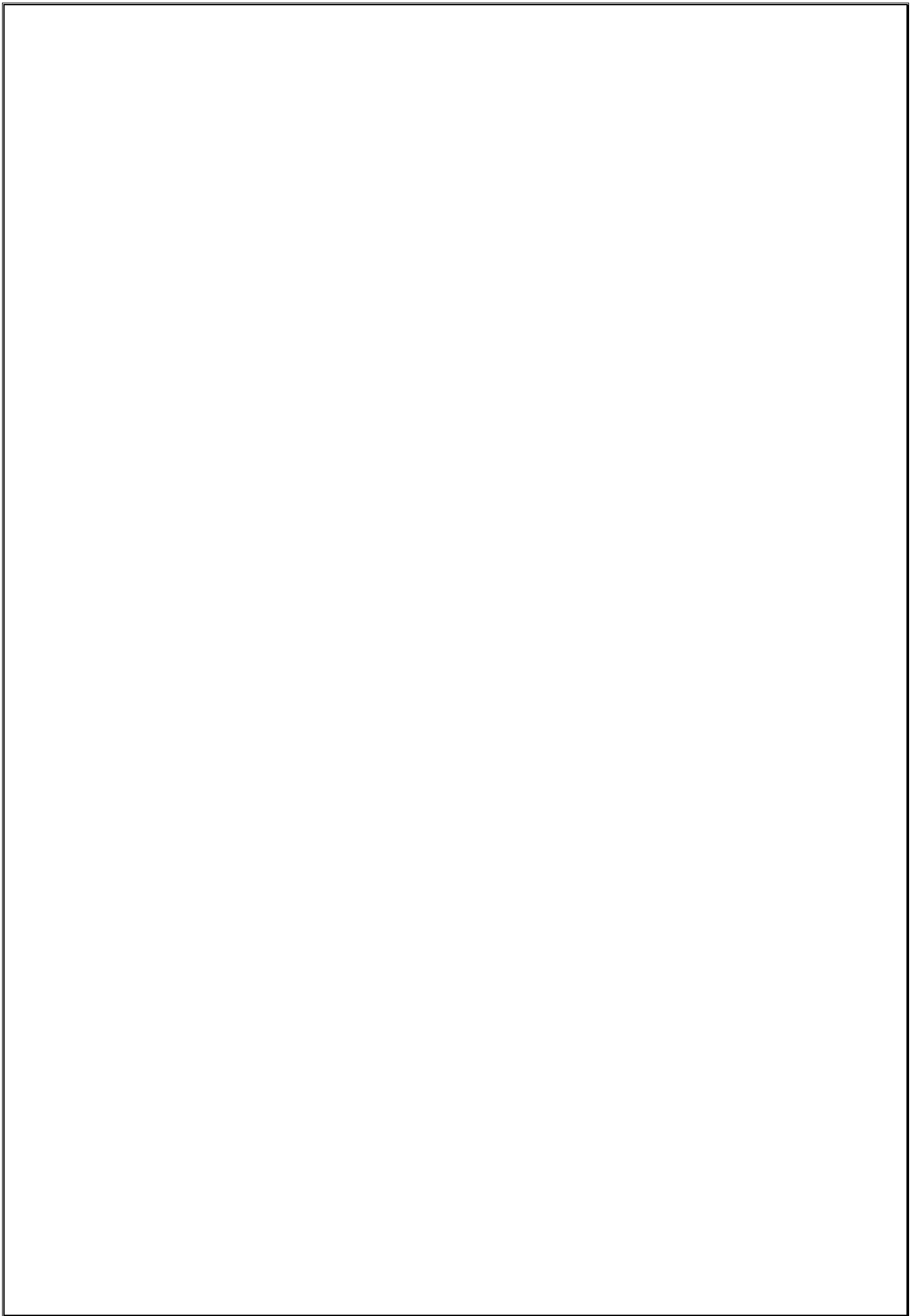


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EXPLANATORY FOREWORD

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 2007 are set out on pages 19 to 62. A glossary of terms used within the accounts is provided at pages 67 to 70.

The Council's Accounts consist of:

- A Statement of Responsibilities – this sets out the responsibilities of the authority and the Chief Financial Officer for the accounts.
- A Statement of Accounting Policies – which explain the basis for the measurement, recognition and disclosure of transactions within the accounts.
- A Statement of Internal Control (SIC) – which reviews the Council's effectiveness of its system of internal control.
- The accounting statements include the following :-

i) The Core Financial Statements:

- Income and Expenditure Account – shows a summary of the resources generated and consumed by the Council in the year.
- Statement of the Movement on the General Fund Balance (SMGFB) – gives a reconciliation showing how the balance of resources generated or consumed in the year (i.e. from the Income and Expenditure Account) links in with statutory requirements for raising Council Tax.
- Statement of Total Recognised Gains and Losses (STRGL) – demonstrates how the movement in the net worth in the Balance Sheet is identified in the Income and Expenditure Account Surplus/Deficit and in other unrealised gains and losses.
- Balance Sheet – which sets out the financial position at the year-end, showing its balances, resources and long-term indebtedness, the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
- Cash Flow Statement – which summarises all inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

ii) The Housing Revenue Account - Income and Expenditure Account - this provides a separate analysis of income and expenditure on Council Housing.

iii) The Collection Fund which shows the collection and disbursement of the council tax and non domestic rates.

These accounts are supported by the "Statement of Responsibilities for the Statement of Accounts" and the "Statement of Accounting Policies" which follow this foreword. The Financial Statements are supported 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 outturn results with the approved budget and explains the changes in reserves.

2. Substantive Changes introduced in the 2006/07 Accounts

The 2006/07 Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006, A Statement of Recommended Practice (the 2006 SORP). The 2006 SORP introduced a number of substantive changes to the way in which the Accounts are prepared and presented, including:

- (i) The removal of the requirement to make a capital financing charge.
- (ii) Changes to the single entity statement of accounts comprising the replacement of the Consolidated Revenue Account and Statement of Total Movement on Reserves with an Income and Expenditure Account, Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses (STRGL).
- (iii) Changes to the format of the Housing Revenue Account (HRA) to bring it in line with the new single entity format. The Housing Revenue Account now comprises:
 - HRA Income and Expenditure Account
 - Statement of Movement on the Housing Revenue Account Balance.
- (iv) A requirement to group the 'core' single entity Financial Statements together (i.e. Income and Expenditure Account, Statement of Movement in the General Fund Balance, STRGL, Balance Sheet and Cash Flow Statement) followed by the notes to the core statements, followed by the 'supplementary' statements (e.g. HRA and Collection Fund).

The main reasons for the changes are to enable Local Authority accounts to move towards UK Generally Accepted Accounting Practices (UK GAAP). Generally companies within the UK will prepare their Financial Statements in accordance with UK GAAP. The impact of the removal of the requirement to make a capital financing charge (i) above, has meant that previous years comparisons have been restated. Further details are provided throughout these statements.

3. 2006/07 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, compares with the approved budget for 2006/07.

	Original Budget £000	Actual £000	Variance £000
Net Expenditure on Services	13,985	13,350	(635)
Capital Charges	3,588	2,319	(1,269)
	<u>17,573</u>	<u>15,669</u>	<u>(1,904)</u>
Parish Precepts	1,049	1,049	0
	<u>18,622</u>	<u>16,718</u>	<u>(1,904)</u>
Less Non Service Expenditure:			
Interest on Balances	(1,616)	(2,050)	(434)
Net Contributions from funds etc	(2,795)	(853)	1,942
Council Tax	(5,997)	(5,997)	0
External Support (RSG etc.)	(8,218)	(8,221)	(3)
Net (Surplus)/Deficit for year	<u>(4)</u>	<u>(403)</u>	<u>(399)</u>
Balance Brought Forward	(1,000)	(1,000)	0
Balance Carried Forward	<u>(1,004)</u>	<u>(1,403)</u>	<u>(399)</u>

The most significant variances in the year include:

- (i) An additional allocation of Local Authority Business Growth Incentive (LABGI) Grant totalling £251,133.
- (ii) Stalham Sports Hall was closed for three weeks during the year, this along with coaching and outreach work that wasn't undertaken led to a shortfall in income of £33,496.
- (iii) Business rates in relation to properties on the Cromer Pier were recharged during the year and building repair and maintenance works not undertaken resulted in an underspend of £27,128.
- (iv) Additional payments totalling £29,892 were made to the bus operators to reimburse their costs for the statutory concessionary fares scheme.
- (v) Additional income from recycling credits was received in the year, this was due to higher volumes of material recycled. This contributed to an underspend of £56,795 on the Waste Collection and Disposal service.
- (vi) Delays in starting the Graphical Information System (GIS) project meant that professional fees were not incurred in the year as anticipated. Also additional income was generated from external works recharged to the North Norfolk Housing Trust. These factors contributed to an underspend on the ICT service of £61,619.
- (vii) Adjustments in respect of the 2005/06 housing benefit subsidy claim totalling £66,609 were made in the year resulting in more income.

(b) Housing Revenue Account

Following the transfer of the majority of the Council Housing stock to North Norfolk Housing Trust (NNHT) in 2005/06 the Council retained a Housing Revenue Account (HRA) for 2006/07. On 13 February 2007 the Department for Communities and Local Government (DCLG) gave consent to NNDC for all remaining properties retained to be transferred to the General Fund from 1 April 2006. Subsequently on 27 March 2007, consent was given for the HRA to be closed from 1 April 2007. The only transactions performed in the HRA during 2006/07 were either in relation to housing subsidy or where estimated accruals made in 2005/06 did not exactly match the actual payments.

4. Treasury

Following the Large Scale Voluntary Transfer of the Council's housing stock in February 2006, a decision was taken to repay the Council's long term debt. The total debt portfolio of £18.4million was repaid on the 17 May 2006. This action improves the Council's treasury management position and achieves a significant reduction in treasury risk.

5. Retirement Benefits Disclosure

Financial Reporting Standards 17 (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 2007 are on pages 45 to 47 and show a Net Pension Liability of £12,600,000 as at 31 March 2007 (£16,700,000 at 31 March 2006).

6. Capital

Capital expenditure in 2006/07 amounted to £2,984,165 and was incurred against the following areas:

	Original Budget £000	Revised Budget £000	Actual £000
General Fund Housing Services	2,155	2,270	1,856
Coast Protection	0	0	126
Other Services	1,549	1,445	1,002
	<u>3,704</u>	<u>3,715</u>	<u>2,984</u>

Expenditure on the Coast Protection programme of £126,376 was mainly in respect of a preliminary study for the Cromer Coast Protection Scheme and has been funded by a grant from the Department for Environment, Food and Rural Affairs (DEFRA).

The major areas of capital expenditure on the General Fund Services in the year were the continuation of IEG works (£177,251), the Cromer Seafront Project (£143,092) and the Cromer Building Repair Grants (£117,378).

Assistance continued to Housing Associations totalling £428,000 in the year to enable provision of additional social housing. Grants to individuals for improvement to private properties totalled £1,401,913 with £293,000 of this sum being received by way of government grant in respect of disabled facilities grants and £462,581 in respect of improvement grants.

In the year £1,380,924 of the Council's own resources, including capital receipts and reserves, have been used to finance the capital programme. The balance relates to external sources of finance for example other contributions and grants.

7. 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 regeneration projects and information technology, the programme is reviewed having regard to continuing and committed projects for which resources have been identified. An updated Capital Strategy was produced in October 2006.

8. Reserves

The Council has a policy to maintain General Fund balances above a minimum of £1 million and at 31 March 2007 the General Fund balance stood at £1,402,586. 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 41.

9. Borrowing Facilities

During the year, the Council has repaid all of its long-term borrowing and was debt free at 31 March 2007. There are no plans to undertake any new long-term borrowing, requirements for cash flow purposes will be met by borrowing on the London Money Market.

10. Prudential Code

The Prudential Code came into operation on the 1 April 2004 and allows local authorities to finance capital expenditure from borrowing which does not receive financial support from central government. The objectives of the code are to ensure that local authority investment plans are affordable, prudent and sustainable. In 2006/07 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 2007 and its income and expenditure for the year.

Dated: 2007.

S J Oxtoby BSc CPFA

I confirm that these accounts were approved by the Council at the meeting held on 26 June 2007.

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 2006: A Statement of Recommended Practice" (SORP 2006), 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 2007 have been prepared with provision made for amounts owed by the Council for goods and services supplied (creditors) 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 2007 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 assets 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 (EUV)
- 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 (less than 20 years to run) a valuation is not appropriate.

Disposals – The gain or loss on disposal of a fixed asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. The entries will be to debit cash/debtors and to credit the Income and Expenditure Account with the disposal proceeds and credit the fixed asset account and debit the Income and Expenditure Account with the carrying value of the fixed asset.

To comply with proper practices the gain or loss to the Income and Expenditure Account is reversed out within the Statement of Movements on the General Fund Balance.

Prior to 2006/07, authorities were able to treat separately the two principle accounting considerations in relation to disposals, these being the credit of the sale proceeds and removing the asset from the accounts. However for 2006/07 authorities are now required to combine the effects of these two elements and take gains or losses on the disposal of assets to the new Income and Expenditure account.

However, the sale proceeds for a given asset disposal will normally provide the best evidence of actual value, making previous valuations redundant, and in these circumstances the asset in question is revalued at the time of disposal, resulting in no gain or loss. Gains will only arise in the rare circumstances where an authority sells an asset for more than it is worth, with losses occurring where an asset has either been decommissioned, demolished or sold for less than market value.

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:

	Useful Life (Years)	Depreciation Basis
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 was previously 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

Deferred Charges relate to expenditure which does not result in the creation of an asset. Deferred Charges are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Council. If the expenditure does not result in the acquisition of an asset by the Authority, for example improvement grants, 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. Where the Council does control the economic benefits arising from the expenditure and can recognise an asset in the balance sheet it is not recognised as a Deferred Charge but as the asset it is, for example software licences are included as intangible assets.

The heading of Deferred Charges is used as a memorandum account during the year to maintain details of expenditure which can be treated as capital for financing purposes, 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 2006 and SSAP 21, the rentals payable are charged directly to the Income and Expenditure 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 in the year.

Where the Council acts as lessor, rents receivable in respect of operating leases are credited to the Income and Expenditure 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 chargeable on the capital value of assets used by the service in line with the accounting policy

9. Capital Receipts

Capital receipts arise from the sale of assets, such as council land and buildings. Under the VAT Shelter Arrangement and Preserved Right to Buy (PRTB) sharing agreement with North Norfolk Housing Trust (NNHT) the Council receives a share of the VAT recovered by NNHT and a proportion of the proceeds from PRTB sales. Both of these receipts represent capital receipts. Income from the sale of fixed assets is credited to the useable capital receipts reserve and accounted for on an accruals basis. In 2005/06 Pooling arrangements required 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 Buy sales 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. These credits are posted direct to the relevant service account, and are then reversed out of the Income and Expenditure Account within the Statement of Movement on General Fund Balances as grants will already have been taken into account in capital financing decisions and as such credits in the Income and Expenditure Account do not represent the availability of revenue resources.

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, and Business Rates 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. Prior Period Adjustments

Where a change in accounting policy has a material impact on the financial statements, a prior period adjustment has been made for the previous years comparative figures. For example the removal of the requirement to make a capital financing charge from 2006/07 has required the 2005/06 comparisons to be restated. This is in accordance with the SORP and has had no impact on the balances brought forward to the current year.

16. 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 50 to the 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 Income and Expenditure 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 services 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, where the person has retired on the grounds of efficiency. 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. Settlements take account of outgoing bulk transfers and show the difference between the FRS17 liability and the amount paid to settle the liability. Curtailments show the cost of early payment of pension benefits if any employee has agreed to voluntary redundancy. 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.

17. Companies

The Council has had no financial interest with any companies during 2006/07.

18. Debt Redemption

The un-amortised balance of outstanding premiums and discounts associated with past debt restructuring has been taken to the Income and Expenditure account following repayment of the external debt.

19. Basis of Valuation of Investments

Investments for periods up to one year 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.

Investments which are intended to be held for longer periods are shown under long term investments. Euro-Sterling Bonds are valued at amortised cost using the effective interest rate of the bond. Any premium or discount payable on the purchase of the bond will be amortised to revenue evenly until maturity of the bond.

20. Interest Charges

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

21. 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 2007

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 2007 and up to the date of approval of the annual report and accounts.

The internal control environment

5. The Internal Control environment encompasses many policies, processes, tasks and behaviours, and is applicable to both its Members and employees. It is not a static environment, it is constantly being developed and improved in response to both internal and external influences.
6. The Internal Control environment was enhanced during 2006/2007 by the establishment of an Audit Committee, who have the responsibility to consider the effectiveness of both Internal and External Audit as well as the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
7. 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. Since October 2006 the Internal Audit section report directly to the Audit Committee (up to that date it reported directly to the Scrutiny Committee), this helps to ensure their independence from line management.
8. The establishment and monitoring of the authority's objectives are underpinned by the Corporate Plan (Changing Gear), 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.

9. 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 comprehensive.
10. The continuing implications of the Annual Efficiency Statement, and the Key Lines of Enquiry for Value for Money and Use of Resources are all issues that had impact on the internal control environment during 2007. The Authority has identified the whole issue of efficiency as underpinning all its activities 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.

Performance and Risk Management Board

11. This Board was set up during the year and recognised the strong links between performance and risk. It is chaired by the Chief Executive and consists of the Corporate Management Team and two Members including the Leader.
12. It is recognised as important that senior officers and members ensure that the introduction of both performance and risk management are embedded in the culture of the Council. Performance management is already embedded at a corporate level, with regular reports to Corporate Management Team, Cabinet and Scrutiny Committee. Performance management is being embedded into the individual service planning process, which will link it into the risk management approach. Performance links with budget monitoring, service planning and risk assessment, this in its early stages of development and is becoming embedded. Initially the performance 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 2006/7 we have put the service plans on individual service models and managers can monitor and update their own performance identifying whether their objectives have been achieved. 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.
13. The Strategic Risk register is reviewed every six months by the Board and the Audit Committee. Each service business plan, completed by the individual service managers, includes a section which is devoted to risk management.
14. The performance management system includes a risk management module and implementation work is continuing.

Continuous Improvement

15. 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

16. The Section 151 officer is a member of the Corporate Management Team and presents budget monitoring reports quarterly to Cabinet and Scrutiny Committees. The reporting of financial and risk implications is included into all reports to Cabinet and during 2007/2008 we will be reviewing the format of all our reports.

Information Management and Data Quality

17. In December 2006, the Council published its Data Quality policy, which establishes the importance of data quality standards within the internal control environment and the inherent risks associated with inadequate standards and practices. This includes compliance with relevant legislation including the Data Protection Act 1998 and the Freedom of Information Act 2000.
18. The commitment to improving data quality is a key element of the Council's approach to information and knowledge management for which a strategy will be developed and deployed in 2007/2008.

System Standards

19. 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.
20. The Council is working towards IIP accreditation. The Council has undertaken a self assessment and produced an action plan with the intention of achieving accreditation during 2007/2008.

Review of effectiveness

21. 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

22. 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.
An updated Constitution was issued in December 2006. Further work on financial controls, procurement and asset management will be undertaken during 2007. The Local Code of Corporate Governance was written in 2003 and will be reviewed and updated as part of the Constitution review.

Members

23. 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".
24. During January 2007 the Members of the Audit Committee together with other interested Members, and relevant officers, underwent training by CIPFA (Chartered Institute of Public Finance and Accountancy) in the role and responsibilities of an Audit Committee.

Audit Commission (external auditors)

25. The Direction of Travel Statement, issued by the Audit Commission, showed that we were making progress in most areas although there were some areas that still needed attention.
26. The Key Line of Enquiries and value for money assessments also undertaken by the Audit Commission showed that we had improvements to make in specific areas and these

are being addressed.

27. 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, they are also monitored via action plan updates on the Corporate Model.
28. The Annual Audit and Inspection letter dated March 2007 states that “the improved risk management arrangements have been the primary driver of the move to an adequate overall assessment for internal control arrangements.” “The Council needs to ensure that comprehensive procedure notes are available for all key financial systems, an issue acknowledged in the Council's 2005/06 Statement on Internal Control. The Council also needs to develop and review its business continuity plan and ensure that it has appropriate governance arrangements in place for its significant partnerships. These are recognised and incorporated within the Council's improvement plan.”
29. The letter also stated that “there is close monitoring of spending by the Performance and Risk Board and Cabinet. The Council has established a process for submission of the Annual Efficiency Statement with required checks and authorisations. The Council's ongoing business process review is aimed at embedding a culture of VFM throughout the organisation.”

Internal Controls

30. The Cabinet and Corporate Management Team were responsible for internal control, which seeks to manage and minimise risk. Any system of internal control can provide only reasonable, not absolute, assurance against misstatement or loss.
31. Service Heads will provide a quarterly confirmation to CMT and Scrutiny Committee on financial performance and other performance indicators. This enables the service plans to focus CMT on the strategic and operational risks that affect the service and corporate plan. The Performance and Risk Management Board, reviews risk management practice, and advises CMT, Cabinet, Scrutiny and the Audit 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.
32. During 2006 a report was presented to the Chief Executive about a specific land transaction, the recommendations in that report were later approved by Full Council. These recommendations are being monitored to confirm implementation.

Internal Audit

33. Throughout the year an internal audit function has been in place, reporting quarterly to the Audit Committee. The internal audit plan, which is approved annually by CMT and Audit Committee, focuses on the material 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 78% completed in 2006/7, is supplemented by ad hoc audits and investigations requested by management or Audit Committee.
34. Internal audit findings are reported to the relevant senior management. Summary of the reports and high risk recommendations are reported to the Audit Committee. During 2006/7 the high risk recommendations and outcome were reported to the Audit Committee and from 2007/8 the implementation or successful resolution of both high and medium risk recommendations will be reported to them.

Significant internal control issues

35. We are continuing 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.

36. The process by which each Service Head was required to sign a risk and control self assessment for 2006 was enhanced in 2007 by requiring service managers to sign one. This will make the way forward for 2007/2008 more robust.
37. 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.
38. During 2006-2007 Internal Audit reported on progress to the following Committees: Scrutiny Committee – 19/4/2006 and Audit Committee – 16/10/2006, 18/12/2006 and 10/4/2007. At each meeting the summary of issued reports and any high priority recommendations were reported to the Committee. From meetings in December 2006 and April 2007 they also included a report on the implementation of recommendations.
39. One report (Sports Halls) contains 16 high priority recommendations and the whole area has been the subject of a management review following the audit. The main areas that were found deficient:
 - a. There is no evidence of any recent review of Sports Centre procurement practice.
 - b. Basic recruitment procedures have not been applied consistently particularly in relation to Criminal Records Bureau checks not being in place for all staff.
 - c. Breaches of Financial Regulations were found in respect of exceeding delegated signatory limits and the verification of goods received.

Following the report all of these areas have been addressed. It is the opinion of the Head of Internal Audit that the management control in the area was a contributory factor and the Sports Hall report is not consistent with other audits carried out during the year.

40. The Head of Internal Audit's opinion was that a significant level of assurance could be given as to the level of Internal Control within the authority.

Action Plans from Statements of Internal Control 2005 and 2006

41. The action plans are monitored in the Corporate model of the Performance system and can be accessed by officers and Members.
42. There are a number of actions which have been implemented and some are ongoing. Shown below are the key actions which still need to be implemented.

2005 Action Plan – Implementation

Proposal 2005	Situation
The risks identified in the individual service plans will be linked to the corporate risks and identified on the performance and risk system.	In progress.
The Constitution will be reviewed and updated.	The Constitution was updated and reissued and the Head of Legal Services has been asked to undertake a fundamental review.

2006 Action Plan – Implementation

Proposals 2006	Situation
The need for the Council to review and amend its Contract procedure rules and notification to Member Committees. This is to be addressed by the Procurement Group.	being undertaken as part of the overall review of the Constitution.

Summary of Proposals for 2007

Proposals are being put forward for the improvement of Corporate Governance over the next few years. Guidance has been issued by CIPFA / SOLACE and the Audit Commission (in particular with Use of Resources), whilst not yet compulsory the guidance is recognised as good management practice and we should aim to have it in place during 2007/2008. The Use of Resources gave an overall level 2 for the Authority, an action plan has been agreed to improve the situation. Key issues arising out of the current Use of Resources are:

No	Action	Responsibility
1	To review all significant partnerships and ensure that appropriate governance arrangements are in place for them.	Strategic Directors, Resources and Community.
2	The Council has a business continuity plan in place which is reviewed and tested on a regular basis.	Strategic Director, Environment
3	Further develop Asset Management Framework, particularly in relation to Community Development and Partnership Working.	Strategic Directors, Resources

During 2007/2008 the Authority will test its procedures and processes against the principles contained in the CIPFA/SOLACE Good Governance Framework by:

No	Action	Responsibility
4	Reviewing our existing governance arrangements against the Framework.	Strategic Director Resources and Chief Technical Accountant
5	Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring its ongoing application and effectiveness.	Strategic Director Resources and Chief Technical Accountant
6	Prepare a governance statement in order to report publicly on the extent to which there is compliance with the code on an annual basis. This statement will include how we have monitored the effectiveness of governance arrangements and any planned changes.	Corporate Management Team

There were a number of areas which will be highlighted for work during 2007 arising from the Risk and Control Self Assessments undertaken by the Strategic Directors and senior managers.

No	Action	Responsibility
7	The issues arising from the Self Assessments are discussed and brought together in an action plan, to be monitored by Corporate Management Team. This work will inform the review of the Constitution and support any changes required for the Corporate Plan	Audit and Risk Manager July 2007

Philip Burton
Chief Executive
Date

Simon Partridge
Leader of the Council
Date

The Core Financial Statements

INCOME AND EXPENDITURE ACCOUNT

2005/06 (Restated) Net Expenditure £000	Note	Gross Expenditure £000	2006/07 Gross Income £000	Net Expenditure £000
927		9,040	(7,679)	1,361
9,434	(3,4)	15,888	(5,425)	10,463
(800)		1,327	(1,740)	(413)
(1,458)	(5)	44	(33)	11
1,764		19,922	(17,995)	1,927
2,037		2,286	(94)	2,192
271		490	(418)	72
12,175		48,997	(33,384)	15,613
320	(6)			(1,756)
974	(7)			1,049
(85)	(8)			(18)
1,024	(9)			4,560
1,239	(10)			46
0				0
(729)	(11)			(1,332)
400	(50)			(20)
15,318				18,142
(5,729)				(5,997)
(4,228)				(1,336)
(153)				(365)
(2,874)				(6,885)
2,334				3,559

The Income and Expenditure account surplus or deficit measures the council's financial performance in terms of resources generated and consumed during the year in providing services. However, statutory provisions specify the net expenditure that authorities need to take into account when setting local taxes.

- Capital Investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

In order to give a full presentation of the Council's financial performance for the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account must be reconciled to the General Fund Balance established by the relevant statutory provisions.

The following Statement of Movement on the General Fund Balance (SMGFB) provides the necessary reconciliation and summarises the difference between the Income and expenditure Outturn position and the General Fund Balance.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2005/06		2006/07
£000		£000
2,334	Deficit for the year on the Income and Expenditure Account	3,559
(2,369)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the Year	(3,962)
(35)	Increase in the General Fund Balance for the Year	(403)
(965)	General Fund Balance brought forward	(1,000)
(1,000)	General Fund balance carried forward	(1,403)
(1,000)	Amount of General Fund Balance generally available for new expenditure.	(1,403)

Note of Reconciling Items for the Statement of Movement on the General Fund Balance

2005/06 £000		Note	2006/07 £000
	Amounts included in the Income and Expenditure Account but required by Statute to be excluded when determining the movement on the general fund balance for the year.		
(62)	Amortisation on intangible fixed assets		(70)
(1,332)	Depreciation and impairment of fixed assets		(1,388)
1,226	Government Grants deferred amortisation		1,359
(875)	Write downs of deferred charges to be financed from capital resources		(861)
0	Premium on debt repayment to be financed from capital resources	(9)	(4,718)
(320)	Net profit/(loss) on sale of fixed assets		1,756
(1,981)	Net charges made for retirement benefits in accordance with FRS17	(50)	(1,980)
(3,344)			(5,902)
	Amount not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year		
165	Minimum revenue provision for capital financing	(15)	127
2,014	Capital expenditure charged in-year to the General Fund Balance		14
(1,239)	Transfer from useable capital receipts to meet payments to the Housing Capital Receipts Pool	(10)	(46)
1,578	Employers contribution payable to the Norfolk Pension Fund and retirement benefits payable direct to pensioners		1,728
2,518			1,823
	Transfer to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
(425)	Housing Revenue Account Balance		(299)
0	Voluntary revenue provision for capital financing		0
(1,118)	Net transfer to or (from) earmarked reserves		416
(1,543)			117
(2,369)	Net additional amount required to be credited to the General Fund Balance for the Year		(3,962)

The Council's other gains and losses for the year will be recognised in the Balance Sheet

and are not debited or credited to the Income and Expenditure Account. The following statement brings together all the other gains and losses together with the outturn on the Income and Expenditure Account to show the increase or decrease in the authority's net worth for the year.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

2005/06 £000		2006/07 £000
(2,334)	Income and Expenditure Account Surplus/(deficit)	(3,559)
(2,143)	(Loss)/Gain arising on revaluation of fixed assets	(5,351)
903	Actuarial gain/(loss) on pension assets and liabilities	4,352
11	Any other gains and (losses) to be included in the STRGL	25
<u>(3,563)</u>	Total recognised gains and (losses) for the year	<u>(4,533)</u>

BALANCE SHEET AS AT 31 MARCH

	Note	2007		2006 (Restated)		
		£000	£000	£000	£000	£000
Fixed Assets						
Council Dwellings		0			1,300	
Other Land and Buildings	(22,23,	23,280			22,283	
Infrastructure	24)	4,506			4,923	
Vehicles, Plant & Equipment		3,916			4,201	
Community Asset		467			196	
Non –Operational Property		<u>5,767</u>			<u>12,128</u>	
			37,936			45,031
Intangible Fixed Assets	(25)		304			262
Long Term Investments	(34)		5,901			0
Long Term Debtors	(30)					
Mortgages		7			9	
Others		61	68		64	73
Deferred Premiums on early repayment of debt	(38)		0			448
Total Long Term Assets				44,209		<u>45,814</u>
Current Assets						
Stock & Work in Progress		176			207	
Debtors	(31)	6,007			4,902	
Investments	(33)	11,840			51,076	
Cash at Bank		<u>110</u>	18,133		<u>146</u>	56,331
Current Liabilities						
Creditors	(32)	(6,253)			(17,673)	
Short Term Borrowing	(35)	0			(6,000)	
Cash Overdrawn		(1,311)	(7,564)		(1,458)	(25,131)
Net Current Assets/(Liabilities)				10,569		<u>31,200</u>
Liabilities						
Long term Borrowing	(36)		0		(12,400)	
Deferred Capital Receipts			(4)		(5)	
Deferred Liabilities	(37)		(30)		(32)	
Government Grants – Deferred Account	(40)		(15,576)		(16,620)	
Deferred discounts early repayment of debt	(38)		0		(154)	
Pensions Scheme Liability	(50)		(12,600)		(16,700)	
Other Provisions			<u>0</u>	(28,210)	0	<u>(45,911)</u>
Total Assets less Liabilities				<u>26,568</u>		<u>31,103</u>
Funds & Reserves						
Fixed Asset Restatement Account	(42)		(33,594)		(27,167)	
Capital Financing Account	(42)		56,259		40,456	
Deferred Premiums & Discounts	(38)		0		0	
General Fund Balance	(42)		1,403		1,000	
Housing Revenue Account Balance	(42)		0		300	
Useable Capital Receipts	(42)		12,834		31,389	
Pensions Reserve	(50)		(12,600)		(16,700)	
Earmarked Reserves	(42)		<u>2,266</u>	26,568	1,825	<u>31,103</u>
Total Equity				<u>26,568</u>		<u>31,103</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 2007.

Dated : 2007

S J Oxtoby BSc CPFA

CASHFLOW STATEMENT

Notes to the Cashflow Statement are on pages 48 to 50.

	2006/07		2005/06	
	£000	£000	£000	£000
Revenue Activities				
Cash outflows				
Cash paid to and on behalf of employees	10,425		10,610	
Norfolk County Council Precept	40,218		38,175	
Norfolk Police Authority Precept	6,173		5,807	
Business Rate Income to Government	17,743		16,577	
Other Operating Costs	9,719		20,529	
Pooled Capital Receipts	46		1,239	
Housing Benefit paid out	<u>16,318</u>	100,642	<u>9,244</u>	102,181
Cash Inflows				
Rents (after rebates)	0		(4,467)	
Council Tax & Community Charge	(46,466)		(44,131)	
Non-domestic rates	(17,704)		(16,661)	
Revenue Support Grant	(1,336)		(4,228)	
Department for Works and Pensions - Grants for Rebates	(22,982)		(15,957)	
Other Government Grants	(6,911)		(2,874)	
Cash received for goods and services	(6,190)		(8,327)	
Other Revenue cash/Income	<u>(5,179)</u>	<u>(106,768)</u>	<u>(5,779)</u>	<u>(102,424)</u>
Revenue activities net cash Outflow/(Inflow)		(6,126)		(243)
Servicing of Finance				
Cash Outflows				
Interest paid	368		911	
Cash Inflows				
Interest Received	<u>(1,605)</u>	(1,237)	<u>(599)</u>	312
Capital Activities				
Cash Outflows				
Purchase of Fixed Assets	23,413		11,201	
Long Term Investments	<u>5,901</u>	29,314	<u>0</u>	11,201
Cash Inflows				
Sale of fixed assets	(2,889)		(47,148)	
Capital Grants Received	(1,358)		(3,829)	
Other Capital Cash Payments/Income	<u>(1,029)</u>	<u>(5,276)</u>	<u>(333)</u>	<u>(51,310)</u>
		24,038		(40,109)
Net Cash Outflow/(Inflow) Before Financing		16,675		(40,040)
Management of Liquid Resources				
Cash Outflows				
Net (decrease)/increase in short term deposits		(39,235)		44,925
Financing				
Cash Outflows				
Repayment of Amounts Borrowed	33,400		11,000	
Net Premium Paid	<u>4,050</u>	37,450	<u>0</u>	11,000
Cash Inflows				
New Loans Raised	(15,000)		(15,700)	
New Short term Investments	<u>0</u>	<u>(15,000)</u>	<u>0</u>	<u>(15,700)</u>
		22,450		(4,700)
DECREASE/(INCREASE)IN CASH		(110)		185

**Notes
to
the
Core
Financial Statements**

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. General

The Core Financial Statements follow 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. Prior Period Adjustment

In the 2006/07 Financial Statements the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item;
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

In addition the restatements reflect the move of the LABGI grant from the net cost of services to within the General Government Grants.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

Explanation of Prior Period Adjustments

	Consolidated Revenue Account in 2005/06 Financial Statements £000	Removal of capital financing charges £000	Relocation of government grants deferred credits £000	Recognition of gains and losses on disposal of fixed assets £000	Other Adjust- ment £000	2005/06 Comparatives in Income and Expenditure Account £000
Central services to the public	915	(63)	(79)	0	154	927
Cultural, environmental and planning services	11,180	(862)	(884)	0	0	9,434
Highways, roads and transport services	(486)	(258)	(56)	0	0	(800)
Local authority housing (HRA)	(110)	(1,214)	(134)	0	0	(1,458)
Other housing services	1,802	(23)	(15)	0	0	1,764
Corporate and democratic core	2,063	(26)	0	0	0	2,037
Non Distributed Costs	271	0	0	0	0	271
Impact on Net Cost of Services	15,635	(2,446)	(1,168)	0	154	12,175
Loss on the disposal of fixed assets	0	0	0	320	0	320
Parish Council Precepts	974	0	0	0	0	974
(Surpluses)/deficits on trading undertakings	(20)	(6)	(59)	0	0	(85)
Interest payable and similar charges	89	0	0	0	0	89
Asset Management revenue account (interest payable and similar charges in 2006/07)	(2,743)	2,452	1,227	0	0	936
Contribution of housing capital receipts to government pool	1,239	0	0	0	0	1,239
Interest and investment income	(729)	0	0	0	0	(729)
Pensions interest cost and expected return on pensions assets	400	0	0	0	0	400
Impact on Net Operating	14,845	0	0	320	154	15,318

Expenditure**3. Land Drainage**

Drainage levies of £221,149 (£222,102 2005/06) were paid to Internal Drainage Boards. The levies of the Boards are recovered from all Council Tax payers.

4. 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.

Building Regulations Charging Account 2006/07	Non Chargeable £000	Chargeable £000	Total Building Control £000
EXPENDITURE			
Employee Costs	63	307	370
Transport Related Expenditure	5	36	41
Supplies and Services	0	15	15
Central and Support Service Charges	26	91	117
Total Expenditure	94	449	543
INCOME			
Building Regulation Charges	0	(476)	(476)
Miscellaneous Income	0	(3)	(3)
Total Income	0	(479)	(479)
(Surplus)/Deficit for 2006/07	94	(30)	64
Comparatives for 2005-06			
Expenditure	92	435	527
Income	0	(463)	(463)
(Surplus)/Deficit for 2005/06	92	(28)	64
(Surplus)/Deficit for 2004/05	89	12	101

5. Discontinued Operations – Housing Revenue Account

During 2005/06 the Council transferred its responsibility for Council Housing to North Norfolk Housing Trust. The only transactions within the Housing Revenue Account (HRA) in 2006/07 were in relation to HRA subsidy and where actual expenditure did not exactly match accruals made in 2005/06. The HRA details are shown in a separate section on pages 51 to 58.

6. Loss on Disposal of Fixed Assets

The profit reported of £1,756,000, (2005/06 loss of £320,000) is a result of disposals the Authority has made. They relate mainly to the disposals of interests in former council houses which have been sold through the preserved right to buy scheme and also to disposals of land to housing associations for affordable housing, in which the authority retains nomination rights. These entries are reversed within the SMGFB reconciliation to ensure that they do not have any impact upon the council tax payer.

7. Parish Council Precepts

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

8. Trading Operations

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

	2006/07			2005/06 (Restated)		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Markets	93	(79)	14	93	(82)	11
Industrial Sites	62	(94)	(32)	55	(151)	(96)
Total	<u>155</u>	<u>(173)</u>	<u>(18)</u>	<u>148</u>	<u>(233)</u>	<u>(85)</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. Interest Payable and Similar Charges

	2006/07 £000	2005/06 £000
Interest on External Debt	150	935
Premium Payable on Repayment of External debt	4,718	0
Discount Received on Repayment of External debt	(619)	0
Un-amortised premium net of discount from past debt restructuring	294	0
HRA share of premium net of discount	17	89
	<u>4,560</u>	<u>1,024</u>

The premium payable on debt repayment has been financed from capital receipts in accordance with regulations SI3146.

10. 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 applicable. The only receipts requiring pooling now relate to the repayment of council house discounts, and three outstanding mortgages.

11. Interest and Investment Income

	2006/07 £000	2005/06 £000
Interest on short and long term investments	(1,258)	(680)
Other general interest receipts	(74)	(49)
	<u>(1,332)</u>	<u>(729)</u>

12. Discretionary 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.

	2006/07	2005/06
	£000	£000
Section 137 Limit	189	190
Section 137 Expenditure	90	45

13. 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:

	2006/07	2005/06
	£000	£000
Recruitment Advertising	26	68
Other Advertising	49	35
Other Publicity	523	424
TOTAL	<u>598</u>	<u>527</u>

14. Agency Income and Expenditure

Under the Local Authority (Goods and Services) Act 1970, the council may agree with another Local Authority to do work on their behalf.

Grass cutting was carried out for Norfolk County Council. The income received from the County Council was £13,326 (£12,816 2005/06)

15. 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.

	2006/07	2005/06
	£000	£000
Current year calculations		
Non-housing amount - 4% of Capital Financing Requirement	127	165
Minimum Revenue Provision	<u>127</u>	<u>165</u>

16. Leases

The authority leases vehicles and items of equipment, including printing and telephone equipment. The amount charged in 2006/07 under these leases was £136,146 (£99,833 2005/06). The future cash payments required under these leases total £260,076 (£89,188 2005/06)

The Authority is committed to making payments of £92,190 under these leases in 2007/08. Comprising of the following elements :-

Leases Expiring in 2007/08	£3,620
Leases Expiring between 2008/09-2012/13	£88,570
Leases Expiring after 2012/13	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 2006/07 was

£338,696. These have been credited to the Income and Expenditure Account.

17. Members Allowances

The total of Members Allowances paid in the year amounted to £255,809 (£259,498 in 2005/06). Full details can be obtained by writing to North Norfolk District Council, Information Services, Holt Road, Cromer, Norfolk, NR27 9EN.

18. Employees

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

Remuneration Band	2006/07 Number of Employees	2005/06 Number of Employees
£50,000 to £59,999	3	7
£60,000 to £69,999	1	0
£70,000 to £79,999	3	0
£80,000 to £89,999	0	1
£90,000 to £99,999	0	1
£100,000 to £109,999	1	1
£110,000 to £119,999	0	0
£120,000 to £129,999	0	0
£130,000 to £139,999	0	1

The costs included for the employees in the two highest bands for 2005/06 include costs associated with the officer restructure that took place during that year. The 2006/07 figures reflect the new senior officer structure in place from the end of 2005/06.

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 note 52 and transactions with the Pension Fund which are detailed in note 50 to the Core Financial Statements, so do not require repeating here. No material transactions have been identified concerning Members of the Council or Corporate Management Team.

20. External Audit Fees

Fees Payable to the Audit Commission

	2006/07 £000	2005/06 £000
External Audit Services	108	104
Statutory Inspection	6	10
Grant Claim>Returns Certification	64	88
Total	<u>178</u>	<u>202</u>

21. 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.

NOTES TO THE BALANCE SHEET

22. Movement on Fixed Assets

	Council Dwell- ings	Other Land & Buildings	Vehicles, Plant & Equipme nt	Infras- tructure	Comm- unity Assets	Non- Operatio nal	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value at 1 April 2006	1,300	22,868	4,872	7,852	197	12,128	49,217
Movements in Year:							
Additions	0	97	152	126	0	346	721
Disposals	0	(345)	0	0	0	(731)	(1,076)
Revaluations	0	339	0	0	0	44	383
Impairment Losses/ Written off to Revaluation Reserve	0	(5,779)	0	0	0	0	(5,779)
Impairments	0	(15)	0	0	0	0	(15)
Transfers	(1,300)	7,043	6	0	271	(6,020)	0
Gross Book Value at 31 March 2007	0	24,208	5,030	7,978	468	5,767	43,451
Depreciation and Impairment							
Depreciation B/fwd as at 1 April 2006	0	585	671	2,929	1	0	4,186
Depreciation in Year	0	403	443	543	0	0	1,389
Depreciation on Disposals	0	0	0	0	0	0	0
Revaluations	0	(60)	0	0	0	0	(60)
Transfers	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Depreciation at 31 March 2007	0	928	1,114	3,472	1	0	5,515
Net book value as at 31 March 2007	0	23,280	3,916	4,506	467	5,767	37,936
	Previous Year End figures – as at 31 March 2006						
Gross Book Value	1,300	22,868	4,872	7,852	197	12,128	49,217
Depreciation	0	585	671	2,929	1	0	4,186
Net Book Value	1,300	22,283	4,201	4,923	196	12,128	45,031

23. Movement on Fixed Assets 2006/07 (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 2006	3,035	5,774	3,319	12,128
Movements in Year:				
Additions	0	346	0	346
Disposals	0	0	(731)	(731)
Revaluations	0	0	44	44
Revaluation Reserve	0	0	0	0
Impairment	0	0	0	0
Transfers	(60)	(5,960)	0	(6,020)
Gross Book Value at 31 March 2007	2,975	160	2,632	5,767
Depreciation and Impairment at 31 March 2007	0	0	0	0
Net book value as at 31 March 2007	2,975	160	2,632	5,767
Previous Year End figures – as at 31 March 2006				
Gross Book Value	3,034	5,775	3,319	12,128
Depreciation	0	0	0	0
Net Book Value	3,034	5,775	3,319	12,128

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.

2006/07 revaluations were undertaken by Mr K Brown (MRICS) of Norfolk Property Services.

Following the housing stock transfer in 2005/06, consent was given to transfer the remaining properties to the General Fund from 1 April 2006, therefore leaving a nil value for Council Dwellings at 31 March 2007.

24. 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.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infras-structure	Comm-unity Assets	Non-Operational Properties	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost			4,908	7,978	468	160	13,514
New certified GBV included in Balance Sheet:							
2006/07	(1,300)	1,340	0	0	0	(747)	(707)
2005/06	(35,830)	(388)	122	0	0	279	(35,817)
2004/05	(240,962)	2,122	0	0	0	(516)	(239,356)
2003/04	278,092	21,134	0	0	0	6,591	305,817
2002/03	0	0	0	0	0	0	0
	0	24,208	5,030	7,978	468	5,767	43,451

25. Intangible Fixed Assets

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

	2006/07 £000	2005/06 £000
Balance at 1 April	262	264
Expenditure in the year	112	60
Amortised in the year	(70)	(62)
Balance at 31 March	<u>304</u>	<u>262</u>

26. Information on Assets Held

Fixed assets owned by the Council include the following:

	Number as at 31 March 2007	Number as at 31 March 2006
Council Housing		
Dwellings	0	12
Garages	0	0
Operational Land & Buildings		
Offices	4	4
Depots	1	1
Car Parks	30	30
Public Conveniences	38	38
Tourist Information Centre	2	2
Leisure Pool	2	2
Other	23	12
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	52	56
Strategic Land Holding Site	1	1

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

The remaining dwellings formerly held within the Housing Revenue Account have now been transferred to the General Fund.

27. The Council as Lessor

With regard to the authority's activity as a lessor, the gross value of assets held for used in operating leases was £7,545,161 as 31 March 2007, (£7,617,710 31 March 2006) which are subject to accumulated depreciation of £247,177 at that date. (£461,590 31 March 2006) The Council has not acquired any assets in the year specifically for the purpose of letting out under operating leases.

28. Capital Expenditure and Financing

The following provides an analysis of the capital expenditure incurred in the year along with the sources of financing. Capital receipts have been applied to bring the capital financing requirement down to zero at 31 March 2007.

	2006/07	2005/06
	£000	£000
Opening Capital Financing Requirement	15,384	16,337
Capital Investment		
Operational Assets	374	4,244
Non-operational Assets	346	1,561
Deferred Charges	2,152	1,967
Intangible Fixed Assets	112	60
Sources of Finance		
Capital Receipts	(16,622)	(1,432)
Government Grants and Contributions	(1,605)	(2,938)
Sums set aside from Revenue (includes Direct Revenue financing, MRP and voluntary set aside)	(141)	(4,415)
Closing Capital Finance Requirement	<u>(0)</u>	<u>15,384</u>
Explanations of Movement in Year		
Increase/(Decrease) in underlying need to borrow (supported by Government Financial Assistance)	(15,257)	1,008
Increase/(Decrease) in underlying need to borrow (Unsupported by Government Financial Assistance)	(127)	(1,961)
Increase/(Decrease) in capital Financing Requirement	<u>(15,384)</u>	<u>(953)</u>

29. 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.

	2006/07	2005/06
	£000	£000
Deferred Charge expenditure:		
Improvement Grants	1,402	927
Social Housing Grant	428	430
Other	322	610
	<u>2,152</u>	<u>1,967</u>
Written down in year		
Improvement Grants	(1,402)	(927)
Social Housing Grant	(428)	(430)
Other	(322)	(610)
	<u>(2,152)</u>	<u>(1,967)</u>
Balance carried forward	<u><u>0</u></u>	<u><u>0</u></u>

30. Long Term Debtors

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

	2006/07	2005/06
	£000	£000
Mortgages	<u>7</u>	<u>9</u>
Others:		
Car Loans to officers	61	62
Other Long Term Debtors	<u>0</u>	<u>2</u>
	61	64
Total	<u><u>68</u></u>	<u><u>73</u></u>

31. Debtors

The debtors represent amounts owed to the Council at the 31 March 2007 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.

	2006/07		2005/06	
	£000	£000	£000	£000
Debtors				
Government departments	1,356		1,161	
Tenants rent	0		135	
Payments in advance	140		225	
Collection Fund - Local Taxes	1,573		1,255	
Other debtors	<u>4,278</u>	<u>7,347</u>	<u>3,288</u>	<u>6,064</u>
Less Bad Debt Provision				
General Fund	(675)		(520)	
Collection Fund	(665)		(642)	
		<u>(1,340)</u>		<u>(1,162)</u>
TOTAL		<u><u>6,007</u></u>		<u><u>4,902</u></u>

32. Creditors

Creditors represent the amounts owed by the Council at the 31 March 2007. The decrease in the creditors for Government Departments mainly represents an amount totalling £8,748,520 that was due to HM Revenue and Customs (HMRC) at the end of 2005/06. This represented a payment made to the Council by HMRC in error in connection with the VAT shelter agreement with North Norfolk Housing Trust. This was repaid in April 2006.

	2006/07	2005/06
	£000	(Restated)
		£000
Government departments	(596)	(12,015)
Receipts in Advance:		
Tenants Rent	(30)	(37)
Collection Fund	(1,034)	(925)
Other Receipts	(1,505)	(1,239)
Other Creditors	<u>(3,088)</u>	<u>(3,457)</u>
TOTAL	<u><u>(6,253)</u></u>	<u><u>(17,673)</u></u>

33. Investments

	2006/07	2005/06
	£000	£000
Investments		
Banks	1,840	18,076
Building Societies	10,000	25,000
Money Market Funds	0	4,000
Debt Management Office	0	4,000
TOTAL	<u><u>11,840</u></u>	<u><u>51,076</u></u>

Investments are valued as the amount of actual deposit placed with 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 reduction in investments was due to the use of investments to repay long term debt using the capital receipt from the large scale voluntary transfer of the Council's housing stock.

34. Long Term Investments

	2006/07	2005/06
	£000	£000
Investments		
Euro-Sterling Bonds	2,901	0
Callable Deposit	3,000	0
TOTAL	<u><u>5,901</u></u>	<u><u>0</u></u>

Two Euro-sterling Bonds issued by the European Investment Bank were purchased with a nominal value of £3million and maturity date of 7 December 2010. The Callable Deposit was placed in August 2006 for a maximum of three years. It can be repaid at quarterly intervals after August 2007 at the borrower's option.

35. Short Term Borrowing

	2006/07	2005/06
	£000	£000
Analysis of Loans by Type:		
Public Works Loan Board	0	(6,000)
Temporary Loans	0	0
TOTAL	<u><u>0</u></u>	<u><u>(6,000)</u></u>

36. Long Term Borrowing

	2006/07	2005/06
	£000	£000
Analysis of Loans by Type		
Public Works Loan Board	0	(12,400)
	<u><u>0</u></u>	<u><u>(12,400)</u></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	0	(12,400)
TOTAL	<u><u>0</u></u>	<u><u>(12,400)</u></u>

37. Deferred Liabilities

These represent the outstanding principal on finance leases.

38. Deferred Premiums and Discounts

The balance of premiums and discounts from past debt restructuring cannot be maintained on the Balance Sheet once the underlying debt has been repaid. Following full repayment of the Council's external debt in May 2006, the unamortised balance of premiums and discounts have been taken to the Income and Expenditure Account. Refer to note 9 also.

39. Government Grants and Contributions

Government Grants totalling £1,254,312 (£1,410,337 2005/06) and Contributions totalling £351,128 (£1,527,635 2005/06) have been used to finance capital expenditure. Amounts not utilised have been included as receipts in advance.

40. 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.

	2006/07	2005/06
	£000	£000
Balance Brought Forward	(16,620)	(16,001)
Additions	(315)	(1,846)
Written down	<u>1,359</u>	<u>1,227</u>
Balance Carried Forward	<u><u>(15,576)</u></u>	<u><u>(16,620)</u></u>

41. 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.

42. Movements on Reserves

Reserve	Balance 1 April 2006 £000	Net Movemen t in the Year £000	Balance 31 March 2007 £000	Purpose of Reserve	Further detail of Movements
Fixed Asset Restatement Account	(27,167)	(6,427)	(33,594)	Store of gains on revaluation of fixed assets	See note 43
Capital Financing Account	40,456	15,803	56,259	Store of capital resources set aside to meet past expenditure	See note 44
Usable Capital Receipts	31,389	(18,555)	12,834	Proceeds of fixed asset sales available to meet future capital expenditure	See note 45
Pensions Reserve	(16,700)	4,100	(12,600)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet.	See note 50
Housing Revenue Account	300	(300)	0	Previously represented resources available for Council Houses.	HRA Statements page 53
General Fund	1,000	403	1,403	Resources available to meet future running costs for General Fund Services.	Statement of movement on the General Fund Balance page 21
Other Reserves:-					
Capital Projects	413	(88)	325	Resources available for future capital expenditure.	
Collection Fund	58	25	83	To maintain sufficient working balance and to provide for shortfalls in collection.	See note (7) within the Collection Fund Statements
Grassed Area Deposits	247	0	247	To finance the ongoing commitments under ground maintenance contract.	
Other Revenue Earmarked Reserves	1,107	504	1,611	A number of earmarked reserves are held for specific purposes.	See note (46) below
Total Other Reserves	1,825	441	2,266		
Total Reserves	31,103	(4,535)	26,568		

43. 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 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.

	2006/07 £000	2005/06 £000
Balance brought forward	(27,167)	8,345
Revaluation during year	443	2,317
Impairment	(15)	(650)
Expenditure resulting in no added Value	(5,779)	(4,048)
Less value of disposals in year	(1,076)	(33,131)
Balance carried forward	<u>(33,594)</u>	<u>(27,167)</u>

44. 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.

	2006/07 £000	2005/06 £000
Balance at 1 April	40,456	37,836
Minimum Revenue Provision (less depreciation)	(1,262)	(3,352)
Capital Financing:		
Capital Receipts	16,622	1,432
Revenue	14	2,014
Major Repairs Reserve	0	2,236
Grants & Contributions	1,292	1,092
Deferred Grants written down	1,359	1,227
Less		
Deferred charges written down	(2,152)	(1,967)
Intangible Fixed Asset Amortisation	(70)	(62)
Balance at 31 March	<u>56,259</u>	<u>40,456</u>

45. Capital Receipts

These are the receipts from the sale of the capital assets. The capital receipts in 2005/06 include the receipt from the sale of the Council's housing stock to the NNHT net of the levy, pre ballot and set up costs. During 2006/07 the Council repaid it's debt portfolio and incurred a premium of £4,718,070. This has been financed from capital receipts in accordance with regulation SI3146.

	2006/07 £000	2005/06 £000
Balance Brought Forward		
HRA	0	828
General Fund	31,389	184
Total	<u>31,389</u>	<u>1,012</u>
Net Receipts		
HRA	0	1,688
LSVT	0	31,352
General Fund	2,831	8
Total	<u>2,831</u>	<u>33,048</u>
Capital Receipts Pooled	(46)	(1,239)
Used for Financing Capital Expenditure	(21,340)	(1,432)
Balance carried forward:		
HRA	0	0
General Fund	12,834	31,389
Total Useable Capital receipts	<u>12,834</u>	<u>31,389</u>

46. Revenue 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 2006 £000s	Net Movement in the Year £000s	Balance 31 March 2007 £000s
Organisational Development	400	(400)	0
Coast Protection/Flood Defence	0	613	613
Asset Management	0	174	174
Sheringham Splash	94	(12)	82
Sports Hall Equipment	9	1	10
Leisure Management Facility	18	0	18
Common Training	12	38	50
Local Strategic Partnership	17	(3)	14
Street Signage	7	0	7
A Day Out in North Norfolk	12	(12)	0
Estate Maintenance Agreements	12	(12)	0
Housing Needs Assessment	75	(35)	40
Environmental Health	10	56	66
Environmental Policy	41	13	54
Elections	0	55	55
LSVT Reserve	400	0	400
Planning and Building Control	0	28	28
Other Revenue Earmarked Reserves Total	<u>1,107</u>	<u>504</u>	<u>1,611</u>

47. Committed Capital Expenditure

At 31 March 2007 there were no material items of contractually committed capital expenditure. At 31 March 2006 there was one material item of contractually committed capital expenditure, for the Cromer Seafront Enhancement project of £207,896.

48. Contingent Liabilities

At the Balance Sheet date the following contingent liabilities have been recognised:

(a) Housing Stock Transfer

As part of the legal agreements associated with the transfer of the housing stock to the North Norfolk Housing Trust in the previous year, 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.

(b) North Walsham Pool

The council has entered into an agreement with the service provider for the North Walsham Sports facility to enable them to build an extension to the pool. Any amount remaining undepreciated at the end of the management contract period will be a liability to the council. On 4 June 2007 the potential liability was estimated at £122,000.

49. Contingent Asset

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

- 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. During the year £252,425 was received.
- The Council may have a contingent asset at the Balance Sheet date of approximately £1.6 million. This is in respect of VAT that has been collected from off street car parking charges over the past 8 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 and others. The case was referred by the Court of Appeal to the European Court of Justice for determination of technical VAT issues.

50. Retirement Benefits

- (a) **Participation in Pensions Schemes:** As part of the terms and conditions of employment of its officers, North Norfolk District Council (NNDC) offers retirement benefits. Although these benefits will not actually be payable until employees retire, NNDC has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

NNDC 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 a fund administered by Norfolk County Council. It is administered in accordance with the Local Government pension Scheme regulations 1997, as amended. It is contracted out of the State Second Pension. The scheme is a funded scheme, meaning that NNDC and its employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets. In addition to the employees contribution (6% of pay, no change from 2005/06), NNDC, as employer contributed 15.9% (14.7% in 2005/06) of the pay of employees who belonged to the scheme. The latest formal valuation was at 31 March 2004. The next formal valuation is due at 31 March 2007. This valuation will be reflected in the 2007/08 Financial Statements. 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 2006/07 NNDC paid an employer's contribution of £1,070,627 (representing 15.9% of pensionable pay) (£1,091,420, 14.7% in 2005/06) into the Pension Fund. There were no contributions remaining payable at the year-end. 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 the increase to 18.2% from 1 April 2007. In addition NNDC 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 2006/07 these amounted to £657,328 representing 9.76% of pensionable pay. (£483,945, 6.52% in 2005/06)

- (b) **Transactions Relating to Retirement Benefits:** NNDC recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that counts against the Council Tax is based on the cash payments made in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2006/07		2005/06	
	£000	£000	£000	£000
Income and Expenditure Account				
<i>Net Cost of Services</i>				
Current Service Costs	1,510		1,310	
Past Service Costs	490	2,000	271	1,581
<hr/>				
<i>Net Operating Expenditure</i>				
Interest Costs	2,860		2,820	
Expected Return on Assets in the Scheme	(2,880)	(20)	(2,420)	400
<hr/>				
Net Charge to the Income and Expenditure Account		1,980		1,981
<hr/>				

Statement of Movement in the General Fund Balance

	2006/07	2005/06
	£000	£000
Reversal of net charges made for retirement benefits in accordance with FRS 17	(1,980)	(1,981)

Actual amount charged against the General Fund Balance for pensions in the year:

Employers' contributions payable to scheme	1,071	1,093
Retirement benefits payable to pensioners	657	484
	<u>1,728</u>	<u>1,577</u>

(c) Assets and Liabilities in relation to retirement benefits

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

	2006/07	2005/06	2004/05
	£000	£000	£000
Estimated Assets in the Scheme (A)	45,600	41,400	35,300
Present Value of Scheme Liabilities	54,400	54,400	49,100
Present Value of Unfunded Liabilities	3,800	3,700	3,400
Total Value of Liabilities in the Scheme (B)	<u>58,200</u>	<u>58,100</u>	<u>52,500</u>
Net Asset / (Liability) (A) - (B)	<u>(12,600)</u>	<u>(16,700)</u>	<u>(17,200)</u>

The liabilities show the underlying commitments that NNDC has in the long run to pay retirement benefits. This represents 25.4% of the total long term assets available to NNDC. However, statutory arrangements for funding the deficit mean that the financial position of NNDC remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries, estimates are based on the latest full valuation of the scheme as at 31 March 2004.

(d) Basis for estimating assets and liabilities

	2006/07	2005/06	2004/05
	% Per Annum	% Per Annum	% Per Annum
Price Increases	3.2%	3.1%	2.9%
Salary Increases	4.7%	4.6%	4.4%
Pension Increases	3.2%	3.1%	2.9%
Discount Rate	5.4%	4.9%	5.4%

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments. The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

Assets (Whole fund)	Long Term Return			Fund Value				NDC Share of Assets		
	31 March 2007 % Per Annum	31 March 2006 % Per Annum	31 March 2005 % Per Annum	31 March 2007 £000	%	31 March 2006 £000	%	31 March 2005 £000	%	31 March 2007 £000
Equities	7.9%	7.4%	7.7%	1,250,900	67	1,223,448	71	908,350	69	30,700
Bonds	4.9%	4.6%	4.8%	271,500	15	244,936	14	211,536	16	6,700
Property	5.9%	5.5%	5.7%	292,500	16	209,106	12	146,347	11	7,200
Cash	4.9%	4.6%	4.8%	44,500	2	40,882	3	46,360	4	1,000
Total	7.1%	6.7%	6.9%	1,859,400	100	1,718,372	100	1,312,593	100	45,600

(e) Actuarial gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

	2006/07		2005/06		2004/05		2003/04		2002/03	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	(278)	(0.5)	6,230	15.0	1,360	3.8	3,965	12.4	(8,122)	(30.7)
Differences between actuarial assumptions about liabilities and actual experience	1,530	2.6	560	1.0	(1,340)	(2.6)	165	0.4	17	0.0
Changes in the demographic and financial assumptions used to estimate liabilities	3,100		(5,860)		(6,731)		0		0	
Net Difference (expressed as a percentage of the present value of liabilities)	4,352	7.5	930	1.6	(6,711)	(12.8)	4,130	10.1	(8,105)	(22.1)

The actuary has calculated the value of the assets by estimating the return on the fund for the year to 31 March 2007 to be 6.1%, this was based on the actual fund returns of 4.3% for the period 1 April 2006 to 31 January 2007 and index returns for the period from 31 January to 31 March 2007.

The actual fund return for the year to 31 March 2007 was 7.1%, and the total fund value including all employers as at 31 March 2007 was £1,889,435,000. This total includes the assets attributable to North Norfolk District Council.

51. Analysis of Net Assets Employed

	2006/07	2005/06
	£000	£000
General Fund	26,568	30,138
Housing Revenue Account	0	965
TOTAL	<u>26,568</u>	<u>31,103</u>

52. NOTES TO THE CASHFLOW STATEMENT

(a) Revenue Grants Received

	2006/07		2005/06	
	£000	£000	£000	£000
Revenue Support Grant		1,336		4,228
Rent Allowances	15,915		9,141	
Council Tax Benefits	<u>7,067</u>	22,982	<u>6,816</u>	15,957
Business Rates from National Pool	6,885		2,874	
Housing Subsidy	<u>26</u>	6,911	<u>0</u>	2,874
Total Revenue Grants received		<u>31,229</u>		<u>23,059</u>

(b) Capital Grants Received

	2006/07	2005/06
	£000	£000
Department for Communities and local Government -		
Improvement Grant Contribution	293	222
Environmental Health System	41	0
Information and Communications Technology – grants	18	150
North Walsham Pool – grants	0	338
Cromer Regeneration – grants	136	125
Fakenham Leisure Facility	0	524
Cromer Foreshore	28	1,779
Cromer – THI grants	0	8
Cromer – English Heritage Lottery	54	37
Benefits System	259	67
Green Waste and Recycling	0	237
Waste Management System	0	17
Leisure Vehicle	(18)	124
Planning Delivery Grant	78	201
Regional Housing Pot	469	
	<u>1,358</u>	<u>3,829</u>

(c) Reconciliation of surplus to net cashflow

	2006/07		2005/06	
	£000	£000	£000	£000
Surplus /(deficit) for the Year –				
- Income and Expenditure A/c	3,559		2,334	
- Collection Fund	<u>(249)</u>	3,310	<u>(81)</u>	2,253
Items on an Accruals Basis				
Add decrease/(increase) in stock	31		108	
Add decrease/(Increase) in debtors	887		269	
Add increase/(decrease) in creditors	<u>161</u>	(1,079)	<u>1,284</u>	1,661
Non – Cash Transactions				
Amortisation	(70)		(62)	
Depreciation (Net of Government Grants Deferred Amortisation)	(29)		(106)	
Pension cost adjustment for FRS17	(252)		(403)	
Less Right to Buy Administration Costs	0		53	
Less contributions (from)/to reserves	(87)		(934)	
Premium on debt repayment	(4,424)		(89)	
Add contributions to capital (HRA)	1		0	
Internal capital movements met from revenue	<u>(4,773)</u>	(9,594)	<u>(2,304)</u>	(3,845)
Items Classified in another classification in statement				
Less net interest (received)/paid		1,237		(312)
Net Cash (Outflow)/Inflow from Revenue Activities		<u><u>(6,126)</u></u>		<u><u>(243)</u></u>

(d) Movement in Cash

	Balance at 31 March 2006 £000	Balance at 31 March 2007 £000	Movement in the Year 2006/07 £000	Movement in the Year 2005/06 £000
Cash (overdraft)/In Hand	(1,311)	(1,201)	110	(185)
Net Cash Flow	<u><u>(1,311)</u></u>	<u><u>(1,201)</u></u>	<u>110</u>	<u>(185)</u>

(e) Movement in Financing and Management of Liquid Resources

	Balance at 1 April 2006 £000	Balance at 31 March 2007 £000	Cash Movement in the Year 2006/07 £000	Non-cash Movement in the Year 2006/2007 £000
Short term Investments	51,076	11,840	(39,236)	0
Long term Investments	0	5,901	5,901	0
Short term Borrowings	(6,000)	0	6,000	0
Long term Borrowing	(12,400)	0	12,400	0
Deferred Asset	294	0	0	(294)
	<u><u>32,970</u></u>	<u><u>17,741</u></u>	<u><u>(14,935)</u></u>	<u><u>(294)</u></u>

Short term investments represent the amount that the Council has on deposit for less than one year with Banks and Building societies.

Long term investments represent the amounts that the Council has invested in bonds and deposits, which will be held for more than one year.

Short term borrowings represent the amounts that the Council has borrowed and will have to pay back within the year.

Long term borrowings represent the amounts that the Council has borrowed and will have to pay back after the 31 March 2007. All of this amount is made up of loans to the Public Works Loan Board.

The Deferred Asset represents debt premium which is to be written off to the Housing Revenue Account in accordance with the Accounting Policy on Debt Redemption.

53. Events after the Balance Sheet Date

There have been no events since the balance sheet date of 31 March 2007 and up to the date of approval by the Council on 26 June 2007 which have had a material impact on the financial result of the past year.

**HOUSING
REVENUE
ACCOUNT**

**HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE ACCOUNT**

2005/06			2006/07
(Restated) £000s		Notes	£000s £000s
INCOME			
(10,368)	Dwelling rents	(4)	0
(178)	Non-dwelling rents	(5)	0
(535)	Charges for services and facilities	(6)	0
(623)	Contributions towards expenditure		0
0	Housing Revenue Account subsidy receivable	(7)	(33)
0	Sums Directed by the Secretary of State that are income in accordance with GAAP		0
(11,704)	Total Income		(33)
EXPENDITURE			
2,511	Repairs and maintenance		16
2,739	Supervision and management	(8)	0
14	Rents, rates, taxes and other charges		1
2,656	Negative housing revenue account subsidy payable	(7)	0
78	Negative housing revenue account subsidy transferable to the General Fund under the transitional arrangements	(7)	0
2,051	Depreciation and impairment of fixed assets	(9)	0
25	Debt Managements Costs	(10)	11
172	Increase in bad debt provision	(11)	16
0	Sums Directed by the Secretary of State that are expenditure in accordance with UK GAAP		0
10,246	Total Expenditure		44
(1,458)	Net Cost of HRA Services per Authority Income and Expenditure Account		11
208	HRA services share of Corporate and Democratic Core		0
26	HRA share of other amounts included in the whole authority Net Cost of services but not allocated to specific services		0
(1,224)	Net Cost of HRA Services		11
0	(Gain) or loss on sale of HRA fixed assets		0
626	Interest payable and similar charges	(10)	277
89	Amortisation of premiums and discounts	(10)	17
(47)	Interest and investment income		(6)
0	Pension interest cost and expected return on		0
(556)	(Surplus) or deficit for the year on HRA services		299

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2005/06 £000		Notes	2006/07 £000
(556)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account		299
981	Net additional amount required by statute to be debited or (credit) to the HRA Balance for the year		0
425	(Increase) or decrease in the Housing Revenue Account Balance		299
(725)	Housing Revenue Account surplus brought forward	(13)	(300)
(300)	Housing Revenue Account surplus carried forward		(1)

Statement of Movement on the HRA balance reconciling items for the statement

The following table sets out the detailed movements which apart from the outturn on the Income and Expenditure Account are required by Statute or non-statutory proper practices to be debited or credited to the HRA for the year.

2005/06 £000	Notes	2006/07 £000	2006/07 £000
Items included in the HRA Income and Expenditure Accounts but excluded from the movement of HRA Balance for the year			
0	Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute		0
134	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (if any)		0
0	Gain or loss on sale of HRA fixed assets		0
(26)	Net charges made for retirement benefits in accordance with FRS 17	(14)	0
0	Sums Directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP		0
108			0
Items not included in the HRA Income and Expenditure Accounts but excluded from the movement of HRA Balance for the year			
(9)	Transfers to/(from) Major Repairs Reserve	(15)	0
0	Transfers to/(from) Housing Repairs Account		0
0	Employers contribution payable to Norfolk Pension Fund and retirement benefits payable direct to pensioners.		0
0	Voluntary set aside for debt repayment		0
882	Capital expenditure funded by HRA		0
981	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		0

HOUSING REVENUE ACCOUNT NOTES

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.

Consent was granted by the Department for Communities and Local Government (DCLG) on 13 February 2007 to transfer the 12 remaining properties to the General Fund as at 1 April 2006, then on 27 March 2007 consent was given that the HRA could be closed from 1 April 2007.

Transactions within the HRA during 2006/07 related mainly to outstanding housing subsidy entries. Other entries were due to actual expenditure not always matching the estimated accruals made in 2005/06. The impact of these have been funded from the available HRA balance.

A number of the notes to the HRA have been included in support of the 2005/06 Statement.

2. Prior Period Adjustment

In the 2006/07 Financial Statements, the council has adopted a significant new Accounting Policy which has impacted on the comparative figures for 2005/06 in the Income and Expenditure Account. Capital Financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.

This has had the following impact as comparative figures for 2005/06 compared to those published in the 2005/06 Financial Statements.

Explanation of prior period adjustments

	Housing Revenue Account in 2005/06 Statement of Accounts £000	Removal of capital financing charges £000	Relocation of government grants deferred credits £000	Corporate and Democratic Core and Other Amounts £000	2005/06 Comparatives in Income and Expenditure Account £000
Total Income	(11,704)				(11,704)
Total Expenditure	11,827	(1,213)	(134)	(234)	10,246
Net Cost of Services	123	(1,213)	(134)	(234)	(1,458)
Reallocation of CDC and other Amounts				234	234
Net Cost of Services	123	(1,213)	(134)	0	(1,224)

3. Housing Stock

	2006/07	2005/06
Stock at 1 April	12	4,693
Sales	0	(28)
Transfer to NNHT	0	(4,653)
Transfer to General Fund	(12)	0
Stock at 31 March	<u>0</u>	<u>12</u>

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

Houses	0	0
Bungalows	0	1
Flats, Maisonettes and Bedsits	<u>0</u>	<u>11</u>
	<u>0</u>	<u>12</u>
Pre 1919	0	0
1919 – 1944	0	0
1945 – 1964	0	11
Post 1964	<u>0</u>	<u>1</u>
	<u>0</u>	<u>12</u>

4. Dwelling Rents

No rental income was receivable for 2006/07. The average weekly rent for 2005/06 was £49.33. The figure for 2005-06 represents the total income due for the year after allowing for empty properties.

5. Non-Dwelling Rents

Non dwelling rents include land, shops and garages.

6. Charges for Services and Facilities

No charges were due for 2006/07. In 2005/06, £97,381 of the charges for services relates to communal heating which was generally installed in the accommodation within grouped homes schemes for the elderly.

7. 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. 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.

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. Fixed Assets Depreciation

There was no depreciation charged to the HRA in 2006/07 because no properties remained in the account, (£2,051,000 in 2005/06).

	2006/07 £000	2005/06 £000
Operational Assets		
Dwellings	0	2,042
Other Land and Buildings	0	9
	<u>0</u>	<u>2,051</u>
Non-operational Assets	0	0
Total	<u>0</u>	<u>2,051</u>

The depreciation charge for Council Houses of £2,042,000 in 2005/06 reflected 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 was been charged for depreciation on garages in 2005/06. There has been no material impairment.

10. Borrowing Cost

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:

	2006/07 £000	2005/06 £000
The borrowing costs are made up of:-		
Interest	277	626
Premiums and Discounts on Premature Debt Repayment	17	89
Debt Management Expenses	11	25
	<u>305</u>	<u>740</u>

11. Provision for Bad and Doubtful Debts

During the year, £16,081 was written off Housing Revenue Account Income as irrecoverable (£16,244 in 2005/06). These have been met from the HRA balance.

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 during 2005/06, some properties were retained by the Council. Consent was granted by the DCLG to transfer all remaining land and properties to the General Fund as at 1 April 2006.

	31/03/07 £000	01/04/06 £000	01/04/05 £000
Operational Assets			
Dwellings	0	1,300	34,669
Other Land and Buildings	0	0	0
	<u>0</u>	<u>1,300</u>	<u>34,669</u>
Non-operational Assets	0	419	3,748
Total	<u>0</u>	<u>1,719</u>	<u>38,417</u>

13. Balances

The HRA balance at 1 April 2006 has been used to fund any transactions during 2006/07. Now that consent has been given to clear the HRA from 1 April 2007, the remaining balance of £1,171 has been transferred to the General Fund.

14. 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. However due to no employee costs being chargeable to the HRA in 2006/07, no adjustment for FRS 17 have been required in 2005/06, only the current service cost was included within the HRA net cost of services and a transfer from the pension Reserve was made to bring the bottom line pension cost borne by the HRA to the Pension Scheme payment for the year.

15. 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. No amount was receivable for 2006/07.

	2006/07 £000	2005/06 £000
Balance at 1 April	0	60
Transfer into Reserve	0	2,185
Transfer from Reserve to HRA	0	(9)
Financing of Capital expenditure	0	(2,236)
	<u>0</u>	<u>0</u>

16. Capital Expenditure and Financing

No capital expenditure related to the HRA was incurred during the year. The following provides analysis on the capital expenditure incurred in 2005/06 in respect of the HRA along with the sources of financing.

	2006/07 £000	2005/06 £000
Housing Construction and Improvement	0	3,983
Financed by:		
Borrowing	0	0
Major Repairs Reserve	0	2,236
Capital Reserve	0	386
Capital Receipts	0	906
Contributions	0	134
Direct Revenue Financing	0	882
	<u>0</u>	<u>4,544</u>
Net Movement in Capital Creditors	<u>0</u>	<u>(561)</u>
Total Financing	<u>0</u>	<u>3,983</u>

17. Capital Receipts

No capital receipts were received in the year.

	2006/07 £000	2005/06 £000
RTB Sales	0	1,644
Discount Repaid	0	38
Repayments of grants and advances	0	6
Land Sales	0	0
Other	0	0
	<u>0</u>	<u>1,688</u>
Total Usable Receipts Received in Year	0	449

COLLECTION FUND

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

	Notes	2006/07		2005/06	
		£000	£000	£000	£000
INCOME					
Council Tax Net of Benefits & Transitional relief			(46,711)		(44,144)
Transfers from General Fund	(2)				
Council Tax Benefits		(6,292)		(5,967)	
Transitional Relief		<u>2</u>	(6,290)	<u>1</u>	(5,966)
Business Ratepayers Contributions	(3)		(17,743)		(16,577)
Adjustment to Previous Year's Community Charge			(1)		(1)
			<u>(70,745)</u>		<u>(66,688)</u>
EXPENDITURE					
Precepts & Demands	(4)		52,349		49,683
Business Rates					
Payment to National Pool		17,534		16,365	
Costs of Collection		<u>209</u>	17,743	<u>212</u>	16,577
Bad & Doubtful Debts/Appeals					
Write Offs		39		40	
Provisions		<u>48</u>	87	<u>55</u>	95
Contributions towards Previous Year's Estimated Surplus	(4)		317		251
Surplus / (Deficit) for the Year			<u>249</u>		<u>82</u>
			<u>70,745</u>		<u>66,688</u>
BALANCE					
At start of year	(7)		477		395
Surplus / (Deficit) for year			<u>249</u>		<u>82</u>
At end of year			<u>726</u>		<u>477</u>

COLLECTION FUND NOTES

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 £49,036,972 on 31 March 2007 (£49,149,767 on 31 March 2006). The Government fixed the rate at 43.3p in the £ for 2006/07 (42.2p in 2005/06). 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 £6,888,359 in the year (£2,873,805 in 2005/06). The significant increased amount was the result of major changes in the funding system. 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;

	Precept/ Demand £	Plus Collection Fund Surplus £	Net Payment 2006/07 £	Net Payment 2005/06 £
North Norfolk District Council (including Parish precepts)	5,957,694	39,642	5,997,336	5,728,993
Norfolk County Council	40,218,185	241,354	40,459,539	38,368,670
Norfolk Police Authority	6,173,275	36,654	6,209,929	5,835,944
Total	52,349,154	317,650	52,666,804	49,933,607

5. The Council Tax Base for 2006/07 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	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
	A	8,385	8,449	5,587	5,630	5,461
B	12,085	12,022	9,399	9,351	9,187	9,139
C	9,870	9,861	8,773	8,765	8,575	8,567
D	7,643	7,607	7,643	7,607	7,470	7,435
E	4,075	4,026	4,981	4,921	4,869	4,810
F	1,895	1,866	2,737	2,696	2,675	2,635
G	894	902	1,491	1,503	1,457	1,470
H	70	68	139	135	136	132
Contribution from Ministry of Defence	0	0	0	0	212	212
Total Tax Base	44,917	44,801	40,750	40,608	40,042	39,903

Therefore each £1 of Council Tax set was calculated to produce income of £40,042 (£39,903 in 2005/06).

6. Band D Tax Rate

This Council set a Council Tax of £1,281.15 for a band D dwelling, (£1,220.67 in 2005/06), which consisted of £1,004.40 (£956.70 in 2005/06) for Norfolk County Council, £154.17 (£145.53 in 2005/06) for the Norfolk Police Authority and £122.58 (£118.44 in 2005/06) for the District's requirements. Sums ranging from nil to £63.52 (nil to £60.27 in 2005/06) 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. The balance is attributed as follows:

	Share of Balance	
	31/03/07	31/03/06
	£	£
North Norfolk District Council	83,093	58,375
Norfolk County Council	556,184	363,018
Norfolk Police Authority	86,231	55,329
Total	725,508	476,722

The balances attributable to the County and Police have been included as creditors in the Balance Sheet and the £83,093 has been included as a Collection Fund balance alongside the General Fund Balance.

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 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, 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 2006 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 present 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 2006.

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' issued in 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.

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 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 2006, the financial position of the Authority as at 31 March 2007 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 2007

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.

Qualified Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, 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 2007 except that it did not put in place:

- arrangements to maintain a sound system of internal control.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 20 December 2006. 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 2007

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 Financing Requirement

The Capital Financing Requirement represents the Council's underlying need to borrow for capital purposes.

Capital Receipts

Money received from the sale of assets. This can be used to finance capital expenditure or repay debt.

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.

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 the financial effect 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 which are known as earmarked reserves.

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.