

CONTENTS

	Page
Explanatory Foreword	1
Statement of Responsibilities for the Statement of Accounts	7
Statement of Accounting Policies	8
Annual Governance Statement 2009/10	16
The Core Financial Statements	
Income and Expenditure Account	32
Statement of the Movement on the General Fund Balance	33
Statement of Total Recognised Gains and Losses	35
Balance Sheet.....	36
Cash Flow Statement.....	38
Notes to the Core Financial Statements	39
Supplementary Financial Statements	
Collection Fund	
Collection Fund Income and Expenditure Account	68
Collection Fund Notes.....	69
Independent Auditor's Report (Subject to Audit)	71
Glossary of Terms	74
Glossary of Acronyms	79

EXPLANATORY FOREWORD

1. Introduction

The explanatory foreword has been written to provide a guide to the significant matters reported in these accounts. North Norfolk District Council ("the council") accounts for the year ended 31 March 2010 are set out on pages 31 to 69. A glossary of terms and acronyms used within the accounts is provided at pages 70 to 76. While the financial position is regularly monitored and reviewed throughout the year, this Statement of Accounts brings together the financial results of all the Council's operations and the financial position as at 31 March 2010.

The 2009/10 accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom, A Statement of Recommended Practice (SORP)*.

The 2009/10 accounts consist of:

- A Statement of Responsibilities – this sets out the responsibilities of the Council 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; and
- The Annual Governance Statement (AGS) – this is the formal statement which recognises, records and publishes an authority's governance arrangements.

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. It is currently a requirement of the SORP that the analysis is by service rather than Directorates as used in the budget.
- Statement of the Movement on the General Fund Balance (SMGFB) – provides 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 – sets out the financial position of the Council 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. The Balance Sheet is fundamental to the understanding of the Council's year end financial position.
- Cash Flow Statement – summarises all inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

ii) The Collection Fund which shows the collection and disbursement of the Council Tax and non domestic rates.

The Financial Statements are supported by various notes to the accounts which provide additional information to that contained in the core statements themselves.

EXPLANATORY FOREWORD

This foreword gives 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 revised budget and explains substantive changes to the accounts in 2009/10.

The Council incurs both revenue and capital expenditure during the year. Revenue spending is generally considered to be on items which are consumed within a year (salaries, energy costs) and is financed by Government Grants, Council Tax and other income streams. Capital expenditure is incurred on items that have a life beyond one year and is financed from grants, capital receipts or revenue contributions.

2. Substantive Changes introduced in the 2009/10 Accounts

The substantive changes introduced in the 2009 SORP that have had an impact on NNDC are:

- (i) Accounting for Council Tax and National Non-Domestic Rates (NNDR) – From 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. This contrasts with previous accounting requirements where Council Tax income included in the Income and Expenditure Account represented the amounts required under regulation to be transferred from the Collection Fund to the General Fund. Under the new accounting requirements, the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance. Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised, since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers. This change in accounting policy is material and therefore prior year comparatives have been restated.
- (ii) NNDR – In a similar treatment to that of Council Tax, the 2009 SORP confirms that the collection of NNDR is carried out by authorities acting as an agent on behalf of Central Government and should be accounted for accordingly. Previously the NNDR debtor/creditor in respect of business rate payers has been shown on the billing authority Balance Sheet however the requirement is now for the billing authority to only recognise a debtor/creditor relationship with Central Government. Prior period adjustments have been made for 2008/09 to bring the Statement of Accounts in line with the new accounting requirements.
- (iii) Reporting Senior Officer Remuneration – There has been a change to the disclosure requirements which now requires authorities to publish detailed senior pay information covering, salary, expenses allowances, compensation payments, pensions and other benefits. The new regulations came into force on 31 March 2010 and apply to the 2009/10 financial year, unless this would result in a breach of confidentiality, in which case they apply (in those cases only) from 1 April 2010, for the 2010/11 financial year. The existing note which concerns disclosing officers remuneration above a minimum level in bands has been amended to exclude the senior officers (as these are now disclosed in a separate note) and the bands have been reduced to intervals of £5,000.

EXPLANATORY FOREWORD

- (iv) Disclosure Notes – The following disclosure notes are no longer required in the statement of accounts by accounting standards or legislation, however records in respect of these have been maintained;
- Section 137 expenditure;
 - Expenditure on publicity;
 - The Building Control Account;
 - Income under the Local Authorities Goods and Services Act.
- (v) True and Fair view - For the first time in 2009/10, in England, the responsible financial officer is required by regulation 10(2) of the Accounts and Audit Regulations to certify that the accounts present a true and fair view as opposed to presents fairly. This has no effect on the way that the accounts are put together but recognises the convergence of local authority accounting with generally accepted accounting practice in the UK (UK GAAP).
- (vi) Accrued Interest – Interest and principal now due in the next 12 months must now be shown in the current assets/liabilities section of the balance sheet.

3. 2009/10 Revenue Activity

The following compares the original budget for the year to the actual income and expenditure for the General Fund Account. This is the main revenue account which represents the day to day expenditure incurred and income received from government grants, Council Tax, fees and charges in provision of local services.

(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 revised budget for 2009/10.

	Original Budget £000	Revised Budget £000	Actual £000	Variance to Revised Budget £000
Net Expenditure on Services	15,977	15,901	13,578	(2,323)
Notional Charges (capital charges and pension charges)	2,861	698	335	(363)
Net Cost of Services	18,838	16,599	13,913	(2,686)
Parish Precepts	1,319	1,319	1,319	0
	20,157	17,918	15,232	(2,686)
Less Non Service Expenditure:				
Net Interest Receivable/Payable	(801)	(718)	(720)	(2)
Notional Charges	(2,861)	(698)	(335)	363
Net Contributions to/(from) funds etc	(634)	(610)	1,678	2,288
Council Tax (including Parish Precepts)	(6,891)	(6,891)	(6,891)	0
External Support (Government Grant)	(8,872)	(8,872)	(8,872)	0
Net (Surplus)/Deficit for year	98	129	92	(37)
Balance Brought Forward	(1,149)	(1,149)	(1,149)	0
Balance Carried Forward	(1,051)	(1,020)	(1,057)	(37)

EXPLANATORY FOREWORD

The actual net spend on services was £2,323,535 less than the revised budget for 2009/10. The reason for this variance is mainly due to a change in the accounting treatment of the VAT shelter receipt and also a number of grants were received in the year which were not fully expended by 31 March and have therefore been carried forward to 2010/11 within earmarked reserves. The following provides more details of the most significant service variances in the year:

- Additional Housing and Planning Delivery Grant (HPDG) of £370,528 was received in the year. The base budget assumed a total HPDG allocation for 2009/10 of £303,750 to be allocated 67% revenue and 33% capital. When the final grant determination was made in March 2010 the grant was allocated as a non ring-fenced grant with no allocation to capital. The additional grant has been transferred to an earmarked reserve at the year end along with a further £37,705 which related to a delay in the use of the reserve as budgeted.
- There was an under spend on the Coast Protection service £77,228. The majority of this was in relation to repairs not carried out in the year as planned. This was due to the weather in the last quarter of the year restricting the amount of work which could be completed. This has been carried forward at the year end in the coast protection reserve and will be utilised in 2010/11.
- In 2009/10 North Norfolk District Council received a Coastal Pathfinder grant. At 31 March 2010 £474,194 of the revenue grant had been committed against projects but remained unspent. The balance has been carried forward to the new financial year within an earmarked reserve.
- The income that the Council receives from the VAT sharing arrangement with Victory Housing Trust is now treated as a revenue receipt as opposed to capital; this has resulted in a net receipt of £1,024,124 (after administration costs) being received in the year. This amount has been transferred to the capital projects reserve to fund capital expenditure.
- There were a number of under spends in the year within the Information Communications Technology (ICT) service that totalled £80,377, including an under spend of £34,086 on hardware purchases which were budgeted for within revenue but have been accounted for as capital expenditure therefore a revenue contribution to capital was made in the year to fund these. There was also an under spend of £44,507 on various licences due to renegotiations with the suppliers and project slippage and a saving of £14,507 in the year on telephone calls due to contracts being renegotiated.
- At the year end the Benefits service including payment of benefits and receipt of subsidy showed a surplus of £177,052 for the year. This was based on an estimated position in respect of the benefits subsidy claim for 2009/10. The deadline for completion and submission of the claim to the Department for Work and Pensions (DWP) was 31 May and this will not be audited until later in the year. There have been some problems reconciling the system reports, and to rectify this work is being carried out with the software provider. Due to the significant movements against the budget and the current issue with the system reporting, £169,000 of the under spend was transferred to the earmarked reserve to allow for any adjustments to subsidy payable to the DWP following the external audit and also to allow the Council to respond to the increased workloads.
- The revised budget included £90,000 for costs associated with the implementation of the pay and grading review which has not yet been implemented and therefore the budget has been carried forward within an earmarked reserve.

The Revised budget assumed that a net contribution from funds (including earmarked reserves) of £ 610,474 would be made in the year. At the year end £1,678,377 was actually transferred to funds. Further analysis on the movements on the reserves in the year is provided within note 33 to the financial statements on page 52.

EXPLANATORY FOREWORD

4. Reserves

The Council has a policy to maintain General Fund balances above a minimum of £950,000. As at 31 March 2010 the General Fund balance exceeded this at £1,057,260. 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 52.

5. Retirement Benefits Disclosure

Financial Reporting Standard 17 "Retirement Benefits" (FRS 17) has been fully incorporated into the *Chartered Institute Public Finance and Accountancy (CIPFA) Local Authority Accounting Statement of Recommended Practice*. The disclosures required for the financial year ending 31 March 2010 are on pages 54 to 57 and show a Net Pension Liability of £38,065,000 as at 31 March 2010 (£17,864,000 at 31 March 2009).

The liabilities show the underlying commitments that NNDC has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of NNDC remains healthy. At present the deficit on the scheme would be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

6. Capital

Capital expenditure in 2009/10 amounted to £3,613,254 (£2,723,435 2008/09) and was incurred against the following areas:

	Original Budget £000	Revised Budget £000	Actual £000	Variance to Revised Budget £000
Coast Protection	323	711	194	(517)
General Fund Services	3,772	3,792	2,261	(1,531)
General Fund Housing Services	3,124	1,737	1,158	(579)
	<u>7,219</u>	<u>6,240</u>	<u>3,613</u>	<u>(2,627)</u>

These figures include £578,239 (£715,000 2008/09) Revenue Expenditure Funded from Capital Under Statute (REFFCUS) funded by grant.

Expenditure on the Coast Protection programme of £193,853 (£51,732 2008/09) was in respect of Cromer Coast Protection Strategic Review, the finalisation of the Shoreline Management Plan and the new Coastal Pathfinder Project. All expenditure has been funded by grant, either from the Environment Agency or for the pathfinder project from the Department for Environment Food and Rural Affairs (DEFRA).

The major areas of capital expenditure on general fund services in the year included the following:

- Completion of the works on the Gypsy and Traveller Sites in Cromer and Fakenham (£504,320 and £379,109 respectively);
- Further works related to the new Planning Back Office System – Probass (£162,081);
- The purchase and installation of new Car Park Ticket Machines (£117,732);
- The purchase and installation of new Playground Equipment (£146,661);
- Works relating to Public Convenience Improvements (£268,791);
- Information and Communications Technology (ICT) related capital schemes totalling £193,933 which included hardware to support business continuity, enhancements to service access via the intranet and telephone payments;

EXPLANATORY FOREWORD

- Enhancements and improvements to a number of Council properties (£246,878) including the Splash facility, Fakenham Community centre and Cromer offices;
- Works to a number of industrial sites and units including Catfield and North Walsham (£101,533)

Within the general fund housing capital programme, private sector renewal grants totalling £162,645 (£282,499 2008/09) were paid during the year to improve private properties, with £157,539 (£276,400 2008/09) being received in government grants to be used towards the funding of these schemes. Disabled facility grants of £821,938 (£873,728 2008/09) were also paid out during the year, partly funded by government grant of £345,000 (£358,000 2008/09).

In the year £1,597,661 (£1,605,286 2008/09) of the Council's own resources, including capital receipts, reserves and revenue contributions have been used to finance the capital programme. The balance relates to external sources of finance for example other contributions and grants.

The variances in the year related mainly to slippage of schemes to 2010/11. The main reason for this was due to schemes not progressing as originally anticipated.

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.

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. The Capital Strategy was updated in January 2010.

8. Borrowing Facilities

The Council remained debt free at 31 March 2010. 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.

9. Prudential Code

The Prudential Code 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 2009/10 the Council did not undertake any prudential borrowing to finance capital expenditure.

10. Further Information

For further information about these accounts please contact the Financial Services Manager, North Norfolk District Council, Council Offices, Holt Road, Cromer, NR27 9EN or email accountancy@north-norfolk.gov.uk.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

The Deputy Chief Executive Responsibilities

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

In preparing this statement of accounts, the Deputy Chief Executive has:

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

The Deputy Chief Executive 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 Deputy Chief Executive

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a True and Fair View of the financial position of the Council at 31 March 2010 and its income and expenditure for the year.

Dated: 2010

S J Oxtoby BSc CPFA

I confirm that these accounts were approved by the Council at the meeting held on 29 June 2010.

Signed on behalf of North Norfolk District Council

Chairman of Full Council:

Date: 29 June 2010

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (the SORP)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2003.

2. Accruals of Income and Expenditure

The Financial Statements except for the Cash Flow Statement are prepared on an accruals basis in accordance with Financial Reporting Standard (FRS) 18. The accruals basis of accounting requires items of income and expenditure to be accounted for in the year to which they relate, not when the cash has actually been received or paid. In particular:

- Supplies and Services are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as stock and work in progress on the balance sheet;
- Customer and client receipts in the form of sales, fees, charges and rents are accounted for as income at the date the Council provides the relevant goods and services;
- Employee costs i.e. salaries and wages are charged to the period within which they worked;
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- Interest payable on borrowings and receivable on investments is charged or credited to the revenue account on an accruals basis.

3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires a future payment, but where there is uncertainty surrounding the timing or amount. When the provision is created, the cost is charged to the appropriate service revenue account based on the best estimate of the likely settlement. When the liability is discharged, the expenditure is charged direct to the provision set up in the balance sheet.

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

4. Reserves

Amounts that are set aside for purposes that fall outside the definition of provisions are classified as reserves. The Council sets aside specific amounts as reserves for future purposes or to cover contingencies. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in the year and included within the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance via the Statement of Movement on the General Fund Balance so there is no net charge against Council Tax for the expenditure. The General Fund reserves are separated into general and earmarked reserves. The general reserve is the Council's working balance and the Council's current policy is to

STATEMENT OF ACCOUNTING POLICIES

maintain general balances of a minimum of £950,000. There are a number of earmarked reserves where amounts have been set aside for specific purposes for example asset management and funding future capital spending. The Council's reserves policy is reviewed annually alongside setting the budget for the forthcoming year.

5. Government Grants and Contributions

Grants and contributions towards the cost of services are accounted for on an accruals basis and recognised as income at the date the Council satisfies the conditions of entitlement to the grant/contribution, where there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. General grants, including the Revenue Support Grant and Area Based Grant and redistributed Business Rates, in support of the overall spending, are credited to Income and Expenditure Account after Net Operating Expenditure.

Grants and contributions towards capital spending are also accounted for on an accruals basis. Where grants and contributions are received which are identifiable to fixed assets with a finite useful life, the amounts are credited to the Governments Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the relevant assets in line with the depreciation policy applied to them.

Grants which relate to Revenue Expenditure Funded from Capital Under Statute (REFFCUS) are credited to the revenue account to offset the expenditure charged there (see accounting policy 11 also).

Credits are charged direct to the relevant service account in relation to capital grants, 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.

6. Overheads and Support Services

The costs of overheads and support services, which include accountancy, legal, personnel and Information and Communications Technology are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2009 (BVACOP 2009)*. Charges are made for support services based on appropriate methods of allocation for example on the basis of floor area, in respect of accommodation costs, and on actual time and/or activity for other services. All support services and overheads are allocated with the exception of corporate and democratic core and non distributed costs which are both accounted for as separate headings in the Income and Expenditure Account as part of the net cost of services.

7. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administration purposes on a continuing basis.

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 Council 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

STATEMENT OF ACCOUNTING POLICIES

construction at the year end are held at historical 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 be formally revalued where there have been material changes to the value, but as a minimum every five years. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains.

A full valuation is performed every five-years.

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

Disposals – When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. 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. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve associated with the asset are transferred to the Capital Adjustment Account.

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

The written off value of disposals is not a charge against the Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movements on General Fund Balances.

Amounts in excess of £10,000 are categorised as capital receipts.

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

STATEMENT OF ACCOUNTING POLICIES

through either changes in technology or demand for the goods and services produced by the asset.

In accordance with Financial Reporting Standard (FRS) 11: Impairment Assets and Goodwill, fixed assets, other than non-depreciable land are reviewed for impairment at the end of each reporting period.

Where impairment is identified as part of this review or as a result of a valuation exercise and is attributable to the clear consumption of economic benefit, the loss is charged to the relevant service revenue account, otherwise it is written off against any revaluation gains attributable to the relevant asset in the revaluation reserve, with any loss charged to the relevant service revenue code.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the revaluation reserve to the Capital Adjustment Account.

8. 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 are 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	20	Straight Line
Community Assets	100	Not Usually Depreciated
Non-Operational	40 to 60	Straight Line
Land		Not Depreciated

For fixed assets other than non-depreciable land and non-operational investment properties the only reason for not depreciating the asset would be where a depreciation charge would be immaterial. The expenditure on 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.

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

STATEMENT OF ACCOUNTING POLICIES

9. Intangible Fixed Assets

In accordance with FRS 10: Goodwill and Intangible Assets, expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits and in line with the depreciation policy on tangible fixed assets. Software licences are amortised to revenue over 5 years.

Intangible assets are included in the Balance Sheet at historical cost. Grants to other organisations still exist as Revenue Expenditure Funded from Capital Under Statute (REFFCUS) and are shown as a memorandum item (see accounting policy 11).

10. Capital Receipts

Capital receipts arise from the sale of assets, such as council land and buildings. Amounts in excess of £10,000 are categorised as capital receipts. Under the Preserved Right to Buy (PRTB) sharing agreement with Victory Housing Trust the Council receives a proportion of the proceeds from PRTB sales that represent capital receipts. Capital receipts are accounted for on an accruals basis and are required to be credited to the useable capital receipts reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the Statement of the Movement on the General Fund Balance.

11. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

12. Leasing

Assets may be acquired by either finance or operating leases. If acquired under an operating lease as defined under SORP 2009 and Statement of Standard Accounting Practices (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 7 – Tangible Fixed Assets.

13. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged with a capital charge to reflect the real cost of holding fixed assets during the year. The capital charge includes:-

- Depreciation attributable to the asset used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits of tangible fixed assets used by the service and other costs where there are no accumulated gains in the revaluation reserve against which they can be written off;

STATEMENT OF ACCOUNTING POLICIES

- Amortisation of intangible fixed assets to service expenditure.

The Council is not required to raise Council Tax to cover capital charge (depreciation, impairment losses or amortisations). Therefore an adjusting transaction is made within the Statement of the Movement on the General Fund Balance to negate any impact on the Council Tax.

14. Stocks and Work In Progress

Stocks consisting of building materials, coast protection materials and stationery are included in the Balance Sheet at the lower of actual cost and net realisable value. Work in progress is included at cost including an allocation of overheads where applicable.

15. Pensions

The Council operates a pension scheme providing defined benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Council in an independently administered fund. Further detail on the measurement of the pension fund assets and liabilities is provided in note 36 to the Core Financial Statements.

The cost of providing pensions for employees has been charged to the accounts in accordance with the statutory requirements of FRS 17 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.

Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability. The discount rate used in 2009/10 was 5.5% (6.9% in 2008/09) as per the actuarial assumption based on 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.

Under the 2009 SORP the Authority has adopted the amendment to FRS 17 Retirement benefits. As a result of this, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

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.

STATEMENT OF ACCOUNTING POLICIES

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

16. Interest in Companies

The Council has had no financial interest in any companies and other entities during 2009/10.

17. Value Added Tax

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

18. Financial Assets

Financial Assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Investments are made with approved counterparties at fixed interest rates for fixed periods of time. The interest receivable on these deposits is recognised in the Income and Expenditure Account, and the value of the accrued interest is added to the investment value shown in the Balance Sheet, until such time as the interest is received.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Assets are maintained in the Balance Sheet at fair value, based on the quoted market price.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL).

It is the Council's policy to hold these assets until maturity at which time the fair value of the asset will be equal to the nominal value. If the asset were to be sold prior to maturity, any gain or loss would be recognised in the Income and Expenditure Account, with the balance posted from the Available-for-sale Reserve.

Impairment

If at any time it became probable that payments due under a contract would not be made, the value of the asset would be written down for impairment losses and a charge made to the Income and Expenditure Account.

STATEMENT OF ACCOUNTING POLICIES

19. 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. This is in accordance with the SORP and has had no impact on the Council's financial position.

20. Minimum Revenue Provision

The Council has a duty to set aside some of its revenue as a prudent provision for the repayment of debt. It is required to have regard to Government Guidance when assessing the amount of the provision, and has the option of choosing from four alternative methods of calculation.

The Council has determined to use the Capital Financing Requirement (CFR) method. This requires a charge equal to 4% of the value of the CFR at the end of the preceding financial year to be charged to the Income & Expenditure Account. The Council's does not anticipate entering into any long-term borrowing to fund capital expenditure, and intends to maintain its CFR at zero. No financial provision is therefore required to be made.

1. Scope of responsibility

- 1.1 North Norfolk District Council (NNDC) 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. NNDC 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.
- 1.2 In discharging this overall responsibility, NNDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 NNDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.northnorfolk.gov or can be obtained from the Financial Services Manager at Council Offices, Holt Road, Cromer. This statement explains how NNDC has complied with the code and also meets the requirement of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control and is reviewed annually or more frequently as required.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The governance framework has been in place at NNDC for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

3. The governance framework

- 3.1. Our governance framework derives from six principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/ Society of Local Authority Chief Executives (SOLACE) (2001). These principles were adapted for application to local authorities and published by CIPFA/SOLACE in 2007. The six core principles are:
 - 3.1.1. focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
 - 3.1.2. members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - 3.1.3. promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - 3.1.4. taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

- 3.1.5. developing the capacity and capability of members and officers to be effective; and
 - 3.1.6. engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not fully achieving policies, aims and objectives and therefore provides a reasonable rather than 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 NNDC 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 Six Key Principles

- 4.1. *Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.*
- 4.1.1. The North Norfolk Sustainable Community Strategy (NNSCS) outlines the vision and aims for the area. It was produced by the North Norfolk Community Partnership (NNCP), which brings together all relevant stakeholders, including those that deliver services in the area. Priorities have been identified through consultation with local people and a wide range of stakeholders.
 - 4.1.2. The Council's aims and objectives are set out in the Corporate Plan 2008 – 2011 called "Changing Gear". This contains a statement of our vision for the area, priorities and our business strategy over a three year period. These priorities reflect the Community Strategy. Both the Community Strategy and the Corporate Plan are due to be updated during 2010 for the three year period 2011 – 2014.
 - 4.1.3. The Corporate Plan also reports on progress against the previous year's priorities.
 - 4.1.4. The Corporate Plan includes information about the Council's services and finances, and lists targets for the next three years together with planned improvements. It includes performance indicators, both national and local, to show how well we performed in previous years, plus our plans against these indicators for future years. The Cabinet receives an annual medium term financial strategy which draws on other strategies for ICT, asset management, human resources etc and covering a three-year period, which is used to set initial parameters for the coming budget process.
 - 4.1.5. The Council has an effective performance management framework – utilising a dedicated IT system to record and report upon performance management information. The system is driven by the Corporate Plan which focuses attention on Council priorities. This is cascaded through departmental service plans, individual employee appraisals and action plans. It is clearly laid out in the annual service and financial planning and performance management cycle.
 - 4.1.6. The Annual Report and Performance Plan represents the culmination of the annual planning and reporting process. The report evidences the compliance of the Council with its Performance Management Framework. This is a key component of the Organisational Assessment under the Comprehensive Area Assessment framework.
 - 4.1.7. The Council's Cabinet and the Performance and Risk Management Board monitor and scrutinise progress against targets and performance in priority areas affecting

relevant service areas, and consider and approve corrective action where necessary, on a quarterly basis. These reports also include quarterly budget monitoring reports covering the General Fund, capital projects, key prudential code indicators and certain specific budget areas regarded as particularly sensitive. The reporting process is under constant review in order to develop its maximum potential, and we are conscious that the financial information needs to be closely linked to the service performance information.

- 4.1.8. The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.
 - 4.1.9. Through reviews by external agencies, and Internal Audit, the Council constantly seeks ways of ensuring the economic, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. A corporate procurement group has been established and continues to oversee the policy framework which governs the way in which the Council obtains goods and services.
 - 4.1.10 The Council is due to undertake a review of its financial and contract rules as part of the comprehensive review of the Constitution which is due to be completed by October 2010.
 - 4.1.11 All budget heads are allocated to a named budget officer, who is responsible for controlling spend against a budget.
 - 4.1.12 The Council continues to develop and refine systems for identifying and evaluating all significant risks, via the corporate Performance and Risk Management Board. The Risk Management Framework was updated and approved by the Audit Committee in September 2009. The Performance and Risk Management Board has defined terms of reference to develop a comprehensive performance framework for risk management and to embed risk management across the Council. The Performance and Risk Management Board maintains the risk register, and submits it to the Audit Committee on a regular basis. In addition a business continuity plan has also been produced supported and informed by regular exercises and reviewed on an annual basis via the Audit Committee.
- 4.2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles*
- 4.2.1. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear.
 - 4.2.2. The Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people. It does this by electing a Leader and appointing a Cabinet. The Leader then allocates executive responsibilities.
 - 4.2.3. The Council publishes a forward plan which contains details of key decisions to be made by the Cabinet. Each Cabinet member has a specific portfolio of responsibilities requiring them to work closely with Member Champions as well as senior and other employees so as to achieve the Council's ambitions. The Cabinet operates on the basis of collective responsibility.

- 4.2.4. Additionally, the Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These leadership roles, and the delegated responsibilities of officers, are set out in the Constitution. The Constitution was approved by Council at its annual meeting in February 2008 and has been subject to updates during 2008/09 and 2009/10 with a fully revised version due in 2010/11.
- 4.2.5. All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. An Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- 4.2.6. Meetings are open to the public except where personal or confidential matters are being discussed. During 2009/10, to improve openness and accountability, public speaking has been introduced at all Committees and Full Council. In addition, senior officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the Constitution.
- 4.2.7. The Constitution also includes a Member/Officer protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.
- 4.2.8. The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and chairs the Corporate Management Team. All staff, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- 4.2.9. The Deputy Chief Executive, as the s151 Officer appointed under the 1972 Local Government Act, carries overall responsibility for the financial administration of the District Council. The Council complies with the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government, the s151 Officer is a member of the Corporate Management Team and reports directly to the Chief Executive. A corporate finance function headed by the Financial Services Manager and Deputy s151 Officer, provides support to each service area in respect of budget preparation and financial monitoring process.
- 4.2.10 The Monitoring Officer carries overall responsibility for legal compliance and is supported by a legal team. The Council employs three practising solicitors.
- 4.2.11 The Council's Corporate Management Team (CMT) of Chief Officers meets on a weekly basis to develop policy issues commensurate with the Council's aims, objectives and priorities. CMT also considers other internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management. CMT will meet with portfolio holders on a regular basis to review progress in achieving the Council's ambitions, priorities for action, performance management and forward planning for major issues.

ANNUAL GOVERNANCE STATEMENT 2009/10

4.2.12 Below CMT the management structure is well defined in a hierarchical manner, comprising the following teams:

Title	Principal Objectives
Corporate Management Team (CMT)	Weekly meetings Provides collective responsibility for: <ul style="list-style-type: none"> • Providing corporate leadership; • Employee development ; • Internal and external communications; • Performance management; and • Co-ordinating and delivering corporate objectives and priorities for action; <ul style="list-style-type: none"> • Reviews corporate policy implementation; • Agrees corporate standards; and • Considers key operational matters

Title	Principal Objectives
Senior Management Team (SMT)	4 weekly meetings
Directorate Management Teams	Bi weekly meetings

In addition there are specific groups established to progress issues on a corporate basis, examples being:

Group	Principal objectives
Asset Management Board	To confirm the capital strategy and asset management plan To oversee: <ul style="list-style-type: none"> • The full implementation of the capital strategy and asset management plan; • The arrangements for maintenance of the corporate asset register; • The production of a surplus land and property register ; • To consider future land and property requirements and review under-used or empty property; and • To consider and approve terms for the disposal or surplus land and property assets
Performance and Risk Management Board	<ul style="list-style-type: none"> • To establish a performance management framework that is understood and implemented by all; • To identify and manage the Council's strategic and operational risks and strengthen business continuity; • To ensure that all staff and Members have a shared understanding of the council's priorities and of what is needed to be done to realise those priorities; • To ensure that the commitment given to performance and risk management is commensurate with the importance placed on

ANNUAL GOVERNANCE STATEMENT 2009/10

	<p>embedding a successful performance and risk management culture;</p> <ul style="list-style-type: none"> • To ensure that services deliver the corporate objectives by challenging the measures and targets put forward by service heads / managers; and • To ensure that management and Council decisions are based on valid, accurate and timely information.
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Group	Principal objectives
Procurement Board	<ul style="list-style-type: none"> • To monitor the Improvement Plan for the Council's Procurement processes; • To establish project groups as required and agree and monitor detailed project plans for the work of those groups; • To research and prepare a business case for change to incorporate e-procurement options and use a standardised approach to project management; • To work within the Council's existing Procurement Strategy and develop a new Procurement Policy; • To ensure delivery of cross-cutting issues and identify key performance indicators; • To make recommendations on robust procurement procedures and processes that link to standing orders; • To undertake a review of the council's current procurement arrangements to establish whether Value for Money is being achieved through the council's approach to procurement; • To evaluate whether partnership and collaboration models are being addressed through the current procurement strategy; • To give consideration to our future approach to sustainability, equality and medium and small enterprises; • To ensure that risk management is being effectively applied to procurement activities; and • To monitor the Council's position against key milestones identified within the government's National Procurement Strategy
Equality and Diversity Board	<ul style="list-style-type: none"> • To promote diversity within the authority and through the services it provides;

4.3. Promoting values for the community and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- 4.3.1. The Council has adopted a number of codes and protocols that govern both Member and officer activities. These are:
- Members Code of Conduct;
 - Officers Code of Conduct;
 - Planning Protocol;
 - Members' declarations of interest;
 - Member/officer relations; and
 - Gifts and hospitality
- 4.3.2. The Council takes fraud, corruption and maladministration very seriously and has the following policies which aim to prevent or deal with such occurrences:
- Anti-Fraud and Corruption Policy;
 - Whistle blowing Policy; and
 - HR policies regarding the implications for staff involved in such incidents.
- 4.3.3. It is part of the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive and Chief Finance Officer, the Monitoring Officer can report to the full Council if any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- 4.3.4. The financial management of the Council is conducted in accordance with the financial rules set out in the Constitution and with Financial Regulations. The Council has designated the Deputy Chief Executive as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.
- 4.3.5. The Council maintains an externalised Internal Audit, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. This is the second year of an arrangement with Deloitte Touche to provide its internal audit service under a contract common to other Norfolk district councils.
- 4.3.6. Individual services have produced Service Plans, which currently cover the time period 2010-13. These Service Plans are updated each year so as to incorporate the Corporate Plan requirements into service activities and to take into account available funding. In this way services identify and plan to achieve the Council's priorities and ambitions. These plans also identify any governance impact.
- 4.3.7. At employee level we have established an Employee Development Scheme so as to jointly agree employee objectives and identify training and development needs. The Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for regular monitoring of performance during the year.

4.4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- 4.4.1. The Council's Constitution sets out how the Council operates and the process for policy and decision making.
- 4.4.2. Full Council sets the policy and budget framework. Within this framework, all key decisions are made by the Cabinet. Cabinet meetings are open to the public (except where items are exempt under the Access to Information Act).
- 4.4.3. The Leader's Forward Plan of key decisions to be taken over the next three months is published on the Council's website.
- 4.4.4. All decisions made by Cabinet are made on the basis of reports, including assessments of the legal and financial implications, policy and equalities assessments, and consideration of the risks involved and how these will be managed. The financial and legal assessments are provided by named finance and legal officers.
- 4.4.5. The decision-making process is scrutinised by a scrutiny function which has the power to call in decisions made, but which also undertakes some pre-decision scrutiny and some policy development work.
- 4.4.6. Other decisions are made by officers under delegated powers. Authority to make day to day operational decisions is detailed in departmental Scheme of Delegation.
- 4.4.7. Policies and procedures governing the Council's operations include Financial Regulations, Contract Procedure Rules and a Risk Management Policy. Ensuring the policies are up to date and complied with is the responsibility of managers across the Council. The Internal Audit, Finance and Legal Services check that policies are complied with. Where incidents of non-compliance are identified, appropriate action is taken.
- 4.4.8. The Council's Risk Management Policy requires that consideration of risk is embedded in all key management processes undertaken. These include policy and decision making, service delivery planning, project and change management, revenue and capital budget management and partnership working. In addition, a Corporate Risk Register is maintained and the Performance and Risk management Board meets monthly to review the extent to which the risks included are being effectively managed. The Audit Committee oversees the effectiveness of risk management arrangements and provides assurance to the Council in this respect. Financial Management processes and procedures are set out in the Council's Financial Regulations and include:
 - Comprehensive budgeting systems on a medium term basis;
 - Clearly defined capital and revenue expenditure guidelines;
 - Regular reviews and reporting of financial performance against the plans for revenue and capital expenditure;
 - Overall budgets and a clear Scheme of Delegation defining financial management responsibilities;
 - Regular capital monitoring reports which compare actual expenditure plus commitments to budgets;

- Key financial risks are highlighted in the budgeting process and are monitored through the year by service and corporately;
- Robust core financial systems; and
- Documented procedures are in place for business critical financial systems, and these are also checked on a regular basis by the Internal Audit Section.

4.4.9. Containing spending within budget is given a high priority in performance management for individual managers. Monitoring reports are submitted to the Cabinet on a quarterly basis linking finance and service delivery performance.

4.4.10 The Council has several committees which carry out regulatory or scrutiny functions. These are:

- Development Control Committees (East and West) to determine planning applications and related matters (this Committee will become a single combined Committee during 2010);
- Standards Committee which promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the District;
- Audit Committee to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;
- A Licensing Committee, which monitors and reviews the effectiveness of the Council's licensing policy and procedures; and
- Scrutiny Committees, which review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions.

4.5. Developing the capacity and capability of Members and Officers to be effective

4.5.1. The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new Members and Officers undertake an induction to familiarise them with protocols, procedures, values and aims of the Council.

4.5.2. All Council services are delivered by trained and experienced people. All posts have a detailed post profile and person specification. Training needs are identified through the Employee Development Scheme and addressed via the Human Resources service and/or individual services as appropriate.

4.5.3. The Council achieved accreditation in January 2008 under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively. Reaccreditation took place during 2009/10 and the Council achieved a bronze level assessment.

4.5.4. Environmental Health has achieved accreditation under the ISO 9001:2000.

4.5.5. In respect of Members, the Council has established a Member Development Group which guided a full induction process for members following the full council

elections in May 2007. As a commitment to developing and supporting elected Members the Council has committed itself to achieving the Members Charter which will provide a structured approach to building elected Member capacity.

- 4.5.6. Members who have not undertaken training are not permitted to sit on the regulatory committees. In addition the Council has appointed Member Champions who will be able to focus on important issues for the Council. This, along with the Scrutiny role provides important developmental opportunities for Members.
- 4.5.7. The Council is concentrating on delivering improved service for its customers through an information management strategy designed to enhance the value and usefulness of the corporate resource that information, data and knowledge represents.
- 4.5.8. The Council has also procured an electronic document and records management system for Revenues and Benefits. This will enable it to better locate and manage its stored information and data, plus other knowledge material. During 2009/10 the new planning system went 'live' which includes the electronic management of data.

4.6. Engaging with local people and other stakeholders to ensure robust public accountability

- 4.6.1. The Council approved a Communication Strategy in May 2008. The Strategy aims to ensure that the work of the Council is open, honest and transparent and to enhance inclusion by building on our understanding of all residents' needs and perceptions, through improved customer service and community engagement.
- 4.6.2. The Strategy sets the framework for both conveying messages and seeking residents' views, and supports the need for further improvement with clear aims and a set of specific actions.
- 4.6.3. The Council has continued to engage with local people and stakeholders in the following ways on a range of issues;
 - Surveys;
 - Community workshops;
 - Interviews;
 - Public meetings;
 - Road shows; and
 - Area Forums
- 4.6.4. The results of this consultation continue to be used to shape and inform the Council's policies and strategies, for example the Sustainable Community Strategy.
- 4.6.5. The Council has tried to engage "harder to reach" groups through varying the way in which it conducts consultation so that the views of a broad spectrum of the community can be well represented.
- 4.6.6. The Council has also undertaken work with key stakeholders such as parish councillors through the Town and Parish Council Forums to try to ensure enhanced participation through these types of established forums.

4.6.7. Working with the North Norfolk Community Partnership the Council continues to develop its approach to Community Empowerment.

5. Review of effectiveness

5.1. NNDC annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and from comments made by the external auditors and other inspection agencies.

5.2. Both during the year and at year end reviews have taken place. In year review mechanisms include:

5.2.1. The Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

5.2.2. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect.

5.2.3. A full review of the Constitution was undertaken during the latter part of 2006/07 to ensure it was accurate and reflected current best practice and legal requirements. The Constitution has been subject to a rolling review since that time and the Council has approved some changes which are reflected in the updated Constitution in particular, public speaking arrangements and the Councillor Call for Action.

5.2.4. Additionally the Members' Allowance scheme was revised which the Council adopted following an independent review panel being established.

5.2.5. The Council has a Scrutiny Committee which can establish 'task and finish' groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Cabinet. Scrutiny can "call-in" a decision which has been made by the Cabinet but not yet implemented, to enable it to consider whether the decision is appropriate. In addition the Scrutiny Committee can exercise its scrutiny role in respect of any Cabinet function, regardless of service area or functional responsibility, and will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing.

5.2.6. The introduction of the "Councillor Call for Action" by the government provides another mechanism by which members of the public can raise their concerns. The Council has updated its Constitution and procedures to incorporate this option, although it has not been used during 2009/10.

5.2.7. The development of the procurement function across the public sector has led to the establishment of a number of framework agreements for purchasing where the detailed work on price and quantity with suppliers has already been carried out. Contracts for supply are only established when goods works or services are called off under the agreement.

5.2.8. The Equality Framework builds on the work already undertaken in this area. It is based on three levels of "developing, achieving and excellent".

5.2.9. The Standards Committee has met regularly throughout the year to consider and review issues relating to the conduct of Members. The Local Assessment

Framework transferred in May 2008 and the Council had arrangements in place to deal with the investigation arising from this. Members of the Committee have been meeting regularly to assess complaints received, although the District, due to the large number of Parishes, has received more complaints regarding parish and town Council members than many other Councils. The Committee has received reports during the year on trend analysis of complaints and the wider control environment including Whistle blowing, Anti Fraud and Corruption and Officer Conduct.

- 5.2.10. The Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee received regular reports on risk management, internal control and governance matters in accordance with its agreed work programme. Of the twenty two audit assignments completed during 2009-10 the level of assurance achieved was adequate overall although limited assurance was given for non-fundamental system audits in respect of leisure complexes, sports halls, active communities and community safety, performance indicators and data integrity, and partnerships. The high and medium recommendations relating to those audits with a limited assurance have been or are being implemented in accordance with agreed timescales.
- 5.2.11 Internal Audit is an independent and objective assurance service to the management of the District Council who complete a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangement. In addition, the Section undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Cabinet and the Audit Committee.
- 5.2.12 The External Auditor's Annual Audit Letter is considered by the Audit Committee and the Performance and Risk Management Board. The December 2009 letter identified a number of areas for continued focus including implementation of the International Financial Reporting Standards (IFRS) and ensuring that all lease arrangements have lease agreements in place.
- 5.2.13 The External Auditors reported their CPA Use of Resources Key Lines of Enquiry assessment during the year. The Council was assessed at a level 3 as 'performing well' in the Use of Resources framework. (The overall score for 2008 was 3).
- 5.2.14 The Performance and Risk Management Board monitor Best Value and Key Performance Indicators on a quarterly basis and recommend improvements to the Cabinet. They also continually review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks.
- 5.2.15 There have been significant changes in the economic environment both in the financial sector and in the economy at large. The Council has during the year assessed the impact of the changing economic position on the provision of services by the Council and the wider community by developing a recession summit action plan. Although the Council did not have any funds invested in any of the Icelandic banks, it has reviewed and updated its treasury management arrangements in line with best practice following the Icelandic banking crisis.
- 5.2.16 Developments in the way public sector accounts are presented will lead to the adoption of the International Financial Reporting Standards (IFRS) in 2010-11 in Local Government. Preliminary work has commenced during 2009-10 in preparation for this significant change to financial reporting.

ANNUAL GOVERNANCE STATEMENT 2009/10

5.3. The year end review of the governance and the control environment arrangements by the Performance and Risk Management Board included:

- 5.3.1. Obtaining assurances from Directors and Service Managers that key elements of the control framework were in place during the year in their departments.
- 5.3.2. The statement itself was considered by CMT and is supported by them as an accurate reflection of the governance arrangements in place for the year.
- 5.3.3. Obtaining assurances from other senior management, including the s151 Officer and the Monitoring Officer that internal control and corporate governance arrangements in these essential areas were in place throughout the year.
- 5.3.4. Reviewing any high level audit recommendations that remained outstanding at the year end and taking appropriate action if necessary.
- 5.3.5. Reviewing external inspection reports received by the Council during the year, the opinion of the Head of Internal Audit in her annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.

5.4. The Audit Committee received assurances from the Head of Internal Audit that standards of internal control, corporate governance arrangements and systems of risk management were all operating to an adequate standard.

5.5. The Audit Committee review the effectiveness of the governance framework as part of an annual review of the Local Code of Corporate Governance, and an improvement plan to address weaknesses and ensure continuous improvement of the system is in place.

6. Significant governance issues

6.1. The review process has highlighted a number of significant issues regarding the governance and internal control environment and these together with the improvement/action proposed are described briefly in the table below along with the outcomes from the action points for the previous year:

Action points from 2008/09

Ref. No	Action	Officer/Target Date	Outcome
08/09 a	Strengthen compliance with standing orders in particular to include letting and monitoring of contracts.	Monitoring Officer / March 2010	The Procurement Policy and Strategy has been updated and approved at Council in February 2010. A Procurement Toolkit has been approved by Corporate Management Team. The Constitution is due to be reviewed and updated by October 2010.
08/09 b	Progress to "achieving" status through the "Equality framework for Local Government"	Equality and Diversity Board / March 2010	The combined equality scheme was updated and approved in December 2009 along with an updated action plan. Good progress has been made and an external assessment is planned

ANNUAL GOVERNANCE STATEMENT 2009/10

			in the autumn 2010.
08/09 c	Formalise and monitor implementation of the AGS action plan	Deputy Chief Executive / February 2010	The AGS action plan is included on the Council's performance system and is updated on a quarterly basis.
08/09 d	Formal guidance required to define the governance arrangements necessary when entering into a partnership combined with a review of our significant partnerships.	Corporate Risk Officer / November 2009	The Partnership Framework was agreed in 2009, it is due for review by December 2010. A checklist for partnerships has been issued to partnership leads and will be completed by December 2010. The Performance and Risk Management Board will have reviewed significant partnerships by December 2010.
08/09 e	Outstanding "high priority" recommendations from internal audit reports are to be implemented promptly	Section 151 Officer / October 2009	Any high priority audit recommendations that have not been implemented by the due date are reported to the Performance and Risk Management Board for review and action.

Action Points arising from 2009/10

Ref	Action	Officer	Target Date/ Outcome
09/10 a	Undertake a fundamental review of the Constitution to include contract management arrangements and letting of contracts	Strategic Director Information	October 2010
09/10 b	To update the Risk Management Framework and review on an annual basis.	Corporate Risk Officer	September 2010
09/10 c	All service risks should be captured within the service plan and included on the Council's performance management system along with actions to mitigate risks	Corporate Risk Officer	June 2010 - The 2010/2011 service risks have been captured in the service plans. The service risks have then been added to the risk section of the ten system, a review of the risks will be undertaken between September and December 2010.

- 6.2. We propose over the coming year to take steps identified above to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

7. Certification

- 7.1. To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Leader of the Council:

Virginia Gay _____ Date:

Chief Executive:

Philip Burton _____ Date:

The Core Financial Statements

INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

	Note	Gross Expenditure £000	2009/10 Gross Income £000	Net Expenditure £000	2008/09 Net Expenditure £000 Restated
Central Services to Public		10,630	(9,200)	1,430	1,951
Cultural, Environmental and Planning services	(2)	16,475	(5,285)	11,190	15,384
Highways, Roads and Transport services		1,648	(2,492)	(844)	459
Other Housing Services		25,757	(25,387)	370	977
Corporate and Democratic core		2,168	(16)	2,152	2,468
Non Distributed Costs		239	0	239	392
Net Cost of Services		56,917	(42,380)	14,537	21,631
(Gain)/Loss on disposal of Fixed Assets	(3)			294	(175)
Parish Council Precepts	(4)			1,319	1,228
Deficits of Trading					
Undertakings (not included in Net Cost of Services)	(5)			45	44
Interest Payable and Similar charges	(39)			0	3
Contribution of Housing Capital Receipts to Government Pool	(6)			1	1
Interest and Investment Income	(39)			(720)	(1,342)
Pensions Interest Cost and Expected Return on Pensions Assets	(35)			1,453	657
Net Operating Expenditure				16,929	22,047
Demand on Collection Fund				(6,871)	(6,579)
General Government Grants				(1,664)	(1,072)
Local Authority Business Growth Incentive Grant				(43)	(74)
Area Based Grants				(53)	(17)
Housing & Planning Delivery Grant				(573)	(210)
Non-Domestic Rates Redistribution				(7,208)	(7,702)
Deficit for Year				517	6,393

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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 the Council is required to raise Council Tax on a different accounting basis the main differences being:-

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

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.

The 2008/09 comparative figures have been restated due to a number of substantive changes introduced in the 2009 SORP. For further information please see Note 2 within the Explanatory Forward on page 2 of these Statements.

	2009/10 £000	2008/09 £000 Restated
(Surplus)/Deficit for the year on the Income and Expenditure Account	517	6,393
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the Year	(425)	(6,439)
Decrease/(Increase) in the General Fund Balance for the Year	92	(46)
General Fund Balance brought forward	(1,149)	(1,103)
General Fund Balance carried forward	(1,057)	(1,149)
Amount of General Fund Balance generally available for new expenditure.	(1,057)	(1,149)

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

	Note	2009/10 £000	2008/09 £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.			
Amortisation on intangible fixed assets	(16)	(80)	(101)
Depreciation and impairment of fixed assets	(14)	(1,552)	(7,969)
Government Grants deferred amortisation	(26)	835	927
Revenue Expenditure Funded from Capital Under Statute (REFFCUS) – formerly Deferred Charges		(482)	(801)
Net gain/(loss) on sale of fixed assets	(3)	(294)	175
Collection Fund Adjustment Account		(20)	(45)
Net charges made for retirement benefits in accordance with FRS17	(35)	(2,466)	(1,967)
		(4,059)	(9,781)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year			
Capital expenditure charged in-year to the General Fund Balance	(30)	251	492
Transfer from useable capital receipts to meet payments to the Housing Capital Receipts Pool	(6)	(1)	(1)
Employer's contributions payable to the Norfolk Pension Fund and retirement benefits payable direct to pensioners	(35)	1,957	1,959
		2,207	2,450
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year			
Capital Projects Reserve Movement	(28)	1,013	(29)
Grassed Area Deposits	(28)	0	2
Net transfer to or (from) earmarked reserves	(32)	414	919
		1,427	892
Net additional amount required to be credited to the General Fund Balance for the Year		(425)	(6,439)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

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 gains and losses of the Council for the year and shows the aggregate increase in the net worth. In addition to the surpluses generated in the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/10 £000	2008/09 £000 Restated
Income and Expenditure Account (Deficit)	(517)	(6,393)
Gain arising on revaluation of fixed assets	216	10,005
(Loss)/Gain arising on revaluation of available-for-sale financial assets	(126)	409
Actuarial (Loss) on pension assets and liabilities	(19,692)	(8,024)
Total recognised (losses) for the year	(20,119)	(4,003)

BALANCE SHEET AT 31 MARCH 2010

The Balance Sheet sets out the Councils financial position at the year end.

		2010		2009	
	Note	£000	£000	£000	Restated £000
	(14, 15)				
FIXED ASSETS					
Tangible fixed Assets:					
Other Land and Buildings		29,727		28,487	
Vehicles, Plant & Equipment		3,298		3,459	
Infrastructure Assets		3,300		3,573	
Community Assets		459		462	
Non –Operational Assets:					
Investment Properties		1,571		1,556	
Assets Under Construction		331		328	
Surplus Assets, Held for Disposal		2,349		2,870	
		<hr/>		<hr/>	
			41,035		40,735
Intangible Fixed Assets	(16)		534		213
			<hr/>		<hr/>
Total Fixed Assets			41,569		40,948
Long Term Investments	(38)		6,863		8,971
Long Term Debtors:	(22)				
Mortgages		2		4	
Others		59	61	70	74
		<hr/>		<hr/>	
Total Long Term Assets			48,493		49,993
CURRENT ASSETS					
Stock & Work in Progress		118		131	
Debtors	(23)	4,953		4,013	
Investments	(38)	10,970		11,917	
Cash at Bank		104		140	
		<hr/>		<hr/>	
Total Current Assets		16,145		16,201	
CURRENT LIABILITIES					
Creditors	(24)	(6,340)		(7,111)	
Loans repayable within 12 months		0		(1,300)	
		<hr/>		<hr/>	
Total Current Liabilities		(6,340)		(8,411)	
			<hr/>		<hr/>
Net Current Assets/(Liabilities)			9,805		7,790
Total Assets less Current Liabilities			58,298		57,783
Long Term Liabilities					
Deferred Capital Receipts		0		(1)	
Government Grants Deferred	(26)	(14,623)		(14,189)	
Pensions Scheme Liability	(35)	(38,065)		(17,864)	
		<hr/>		<hr/>	
Total Assets less Liabilities			(52,688)		(32,054)
			<hr/>		<hr/>
Total Assets less Liabilities			5,610		25,729

BALANCE SHEET AT 31 MARCH 2010

	Note	2010 £000	2009 £000
FINANCED BY:			
Funds & Reserves			
Capital Adjustment Account	(30)	16,572	16,492
Revaluation Reserve	(29)	10,373	10,265
Available-for-Sale Financial Instruments Reserve	(39)	343	469
Pensions Reserve	(28,35)	(38,065)	(17,864)
General Fund	(28)	1,057	1,149
Useable Capital Receipts	(31)	10,034	11,329
Collection Fund Adjustment Account	(28)	22	42
Earmarked Reserves	(28,32)	5,274	3,847
Total Net Worth		5,610	25,729

The Statement of Accounts presents a True and Fair view of the financial position of authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

Dated: 2010

S J Oxtoby BSc CPFA

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Notes to the Cashflow Statement are on pages 58 to 59.

	Note	2009/10 £000	2008/09 Restated £000	2008/09 Restated £000
REVENUE ACTIVITIES				
Cash outflows				
Cash paid to and on behalf of employees		11,524		11,404
Other Operating Costs		14,183		21,633
Pooled Capital Receipts		1		1
Housing Benefit paid out		<u>30,779</u>	<u>56,556</u>	<u>26,679</u>
Cash inflows				
Council Tax & Community Charge		(6,838)		(6,533)
Revenue Support Grant	(36a)	(1,664)		(1,072)
Grants for Rebates	(36a)	(30,691)		(27,000)
Other Government Grants	(36a)	(9,001)		(8,558)
Cash received for goods and services		(6,772)		(6,894)
Other Revenue Cash/Income		<u>(581)</u>	<u>(55,547)</u>	<u>(8,224)</u>
Revenue activities net cash	(36c)		1,009	1,483
Outflow/(Inflow)				
Returns on Investment and Servicing of Finance				
Cash Outflows				
Interest paid		0		1
Cash Inflows				
Interest Received		<u>(1,134)</u>	<u>(1,134)</u>	<u>(1,176)</u>
				(1,175)
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of Fixed Assets		2,403		1,942
Long Term Investments		<u>(2,107)</u>	<u>296</u>	<u>1,428</u>
				3,370
Cash Inflows				
Sale of fixed assets		(314)		(940)
Capital Grants Received	(36b)	(986)		(1,872)
Other Capital Cash Payments/Income		<u>(97)</u>	<u>(1,397)</u>	<u>(70)</u>
				(2,882)
			<u>(1,101)</u>	<u>488</u>
Net Cash Outflow/(Inflow) Before Financing			(1,226)	796
Management of Liquid Resources				
Cash Outflows				
Net (decrease)/increase in short term deposits			(947)	600
Net (Decrease)/Increase in Other Liquid Resources			909	(570)
FINANCING				
Cash Outflows				
Repayment of Amounts Borrowed			1,300	3,300
Cash Inflows				
New Loans Raised			0	(4,600)
			<u>1,300</u>	<u>(1,300)</u>
NET (INCREASE)/DECREASE IN CASH			<u>36</u>	<u>(474)</u>

**Notes
to
the
Core
Financial
Statements**

NOTES TO THE CORE FINANCIAL STATEMENTS

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. Land Drainage

Drainage levies of £305,671 (£296,775 2008/09) were paid to Internal Drainage Boards. The levies of the Boards are recovered from all Council Tax payers.

3. Loss on Disposal of Fixed Assets

The loss reported of £293,472 (2008/09 gain of £175,310) is a result of disposals that the Council has made. They relate mainly to the disposals of interests in former housing land which has been transferred to Housing Associations at minimal consideration. These entries are reversed within the SMGFB reconciliation to ensure that they do not have any impact upon the Council Tax payer.

4. 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.

5. Trading Operations

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

	2009/10			2008/09		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Markets	91	(76)	15	105	(82)	23
Industrial Sites	119	(89)	30	125	(104)	21
Total	210	(165)	45	230	(186)	44

The markets are run weekly on car parks at Sheringham, Cromer and Stalham. Norse Commercial Services manages this service as a partnering arrangement.

Industrial sites are provided at Fakenham, North Walsham and Catfield. Catfield and Fakenham include starter units developed jointly with the East of England Development Agency.

6. 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 Council's Housing Stock to the Victory Housing Trust the pooling arrangements for house sales are no longer applicable. The only receipts requiring pooling now relate to three outstanding mortgages.

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Leases

The Council leases, property, land, vehicles and items of equipment, including printing and telephone equipment. The amount charged in 2009/10 under these leases was £166,313 (£133,752 2008/09), which equated to £43,000 for land and buildings and £123,313 for vehicles, plant and equipment (£13,000 and £120,752 respectively 2008/09). The future cash payments required under these leases total £488,416 (£325,586 2008/09), of which £389,013 was for land and building and £99,403 for vehicles, plant and equipment (£132,013 and £193,573 respectively 2008/09). Both prior year figures have been restated to include additional property and equipment leases identified.

The Council is committed to making annual payments of £97,595 under these leases in 2010/11. Comprising of the following elements:-

	Other Land and Buildings	Vehicles, Plant and Equipment	Total
Leases Expiring in 2010/11	0	£11,662	£11,662
Leases Expiring between 2011/12 and 2015/16	0	£42,933	£42,933
Leases Expiring after 2015/16	£43,000	0	£43,000
	£43,000	£54,595	£97,595

In addition to the leases included above, there are a number of other leases where the value of future rentals cannot be accurately assessed as detailed below.

There are some minor leases where the value of the rentals are not material, but most relate to car parks leased by the Council. For these leases the amount of the rentals is dependent on the value of future takings on car parks and this cannot be accurately assessed at this point in time. The value of rentals paid under these leases in 2009/10 was £50,657 (£41,188 2008/09).

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 2009/10 was £215,095 (£290,522 in 2008/09). These have been credited to the Income and Expenditure Account.

8. Area Based Grant

The Local Area Agreement Grant changed in 2008/09 to Area Based Grant (ABG). The ABG is paid directly to the Council that benefits from the grant without any constraint on how the monies are to be used. ABG is accounted for as part of General Government Grants in the Income and Expenditure Account together with Revenue Support Grant and Redistributed National Non-domestic Rates.

9. Members Allowances

The total of Members Allowances paid in the year amounted to £300,378 (£304,709 in 2008/09). Full details can be obtained by writing to North Norfolk District Council, Information Services, Holt Road, Cromer, Norfolk, NR27 9EN.

NOTES TO THE CORE FINANCIAL STATEMENTS

10. Senior Officer Remuneration

The following table sets out the remuneration disclosure for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 (pro rata) per year. Senior Officers are defined as being a statutory chief officer as defined in the LGHA 1989 section 2(6); a non-statutory Chief officer as defined in the LGHA 1989 section 2(7); or someone with responsibility for the management of the authority, being able to direct or control its major activities, whether solely or collectively.

Job Title	Year	Salaries, Fees and Allowances £	Expenses Allowance £	Total Remuneration Excluding Pension Contributions £	Employer Pension Contributions £	Total Remuneration Including Pension Contributions £
Chief Executive	2009/10	107,883	8,221	116,104	20,282	136,386
	2008/09	107,883	8,208	116,091	19,955	136,046
Deputy Chief Executive & Section 151 Officer	2009/10	84,407	8,073	92,480	15,869	108,349
	2008/09	82,578	8,073	90,651	15,277	105,928
Strategic Director - Community	2009/10	79,407	8,073	87,480	14,928	102,408
	2008/09	77,307	8,073	85,380	14,302	99,682
Strategic Director - Environment	2009/10	79,407	7,444	86,851	14,928	101,779
	2008/09	77,307	7,256	84,563	14,302	98,865
Strategic Director - Information	2009/10	79,407	8,073	87,480	14,928	102,408
	2008/09	77,307	8,073	85,380	14,302	99,682

11. Employees

The number of employees not falling into the category of Senior Officer shown above whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 were:-

Remuneration Band	2009/10 Number of Employees	2008/09 Number of Employees
£50,000 to £54,999	2	3
£55,000 to £59,999	1	1
£60,000 to £64,999	2	2
£65,000 to £69,999	0	1

12. Related Party Transactions

The Statement of Recommended Practice requires the disclosure of all material transactions between the Council and related parties in accordance with the principles of FRS 8. Related party transactions include mainly Central Government grants which are analysed in note 40 and transactions with the Pension Fund which are detailed in note 36 to the Core Financial Statements, so do not require repeating here. A number of Councillors are members of other local and voluntary organisations as well as local area partnerships who have received services from or provided services to the Council. One Member was a representative on the Victory Housing Trust Board. No material transactions have been identified concerning Members of the Council or Corporate Management Team.

NOTES TO THE CORE FINANCIAL STATEMENTS

13. External Audit Fees

Fees Payable to the Audit Commission and PricewaterhouseCoopers LLP.

	2009/10 £000 PWC	2009/10 £000 Audit Commission	2009/10 £000 Total	2008/09 £000 Total
External Audit Services	118	9	127	116
Statutory Inspection	0	0	0	14
Grant Claim>Returns Certification	70	2	72	69
Total	188	11	199	199

14. Movement on Fixed Assets 2009/10 (Analysis of Operational Assets)

	<i>Other Land & Buildings</i> £000	<i>Vehicles, Plant & Equipment</i> £000	<i>Infrastructure</i> £000	<i>Community Assets</i> £000	<i>TOTAL</i> £000
<i>Cost or Valuation</i>					
<i>Gross Book Value at 1 April 2009</i>	34,816	5,582	9,718	468	50,584
<i>Movements in Year:</i>					
<i>Additions</i>	1,444	401	194	0	2,039
<i>Disposals</i>	(30)	0	0	0	(30)
<i>Reclassifications</i>	113	0	0	0	113
<i>Revaluations</i>	216	0	0	0	216
<i>Gross Book Value at 31 March 2010</i>	36,558	5,983	9,912	468	52,921
<i>Depreciation and Impairments</i>					
<i>Depreciation & Impairment B/fwd as at 1 April 2009</i>	(6,329)	(2,123)	(6,145)	(6)	(14,603)
<i>Depreciation in Year</i>	(350)	(562)	(467)	(3)	(1,382)
<i>Disposals</i>	15	0	0	0	15
<i>Revaluations</i>	0	0	0	0	0
<i>Impairments</i>	(167)	0	0	0	(167)
<i>Depreciation at 31 March 2010</i>	(6,831)	(2,685)	(6,612)	(9)	(16,137)
<i>Net book value as at 31 March 2010</i>	29,727	3,298	3,300	459	36,784
<i>Net book value as at 31 March 2009</i>	28,487	3,459	3,573	462	35,981

NOTES TO THE CORE FINANCIAL STATEMENTS

All of the fixed assets are owned by the Council and not held under finance leases.

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 2009/10 revaluations were undertaken by RICS qualified staff working for the Council's external valuers, Norfolk Property Services.

Movement on Fixed Assets 2009/10 (Analysis of Non Operational Assets)

<i>Cost or Valuation</i>	<i>Non Operational Assets</i>			<i>Total</i>
	<i>Investment Properties</i>	<i>Assets Under Construction</i>	<i>Assets held for Disposal</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Gross Book Value at 1 April 2009</i>	2,524	328	3,297	6,149
<i>Movements in Year:</i>				
<i>Additions</i>	15	97	0	112
<i>Disposals</i>	0	0	(499)	(499)
<i>Reclassifications</i>	0	(94)	(19)	(113)
<i>Revaluations</i>	0	0	0	0
<i>Gross Book Value at 31 March 2010</i>	2,539	331	2,779	5,649
<i>Depreciation and Impairments</i>				
<i>Depreciation & Impairment B/fwd as at 1 April 2009</i>	(968)	0	(427)	(1,395)
<i>Depreciation in year</i>	0	0	(3)	(3)
<i>Disposals</i>	0	0	0	0
<i>Revaluations</i>	0	0	0	0
<i>Impairments</i>	0	0	0	0
<i>Depreciation at 31 March 2010</i>	(968)	0	(430)	(1,398)
<i>Net book value as at 31 March 2010</i>	1,571	331	2,349	4,251
<i>Net book value as at 31 March 2009</i>	1,556	328	2,870	4,754

NOTES TO THE CORE FINANCIAL STATEMENTS

15. 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.

	Other Land and Buildings £000	Vehicles, Plant, Equipment £000	Infra- structure £000	Community Assets £000	Non Operational £000	Total £000
Valued at historical cost	0	5,870	9,912	468	331	16,581
Valued at current value in:						
2009/10	1,719	0	0	0	(502)	1,217
2008/09	30,958	0	0	0	3,481	34,439
2007/08	230	0	0	0	0	230
2006/07	3,651	0	0	0	0	3,651
2005/06	0	113	0	0	2,339	2,452
Total	36,558	5,983	9,912	468	5,649	58,570

16. Intangible Fixed Assets

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

	2009/10 £000	2008/09 £000
Original Cost	538	479
Amortisation to 1 April	(325)	(224)
Balance at 1 April	213	255
Expenditure in the year	401	59
Amortised in the year	(80)	(101)
Balance at 31 March	534	213

The cost of software licences is being written off over the five year life of the licences.

17. Analysis of Net Assets Employed

	2009/10 £000	2008/09 £000
General Fund	4,436	24,582
Trading Operations	1,174	1,147
	5,610	25,729

NOTES TO THE CORE FINANCIAL STATEMENTS

18. Information on Assets Held

Fixed assets owned by the Council include the following:

	Number as at 31 March 2010	Number as at 31 March 2009
Operational Land & Buildings		
Offices	3	3
Depots	1	1
Car Parks	30	30
Public Conveniences	36	37
Tourist Information Centre	3	3
Leisure Centres & Pools	3	3
Other	15	13
Infrastructure		
Protected Coastline	22km	22km
Community Assets (Number of sites)		
Parks and Open Spaces	49	49
Pier	1	1
Non-operational Assets (Number of sites)		
Commercial Property for rent	25	25
Land awaiting development	36	41

There has been a minor amendment to the prior year comparative figure to include the North Norfolk Information Centre within the total for Tourist Information Centres.

19. The Council as Lessor

With regard to the Authority's activity as a lessor, the gross value of assets held for use in operating leases was £14,887,142 at 31 March 2010 (£14,712,325 31 March 2009) which are subject to accumulated depreciation of £1,315,647 at that date (£968,381 31 March 2009). The Council has not acquired any assets in the year specifically for the purpose of letting out under operating leases. Of the total value £12,082,371 (£12,005,303 31 March 2009) relates to leisure facilities which are leased to a management company under the terms of the management agreement for a peppercorn rental.

NOTES TO THE CORE FINANCIAL STATEMENTS

20. 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 2010.

	2009/10	2008/09
	£000	£000
Opening Capital Financing Requirement	0	0
Capital Investment:		
Operational Assets	2,039	464
Non-operational Assets	112	684
Revenue Expenditure Funded from Capital Under Statute (REFFCUS) – formerly Deferred Charges	482	801
Intangible Fixed Assets	402	59
Sources of Finance:		
Capital Receipts	(1,509)	(1,132)
Government Grants and Contributions	(1,275)	(384)
Sums set aside from Revenue (includes Direct Revenue financing)	(251)	(492)
Closing Capital Finance Requirement	0	0
Explanations of Movement in Year		
Increase/(Decrease) in Capital Financing Requirement	0	0

21. Committed Capital Expenditure

Due to the longer term nature of capital projects, works can often take more than one year to complete, or can actually straddle the Council's financial year end. The Council has no significant capital commitments as at 31 March 2010. The comparative figures as at 31 March 2009 related to the new Planning Back Office System (£123,000) and the Strategic Housing System (£91,000).

22. Long Term Debtors

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

	31 Mar 2010	31 Mar 2009
	£000	£000
Mortgages	2	4
Car Loans to officers	59	70
Total	61	74

NOTES TO THE CORE FINANCIAL STATEMENTS

23. Debtors

The debtors represent amounts owed to the Council at the 31 March 2010 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. The movement on Government department debtors relates to a refund of VAT from HM Customs in 2008/09 and the balance of Department of Works and Pensions (DWP) Benefits Subsidy due to the authority as a result of the final subsidy claim, this was a creditor in 2008/09.

	31 Mar 2010		31 Mar 2009	
	£000	£000	£000	£000
Debtors				
Government departments	3,030		1,724	
Payments in advance	144		110	
Collection Fund - Local Taxes	284		243	
Other debtors	2,081	5,539	2,626	4,703
Less Bad Debt Provision				
General Fund	(519)		(635)	
Collection Fund	(67)		(55)	
		<u>(586)</u>		<u>(690)</u>
TOTAL		<u>4,953</u>		<u>4,013</u>

24. Creditors

Creditors represent the amounts owed by the Council at the 31 March 2010. The 2008/09 collection fund figure has been restated to reflect a change in the accounting treatment to an agency basis. The 2008/09 Government departments figure included an amount owed by the authority to the Department of Works and Pensions relating to the Final Subsidy Claim, the 2009/10 final claim has resulted in a debtor provision.

	31 Mar 2010		31 Mar 2009	
	£000		£000	
Government departments		(1,347)		(2,149)
Receipts in Advance:				
Tenants Rent		(30)		(30)
Collection Fund		(127)		(121)
Other Receipts		(956)		(875)
Other Creditors		<u>(3,880)</u>		<u>(3,936)</u>
TOTAL		<u>(6,340)</u>		<u>(7,111)</u>

25. Government Grants and Contributions

Government Grants totalling £1,101,544 (£284,681 2008/09) and Contributions totalling £169,660 (£118,872 2008/09) have been used to finance capital expenditure. Amounts not yet utilised have been included as receipts in advance.

NOTES TO THE CORE FINANCIAL STATEMENTS

26. 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.

	2009/10 £000	2008/09 £000
Balance Brought Forward 1 April	(14,189)	(14,779)
Additions	(1,269)	(337)
Written down	835	927
Balance Carried Forward 31 March	<u>(14,623)</u>	<u>(14,189)</u>

27. Deferred Credits

Deferred Credits represent capital income that is still to be received when disposals have taken place and deferred payments have been agreed 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 from Victory Housing Trust.

NOTES TO THE CORE FINANCIAL STATEMENTS

28. Movement on Reserves

	Balance 1 April 2009	Net Movement in the Year	Balance 31 March 2010	Purpose of Reserve	Further detail of Movements
	£000	£000	£000		
Reserve					
Revaluation Reserve	10,265	108	10,373	Store of gains on revaluation of fixed assets not yet realised through sales.	See Note 29
Capital Adjustment Reserve	16,492	80	16,572	Store of capital resources set aside to meet past expenditure	See Note 30
Available-for-sale Financial Instruments Reserve	469	(126)	343	Store of gains on revaluation of investments not yet realised through sales.	See Note 39
Usable Capital Receipts	11,329	(1,295)	10,034	Proceeds of fixed asset sales available to meet future capital expenditure	See Note 31
Collection Fund Adjustment Account	42*	(20)	22	To record adjustments between the collection fund balance and general fund accruals.	
Pensions Reserve	(17,864)	(20,201)	(38,065)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet.	See Note 35
General Fund	1,149	(92)	1,057	Resources available to meet future running costs for General Fund Services.	Statement of Movement on the General Fund Balance page 33
Other Earmarked Reserves:-					
Capital Projects	111	1,013	1,124	Resources available for future capital expenditure.	
Grassed Area Deposits	273	0	273	To finance the ongoing commitments under grounds maintenance contracts.	
Other Revenue Earmarked Reserves	3,463	414	3,877	A number of earmarked reserves are held for specific purposes.	See Note 32
Total Other Earmarked Reserves	3,847	1,427	5,274		
Total Reserves	25,729	(20,119)	5,610		

*Within the 2008/09 Accounts, the £42,000 balance for the Collection Fund was included under the heading of "Other Earmarked Reserves". Due to the changes introduced in the 2009 SORP, this balance has now moved to the Collection Fund Adjustment Account.

NOTES TO THE CORE FINANCIAL STATEMENTS

29. Revaluation Reserve

The Reserve records accumulated gains on fixed assets arising from increases in value, as a result of inflation/other factors (to the extent these gains have not been consumed by subsequent downward movements in value). Since 1 April 2007, the Reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost. Whilst these gains arising from revaluations increases the net worth of the Council they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

	2009/10	2008/09
	£000	£000
Balance brought forward 1 April	10,265	425
Revaluation during year	216	10,005
Adjustment for historic cost depreciation	(78)	0
Disposal of fixed assets	(30)	(165)
Balance carried forward 31 March	<u>10,373</u>	<u>10,265</u>

30. Capital Adjustment Account

This account accumulates all the debits relating to the historical cost of acquiring, creating or enhancing fixed assets over the life of those assets and measures the write down of the assets as they are consumed by depreciation and impairments or written off on disposal. The same process applies to capital expenditure that is only capital by statutory definition (deferred charges). On the credit side the account accumulates the resources that have been set aside to finance capital expenditure. The balance on the Account therefore represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements. As the Council is debt free, it also contains the reversal of depreciation charged to the Income and Expenditure Account.

	2009/10	2008/09
	£000	£000
Balance at 1 April	16,492	22,768
Depreciation	(1,385)	(1,366)
Adjustment for historic cost depreciation	78	0
Impairment	(167)	(6,602)
Disposal of fixed assets	(483)	(3)
Capital Financing:		
Capital Receipts	1,509	1,132
Revenue	251	492
REFFCUS funded from Grants & Contributions	578	715
Deferred grants and Contributions written down	835	927
Prior year financing	4	46
Less		
Revenue Expenditure Funded from Capital Under Statute (REFFCUS) – formerly Deferred Charges	(1,060)	(1,516)
Intangible Fixed Asset Amortisation	(80)	(101)
Balance at 31 March	<u>16,572</u>	<u>16,492</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

31. Useable Capital Receipts (UCR) Reserve

These are the receipts from the sale of the capital assets.

	2009/10 £000	2008/09 £000
Balance Brought Forward 1 April	11,329	12,166
Net Receipts	219	342
Capital Receipts Pooled	(1)	(1)
Used for Financing Capital Expenditure	(1,509)	(1,132)
Prior year financing	(4)	(46)
Total UCR Balance carried forward 31 March	10,034	11,329

32. Other 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 2009 £000	Transfers to Reserves £000	Transfers from Reserves £000	Balance 31 March 2010 £000
Organisational Development	92	90	(92)	90
Coast Protection	240	77	(210)	107
Pathfinder	0	474	0	474
Asset Management	148	0	(51)	97
Sheringham Splash	66	10	0	76
Sports Hall Equipment	15	4	0	19
Common Training	21	21	(21)	21
Local Strategic Partnership	12	0	0	12
Concessionary Fares	150	0	0	150
Environmental Health	162	0	0	162
Environmental Policy	43	29	(33)	39
Election Reserve	0	40	0	40
HPDG - Revenue	158	482	(50)	590
HPDG – Capital	196	0	(162)	34
Land Charges	57	0	(57)	0
Local Development Framework	90	0	(46)	44
LSVT Reserve	435	0	0	435
Local Government reorganisation	72	0	(72)	0
Regeneration Projects	90	70	(80)	80
Arts and Community Projects	31	0	(31)	0
Benefits	665	219	(117)	767
Restructuring Proposals	685	0	(206)	479
Housing	35	62	(35)	62
Carbon Management	0	40	0	40
Whistle Blowing	0	10	0	10
Legal and Democratic Services	0	49	0	49
Other Revenue Earmarked Reserves Total	3,463	1,677	(1,263)	3,877

33. 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 Victory Housing Trust in 2006/07, 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 has been 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. In June 2010 the actuary's total value of the indemnity required to meet all risks was estimated at £0.945 million (£1.739 million 2008/09)

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. An earmarked reserve of £435,000 is held to mitigate such 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 (on 31 March 2014) will be a liability to the Council. Currently the potential liability is estimated at £148,000.

(c) Concessionary Fares

The Council provides funding for the National Concessionary Fares Scheme in its revenue accounts. Appeals are pending locally together with a number of judicial reviews which were heard in November 2009, but no judgement has been forthcoming to date. Additional capacity claims for 2010/11 will be forthcoming and depending on the outcome of these two separate processes there could be a significant impact on the cost of this service. There is an earmarked reserve of £150,000 to cushion against any impact of potential increased costs.

(d) Benefits

Due to ongoing problems with the Council's Civic council tax and benefits system the accounts for the last three years in respect of these areas have had to be closed based on estimates. There is a risk of potential clawback from the DWP following the final audits for these claims, to mitigate the impact of any clawback there is an earmarked reserve for which the balance stood at £766,265 at 31 March 2010.

(e) Pavilion Theatre, Cromer

Under the terms of the contract for the management of the Pier Pavilion Theatre at Cromer, the Contractor has invested £93,065 in improvements to the Theatre and is entitled to recover this cost from the Council over the duration of the agreement. This is being achieved by the Contractor offsetting the Council's annual profit share against the balance outstanding. Any balance owing to the Contractor at the end of the agreement will need to be paid in the 2012/13 Financial Year. Accounts for the 2009 season are still awaited but, based upon estimates provided by the contractor, the amount still outstanding at 31 March 2010 is approx £43,250.

34. 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 in 2006, the Council entered a VAT sharing agreement with Victory Housing Trust. Under this agreement the Council receives a 50% share of £8,748,520. During the year £1,032,464 was received (£390,444 in 2008/09). The balance remaining at the 31 March 2010 to be received is £2,069,236.
- The Council may have a contingent asset at the Balance Sheet date of approximately £2.4 million. This is in respect of VAT that has been collected from off street car parking charges over the past 11 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 and has now been referred back to the UK Tribunal to give a decision regarding the question of distortion of competition.

35. Retirement Benefits

- (a) **Participation in Pensions Schemes:** The Scheme is a defined benefit statutory scheme, administered by Norfolk County Council in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. It is contracted out of the State Second Pension. It 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 which range from 5.5% to 7.5% of pay (5.5% to 7.5% of pay in 2008/09), NNDC, as employer contributed 18.8% (18.5% in 2008/09) of the pay of employees who belonged to the scheme. The latest formal valuation was at 31 March 2007 and the next is due on 31 March 2010. 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 2009/10 NNDC paid an employer's contribution of £1,430,291, representing 18.8% of pensionable pay (£1,375,090 18.5% in 2008/09) 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 2007. Under Superannuation Fund Regulations, contribution rates are set to meet the overall liabilities of the Fund. The employer's contribution rate is to increase to 19.0% from 1 April 2010. In addition NNDC is responsible for all pension payments relating to added years benefits it has awarded in respect of former employees, together with compensation payments and related increases. In 2009/10 these amounted to £527,906 representing 6.94% of pensionable pay (£585,253, 7.87% in 2008/09).

NOTES TO THE CORE FINANCIAL STATEMENTS

(b) Reconciliation of the Present Value of Scheme Liabilities

Year Ended :	31 Mar 2010	31 Mar 2009
	£000	£000
Opening Present Value of Scheme Liabilities	53,664	55,138
Current Service Cost	774	918
Interest Cost	3,668	3,785
Contributions by Members	549	521
Actuarial Losses / (Gains)	28,466	(4,677)
Past Service Costs / (Gains)	207	382
Losses / (Gains) on Curtailments	32	10
Estimated Unfunded Benefits Paid	(255)	(242)
Estimated Benefits Paid	(2,346)	(2,171)
Closing Present Value of Scheme Liabilities	84,759	53,664

(c) Reconciliation of the Fair Value of Scheme Assets

Year Ended :	31 Mar 2010	31 Mar 2009
	£000	£000
Opening Fair Value of Scheme Assets	35,800	45,305
Expected Return on Assets	2,215	3,128
Contributions by Members	549	521
Contributions by NNDC	1,636	1,719
Contributions in respect of Unfunded Benefits	255	242
Actuarial Gains / (Losses)	8,840	(12,702)
Unfunded Benefits Paid	(255)	(242)
Benefits Paid	(2,346)	(2,171)
Closing Fair Value of Scheme Assets	46,694	35,800

- (d) Cost of 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 expenses have been recognised in the Income and Expenditure Account:

Year Ended :	31 Mar 2010	31 Mar 2009
	£000	£000
Current Service Cost	774	918
Interest Cost	3,668	3,785
Expected Return on Employer Assets	(2,215)	(3,128)
Past Service Cost	207	382
Losses on Curtailments and Settlements	32	10
Total	2,466	1,967
Actual Return on Plan Assets	11,058	(9,541)

NOTES TO THE CORE FINANCIAL STATEMENTS

(e) Amounts Recognised in the Statement of Total Recognised Gains and Losses (STRGL)

Year Ended 31 March :	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Actuarial Gains / (Losses) recognised in STRGL	(19,692)	(8,024)	2,113	4,390	930
Cumulative Actuarial Gains and Losses	(26,883)	(7,257)	726	(1,387)	(5,780)

(f) Percentage Breakdown of Total Scheme Assets Between Main Categories :

Year Ended :	31 Mar 2010	31 Mar 2009
Equities	67%	62%
Bonds	17%	21%
Property	10%	10%
Cash	6%	7%
	100%	100%

(g) Expected Return On Assets: The return on assets is based on the long-term future expected investment returns for each asset class, as assessed by Hymans Robertson LLP, an independent firm of actuaries.

Year Ended :	31 Mar 2010	31 Mar 2009
	% p.a.	% p.a.
Equities	7.8%	7.0%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	4.8%	4.0%

(h) Actuarial Assumptions :

Year Ended :	31 Mar 2010	31 Mar 2009
	% p.a.	% p.a.
Discount Rate	5.5%	6.9%
Expected Return on Assets	6.9%	6.2%
Salary Increase Rate	5.3%	4.6%
Inflation / Pension Increase Rate	3.8%	3.1%

In relation to the Commutation Adjustment, an allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

(i) Mortality Assumptions: Life expectancy is based on the PFA92 and PMA92 year of birth tables, with improvements from 2007 in line with the medium cohort and a 1% p.a. underpin. Based on these assumptions the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.8 years	24.1 years
Future Pensioners	22.3 years	25.7 years

NOTES TO THE CORE FINANCIAL STATEMENTS

(j) Previous Year Comparisons:

Year Ended 31 March :	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Fair Value of Employer Assets	46,694	35,800	45,305	45,558	41,400
Present Value of Scheme Liabilities	(84,759)	(53,664)	(55,138)	(58,200)	(58,100)
Deficit	(38,065)	(17,864)	(9,833)	(12,642)	(16,700)
Experience Gains / (Losses) on Assets	8,840	(12,660)	(3,449)	(240)	6,230
As a % of scheme assets	18.9	(35.4)	(7.6)	(0.5)	15.0
Experience Gains / (Losses) on Liabilities	(307)	100	(3,216)	1,530	560
As a % of scheme liabilities	0.4	(0.2)	5.8	(2.6)	(1.0)

(k) Employer's contributions for the year to 31 March 2011 are estimated, by Hymans Robertson LLP, to be £1,452,000

NOTES TO THE CORE FINANCIAL STATEMENTS

36. NOTES TO THE CASHFLOW STATEMENT

(a) Revenue Grants Received

	2009/10	2008/09
	£000	£000
Revenue Support Grant	1,664	1,072
DWP:		
Rent Allowances	22,882	19,928
Council Tax Benefits	7,809	7,072
Business Rates from National Pool	7,208	7,702
Coast Protection Pathfinder	513	0
Other Grants:		
Housing Planning Delivery Grant	573	210
Area Based Grants (Final Services)	53	17
LABGI	43	74
Free swimming	42	0
Homelessness Directorate	71	70
Concessionary Fares	498	485
Total Revenue Grants received	41,356	36,630

(b) Capital Grants Received

	2009/10	2008/09
	£000	£000
Department for Communities and Local Government:		
Environmental Health System	0	7
Travellers Site (Cromer)	0	565
Travellers Site (Fakenham)	0	844
Cromer Town	73	0
Cromer Foreshore	157	0
Housing and Planning Delivery Grant	0	101
Cromer – English Heritage Lottery	0	43
Department for Environment Food and Rural Affairs:		
Coast Protection	0	50
Coast Protection Pathfinder	519	0
Contaminated Land	14	0
North Norfolk Information Centre (ERDF)	52	107
Adventurous Fun & Open Spaces (BIG Lottery)	5	95
Virtual Business Support (EEDA)	0	60
Playbuilder (NCC)	127	0
Gandlake System (DWP)	11	0
Wells Sackhouse (CABE)	28	0
	986	1,872

NOTES TO THE CORE FINANCIAL STATEMENTS

(c) Reconciliation of surplus to Net Cashflow

	2009/10		2008/09	
	£000	£000	£000	£000
(Surplus) /Deficit for the Year –				
- Income and Expenditure A/c	517		6,393	
- Collection Fund	<u>20</u>	537	<u>45</u>	6,438
Items on an Accruals Basis				
Add decrease/(increase) in stock	(13)		(20)	
Add decrease/(Increase) in debtors	857		1,150	
Add increase/(decrease) in creditors	<u>(327)</u>	517	<u>(733)</u>	397
Non – Cash Transactions				
Amortisation	(80)		(101)	
Depreciation and impairment of fixed assets (Net of Government Grants Deferred Amortisation)	(717)		(7,042)	
Pension cost adjustment for FRS17	(509)		(7)	
Less contributions (from)/to reserves	1,016		(29)	
Collection Fund Adjustment Account	(20)		(45)	
Internal capital movements met from revenue	<u>(869)</u>		<u>697</u>	
Items Classified in another classification in statement		(1,179)		(6,527)
Less net interest (received)/paid		<u>1,134</u>		<u>1,175</u>
Net Cash Outflow/(Inflow) from Revenue Activities		<u>1,009</u>		<u>1,483</u>

(d) Movement in Cash

	Balance at 31 March 2009 £000	Balance at 31 March 2010 £000	Movement in the Year 2009/10 £000	Movement in the Year 2008/09 £000
Cash (overdraft)/In Hand	140	104	(36)	474
Net Cash Flow	<u>140</u>	<u>104</u>	<u>(36)</u>	<u>474</u>

(e) Movement in Financing and Management of Liquid Resources

	Balance at 1 April 2009 £000	Balance at 31 March 2010 £000	Cash Movement in the Year 2009/10 £000
Short term Investments	11,917	10,970	(947)
Short term Borrowings	(1,300)	0	1,300
Management of Liquid Resources	575	(334)	(909)
	<u>11,192</u>	<u>10,636</u>	<u>(556)</u>

Short term investments represent the amount that the Council has on deposit for less than one year with Banks, Building Societies and Money Market Funds.

Short term borrowings represent the amounts that the Council has borrowed and will have to pay back within 12 months.

NOTES TO THE CORE FINANCIAL STATEMENTS

37. Events after the Balance Sheet Date

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

38. Financial Instruments – Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments. Trade receivables and payables are financial instruments, and these are included within the balance sheet totals for debtors and creditors for the following values.

	Long Term 31 March 2010 £000	Short Term 31 March 2010 £000	Long Term 31 March 2009 £000	Short Term 31 March 2009 £000
Loans	0	0	0	1,300
Trade Payables	0	2,162	0	1,884
Total Borrowings	0	2,162	0	3,184
Loans and Trade Receivables	61	1,433	74	1,926
Investments	0	7,866	0	11,812
Available-for-sale financial assets	6,863	3,104	8,971	104
	6,863	10,970	8,971	11,916
Total Investments	6,924	12,403	9,045	13,842

The carrying amounts for loans, investments, trade payables and trade receivables are shown at amortised cost. The Available-for-sale financial assets are shown at fair value. These assets are Euro-sterling Bonds and their fair value has been determined by reference to market price quotations.

Accrued interest together with the principal sum which falls due within 12 months of the balance sheet date is now required to be shown under current assets (short term). The prior year figures split between short and long term have been amended to reflect this although the total for the year has not changed. Due to the late adjustments to the value of trade receivables and trade payables in the 2008/09 accounts, the comparative figures at 31/3/09 have been restated.

Where loans are advanced at below market rates they are classed as 'Soft Loans' and the SORP sets out specific accounting requirements for these loans. The Council has a small number of car loans for employees and other loans to voluntary organisations to encourage leisure activities and economic development. The impact of accounting fully for the losses on these loans is considered to be an immaterial amount and the special accounting requirements have not been applied.

NOTES TO THE CORE FINANCIAL STATEMENTS

39. Financial Instruments - Gains & Losses

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

	Financial Liabilities 2009/10 £000	Financial Assets 2009/10 £000	Financial Liabilities 2008/09 £000	Financial Assets 2008/09 £000
Interest Expenditure	0		(3)	
Interest Income				
Loans & Receivables		313		1,045
Available-for-sale financial assets		407		297
Total interest and investment income	0	720	(3)	1,342
Gain on Revaluation (Available-for-sale assets)		(126)		409

40. Financial Instruments – Fair Values

The carrying values of financial assets and liabilities shown in the Balance Sheet are all equal to their Fair Values. The Fair Value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

The Council's loans and receivables consist of term deposits with banks and building societies, and investments in money market funds. Where the maturity dates of these investments are within 12 months of the balance sheet date, the carrying amount is assumed to approximate to fair value. The contract terms under which a term deposit is made do not permit premature repayment.

The Available-for-sale financial assets are Euro-sterling bonds, and their fair value has been determined by reference to quoted market prices at 31 March 2010.

None of the investments were impaired (i.e. at risk of default).

The fair value of trade receivables and payables is taken to be the invoiced amount.

41. Financial Instruments – Risks

The Council has adopted *CIPFA's Code of Practice on Treasury Management* and complies with The Prudential Code of Capital Finance for Local Authorities.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with Central Government's Investment Guidance to Local Authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

The Council manages this risk by ensuring that investments are placed with counterparties which have a high credit rating and for the maximum periods and amounts set out in the Treasury Management Strategy, Practices and Schedules.

The security and liquidity of the funds invested are the primary objective of the Council's treasury management activities. When selecting suitable counterparties for investment, the credit ratings of all three rating agencies are taken into account, along with a wider range of indicators. Deposits with banks and building societies were placed with institutions eligible to join the UK Government Credit Guarantee Scheme, provided they had a high enough credit rating. These institutions were regarded as systemically critical to the UK economy, and it was considered would be supported by the UK Government.

The table below shows the credit criteria and counterparty limits for investments in place at the end of the financial year.

Category	Criteria	Maximum Sum to be Invested	Amount Invested 31 Mar 2010
Deposits with banks and building societies	Eligible to participate in the UK Government's 2008 Credit Guarantee Scheme and a minimum long-term rating of AA- as issued by Fitch rating agency.	£3m (per counterparty)	£7.01
Local Authorities	All UK local authorities	£3m (per counterparty)	Nil
Debt Management Office		No Limit	Nil
Money Market Funds	AAA and Constant Net Asset Value	£3m (per counterparty)	£0.85
Bonds	AAA	£15m (in total)	£9.97

The Council has no historical experience of counterparty default and the Council does not anticipate any losses from default in relation to any of its current deposits and bonds. No credit limits were exceeded in the financial year, however it transpired that two fixed term deposits placed in the year with the Royal Bank of Scotland plc (RBS) were actually held by National Westminster Bank plc. Although this bank is part of the same Group, unlike RBS it is not specifically named as an eligible institution under the Credit Guarantee Scheme and therefore did not meet the Council's strict investment criteria.

In addition to treasury investments, the Council is exposed to credit risk from its customers. However the Council has put in place appropriate debt recovery procedures to manage this risk and minimise any loss. The age analysis of trade debtors is shown below.

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 Mar 2010 £000	31 Mar 2009 £000
Less than three months	44	49
Three months to one year	26	115
More than one year	38	43
	<hr/>	<hr/>
	108	207

Liquidity Risk

The Council does not have any long-term debt and therefore does not have any maturing liabilities for which funds would be required. The Council has ready access to short-term borrowing should this be required, and there is no significant risk that it will be unable to raise funds to meet its commitments.

Market Risk

1. Interest Rate

The Council is exposed to risks arising from the movements in interest rates. If interest rates were to fall, there would be a reduction in the amount of interest credited to the Income and Expenditure Account. The impact of a reduction in interest rates would be delayed as term deposits and bonds are fixed for a period of time, and it is not until the investment matures that the lower rate would impact on the Council's investment return. If the overall rate of return on investments had been 0.25% lower than the rate actually achieved in 2009/10, there would have been a reduction of £58,200 in investment income.

The sensitivity to interest rate movements is assessed as part of the budget setting process, and interest rates movements and the resulting impact is monitored throughout the year as part of routine budget monitoring.

2. Price Risk

The investment in Euro-sterling Bonds exposes the Council to the risk that any change in interest rates will impact on the price of the bonds and, as they are classified as available-for-sale, all gains and losses will be recognised in the STRGL. For example, if the price of the bonds held by the Council reduced by 1%, there would be a loss in fair value of £100,000.

3. Foreign Exchange Risk

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

THE SUPPLEMENTARY FINANCIAL STATEMENTS

COLLECTION FUND

THE COLLECTION FUND

	Notes	2009/10		2008/09	
		£000	£000	£000	£000
INCOME					
Council Tax Net of Benefits & Transitional Relief			(53,072)		(51,580)
Transfers from General Fund	(2)				
Council Tax Benefits		(7,742)		(7,014)	
Transitional Relief		2	(7,740)	3	(7,011)
Business Ratepayers Contributions	(3)		(20,448)		(19,490)
			<u>(81,260)</u>		<u>(78,081)</u>
EXPENDITURE					
Precepts & Demands	(4)		60,539		58,318
Business Rates	(3)				
Payment to National Pool		20,225		19,274	
Costs of Collection		223	20,448	217	19,491
Bad & Doubtful Debts/Appeals					
Write Offs		58		95	
Provisions		97	155	(67)	28
Contributions towards Previous Year's Estimated Surplus	(4)		296		650
Surplus / (Deficit) for the Year			<u>(178)</u>		<u>(406)</u>
			<u>81,260</u>		<u>78,081</u>
BALANCE					
At start of year	(7)		370		776
Surplus / (Deficit) for year			(178)		(406)
At end of year			<u>192</u>		<u>370</u>

NOTES TO THE COLLECTION FUND

1. General

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

2. Transfers from General Fund

Of the amount shown as transfers from General Fund, an amount of £7,741,727 (£7,014,042 in 2008/09) is in respect of Council Tax benefit expenditure for which a subsidy is received from the Department for Works and Pensions for credit to the General Fund. The standard rate of subsidy is 100% but some benefit payments attract lower subsidy rates.

The transitional relief credit of £1,718 (£3,328 in 2008/09) 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 £49,804,006 on 31 March 2010 (£49,815,103 on 31 March 2009). The Government fixed the rate at 48.5p in the £ for 2009/10 (46.2p in 2008/09). Transitional arrangements are in force which phase in increases and decreases in liability from the former rates base and the 2005 revaluation.

The net amount collectable from business rate payers, after interest paid on refunds and a provision for bad debts, was £20,448,404 (£19,490,393 in 2008/09).

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 is redistributed by the Government on the basis of resident population. North Norfolk received £7,207,881 in the year (£7,702,024 in 2008/09). 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 that made a precept or demand on the Collection Fund are:

	Precept/ Demand £000	Plus Collection Fund Surplus £000	Net Payment 2009/10 £000	Net Payment 2008/09 £000
North Norfolk District Council (including Parish precepts)	6,858	33	6,891	6,624
Norfolk County Council	46,072	226	46,298	44,988
Norfolk Police Authority	7,609	36	7,645	7,356
Total	60,539	295	60,834	58,968

NOTES TO THE COLLECTION FUND

5. The Council Tax Base for 2009/10 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	
	2009/10	2008/009	2009/10	2008/09	2009/10	2008/09
A	8,801	8,753	5,864	5,832	5,764	5,727
B	12,499	12,389	9,721	9,636	9,556	9,463
C	10,026	9,985	8,912	8,876	8,761	8,716
D	7,741	7,737	7,741	7,737	7,609	7,598
E	4,128	4,117	5,045	5,032	4,959	4,941
F	1,926	1,915	2,782	2,766	2,735	2,716
G	889	895	1,482	1,491	1,457	1,464
H	71	68	142	136	140	134
Contribution from Ministry of Defence	0	0	0	0	18	0
Total Tax Base	46,081	45,859	41,689	41,506	40,999	40,759

Therefore each £1 of Council Tax set was calculated to produce income of £40,999 (£40,759 in 2008/09).

6. Band D Tax Rate

This Council set a Council Tax of £1,444.41 for a band D dwelling, (£1,400.67 in 2008/09), which consisted of £1,123.74 (£1,091.52 in 2008/09) for Norfolk County Council, £185.58 (£178.56 in 2008/09) for the Norfolk Police Authority and £135.09 (£130.59 in 2008/09) for the District's requirements. Sums ranging from nil to £79.79 (nil to £80.14 in 2008/09) 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 Council Tax transactions and the few remaining community charge transactions. The surplus is shared with the Norfolk County Council and Norfolk Police Authority broadly in the proportion to their and our Council Taxes. The balance is attributed as follows:

	Share of Balance	
	31 March 2010	31 March 2009
	£	£
North Norfolk District Council	21,752	41,746
Norfolk County Council	145,804	281,606
Norfolk Police Authority	23,987	46,155
Total	191,543	369,507

Independent auditor's report to the Members of North Norfolk District Council

Opinion on the financial statements

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

Respective responsibilities of the Deputy Chief Executive and auditor

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

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

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

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

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

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

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Independent Auditor's Report

Opinion

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

Robert Bennett (Engagement Lead)
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Norwich

29 September 2010

Independent Auditor's Report

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

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

Conclusion

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

Certificate

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

Robert Bennett (Engagement Lead)
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Norwich

29 September 2010

Notes:

In the event that this report is published on North Norfolk District Council's website, the maintenance and integrity of the North Norfolk District Council website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for information that is presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accruals

The accounting treatment that requires expenditure and income to be recognised in the period it is incurred or earned, not when the money is actually paid or received.

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.

Annual Governance Statement (AGS)

The formal statement that recognises, records and publishes an authority's governance arrangements as defined by the CIPFA/SOLACE framework.

Area Based Grant

The Local Area Agreement Grant changed in 2008-09 to Area Based Grant (ABG). The ABG is paid directly to the authority that benefits from the grant without any constraint on how the monies are to be used.

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

Business 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 Adjustment Account

An account which reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The balance represents the balance of capital resources set aside to finance capital expenditure (e.g. capital receipts, revenue contributions) awaiting consumption of resources e.g. from depreciation and impairment.

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

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.

Corporate and Democratic Core

Costs relating to the council's status as a multi-functional, democratic organisation.

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.

Depreciation

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

Earmarked Reserve

Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities. Examples of financial assets include bank deposits, equity instrument of another entity, e.g. shares, contractual right to receive cash or another financial asset from another entity, such as a trade debtor. Financial liabilities include for example, contractual obligations to deliver cash or another financial 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.

Fixed 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.

General Fund

The account which summarises the revenue costs of providing services, which are met by the Council's demand on the Collection Fund.

Impairment

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

Infrastructure

A classification of fixed assets which have no market value and which exist primarily to facilitate transportation and communication requirements (e.g. roads, street lighting).

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

National Non-Domestic Rate (NNDR)

National Non-Domestic Rate (NNDR) is set by the Government and collected by each authority and paid into a central pool. The government in turn pays back to the authorities their share of the pool as a standard amount per head of population.

Non Distributed Costs

The cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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 (RSL) entered into a sharing agreement whereby the proceeds from Preserved Right to Buy sales are split between the Authority and the RSL.

Provisions

An amount set aside for potential liabilities which may arise or will be incurred, where there is uncertainty as to the amounts concerned or the dates on which these liabilities may arise.

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. 'The code allows authorities to undertake borrowing to finance capital expenditure as long as they can demonstrate affordability.'

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.

Revaluation Reserve

Net unrealised gains from the revaluation of fixed assets recognised in the balance sheet. Introduced in the 2007 SORP from 1 April 2007.

Revenue Contribution to Capital (or Direct Revenue Financing)

Use of revenue resources to finance capital expenditure.

Revenue Expenditure

The day to day running expenses on the services provided.

Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset has been charged as expenditure to the relevant service revenue account in the year.

Revenue Income

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

Revenue Support Grant (RSG)

Grant paid by central government to aid local authority services in general as opposed to specific grants which may only be used for a specific purpose.

Soft Loans

Loans which are made at less than market rates or interest free. An authority will sometimes make soft loans to achieve a policy or service objective. For example an interest free loan to a voluntary organisation to provide upfront funding or car loans to employees.

GLOSSARY OF TERMS

Support Services

Activities of a professional, technical and administrative nature which are not local authority services in their own right, but support main front-line services.

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 Victory Housing Trust.

GLOSSARY OF ACRONYMS

AGS	Annual Governance Statement
BVACOP	Best Value Accounting Code of Practice
CFR	Capital Financing Requirement
CABE	Commission for Architecture and the Built Environment
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
DCLG	Department for Communities and Local Government
DEFRA	Department for Environment, Food and Rural Affairs
DRC	Depreciated Replacement Cost
ERDF	European Regional Development Fund
EUV	Existing Use Value
FRS	Financial Reporting Standard
GoEast	Government Office for the East of England
ICT	Information Communication Technology
IDB	Internal Drainage Boards
IFRS	International Financial Reporting Standard
LABGI	Local Authority Business Growth Initiative Grant
LPSA	Local Public Service Agreement
LSP	Local Strategic Partnership
LSVT	Large Scale Voluntary Transfer
MRP	Minimum Revenue Provision
NNCP	North Norfolk Community Partnership
NNDC	North Norfolk District Council
NNSCS	North Norfolk Sustainable Community Strategy
OMV	Open Market Value
PRTB	Preserved Right to Buy
PWLB	Public Works Loans Board
REFFCUS	Revenue Expenditure Funded from Capital Under Statute
RSG	Revenue Support Grant
RSL	Registered Social Landlord
SMGFB	Statement of Movement on the General Fund Balance
SMT	Senior Management Team
SORP	Statement of Recommended Practice
SSAP	Statements of Standard Accounting Practice
STRGL	Statement of Total Recognised Gains and Losses
UK GAAP	United Kingdom - Generally Accepted Accounting Principles