



STATEMENT OF ACCOUNTS
2004/05

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EXPLANATORY FOREWORD

1. The Council's accounts for the year 2004/05 are set out on pages 11 to 37. They consist of:-
 - the Consolidated Revenue Account - covering income and expenditure on all services
 - the Housing Revenue Account - which shows income and expenditure on council housing
 - the Collection Fund - a separate fund which shows transactions in respect of non-domestic rates, council tax and residual community charge
 - the Consolidated Balance Sheet - which sets out the financial position of the Council on 31st March 2005
 - the Statement of Total Movements in Reserves - which brings together all the recognised gains and losses of the Council
 - the Cash Flow Statement - which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

These accounts are supported by the Statement of Accounting Policies, which follows this foreword, and various notes to the accounts.
2. This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position.

1.

3. Large Scale Voluntary Transfer (L.S.V.T.).

The most significant change to the Council's financial affairs occurred when the Council transferred its housing stock to the South Norfolk Housing Partnership on 17th May 2004. From that date the Partnership was responsible for managing and maintaining the stock and for the collection of rents. In consideration of this transfer the Council received a gross capital receipt of £31.6m. This sum will be reduced by the payment of a levy to the Office of the Deputy Prime Minister (O.D.P.M.), funding of the costs of setting up the housing transfer. This leaves a usable capital receipt of £27.7m of which £7.4m has been set aside to finance retained liabilities in respect of works on sewage treatment plants and fitting aids and adaptations to homes. The balance has been invested so that the interest earned can finance residual costs.

Figures quoted in the Housing Revenue Account (pages 16 – 20) for 2004/05 are therefore for the six week period ended 16th May 2005.

In order to finance the Barley Court sheltered housing scheme at Costessey, a deferred purchase scheme was entered into with Morgan-Grenfell (Local Authority Finance) Limited on 27th March 1990. This committed the Council to repayments of £2.8m. plus interest over a period of 10 years. This repayment period was extended by another 10 years to February 2010. In March 2004 the balance outstanding was repaid using receipts from the sale of council houses. £526,000, originally set aside from the Housing Revenue Account (H.R.A.) to finance this debt, was added to the H.R.A. working balance in 2004/05. This contributed to a surplus for the year of £719,000 giving a balance on the H.R.A.as at 31st March of £1,060,000.

The H.R.A. will be kept open to enable the writing down of premia incurred on the early redemption of debt and to receive housing subsidy on this charge.

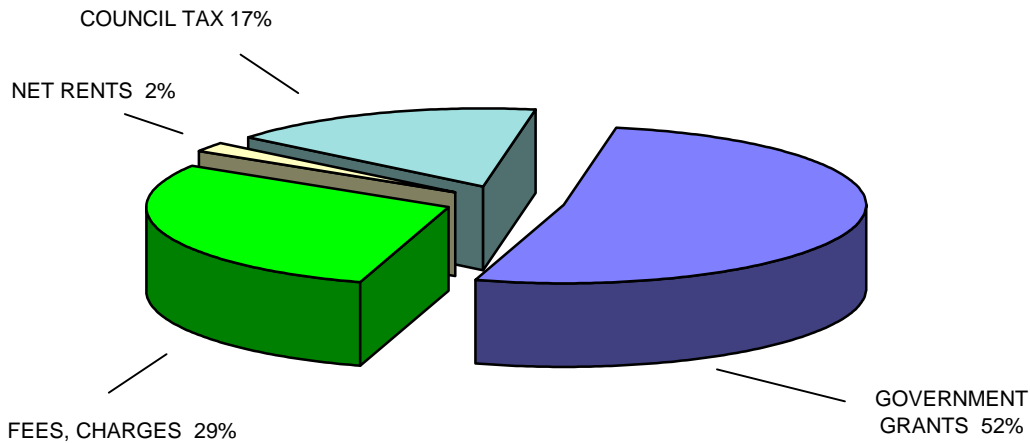
4. Building Control

Together with Broadland District Council and Norwich City Council the authority has formed a partnership to deliver the building control function. The partnership is managed by a joint committee (Committee of Norfolk Councils – C.N.C.) with representatives from each Council. South Norfolk Council is providing the accountancy support to the partnership.

The Council's share of the joint committee's trading account has been included in the Consolidated Revenue Account. For more detail of the trading account see note 6 to the Consolidated Revenue Account.

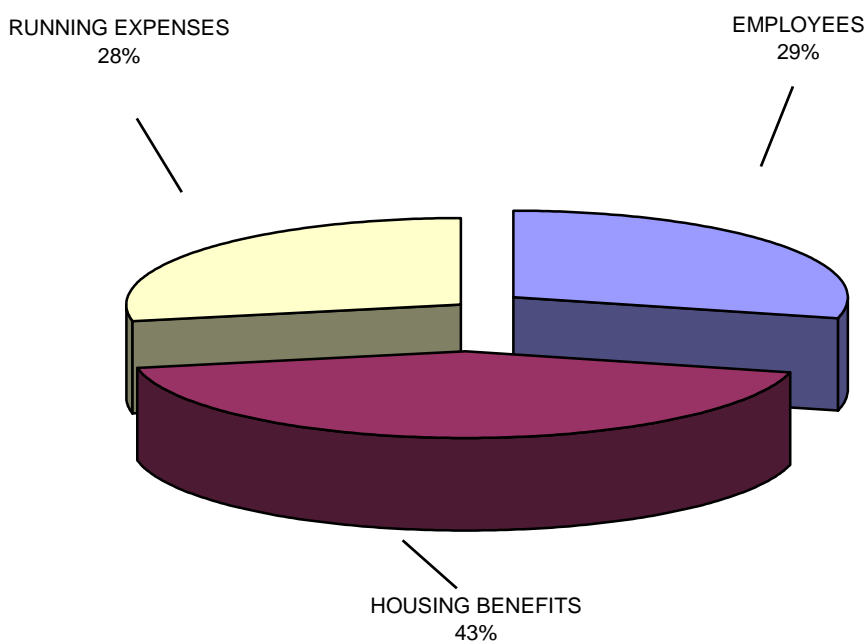
5. The three graphs below show in broad terms where the Council's money comes from, what it is spent on and what services it provides.

Where the money comes from



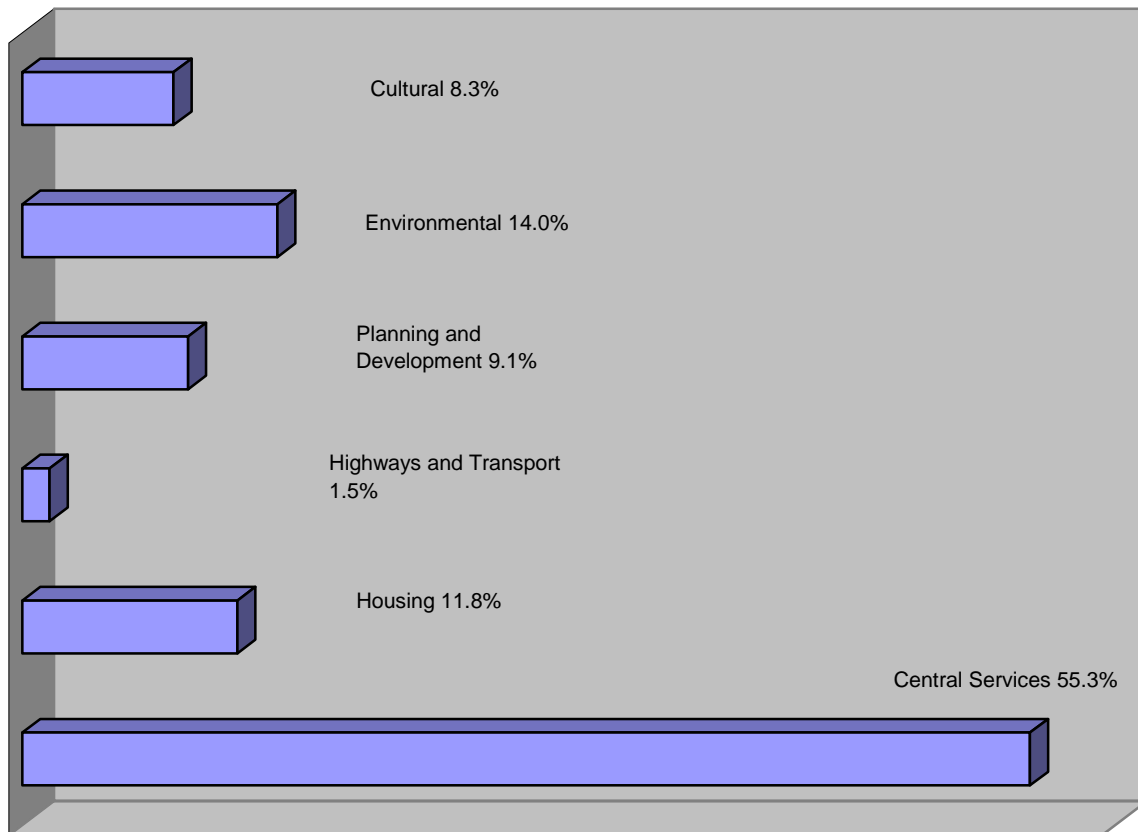
The largest single item is government grants which provide 52% of the total. The Council's income from the services it provides through rents, fees and charges and from interest on balances amounts to 31%. The level of rents fell as the Council disposed of its housing stock. Council Tax accounts for only 17% of the total income.

What the money is spent on



Running expenses such as maintaining buildings, operating vehicles and purchase of supplies and services take up 28% of total expenditure. Employees account for 29% of the total. Debt financing charges have now disappeared as all loans were repaid in 2003/04.

The services provided by the Council



The graph shows the proportion of net expenditure spent on each service area.

6. General Fund

Following the transfer of the housing stock to South Norfolk Housing Partnership it was necessary to restate the Council's budget.

The revised budget required £6,000 to be withdrawn from the General Revenue Reserve. Supplementary estimates and agreement to fulfil expenditure plans deferred from the previous year increased this figure to £469,000.

There was, however, a net underspend of £740,000 for the year. This was partly caused by additional interest of £312,000 being earned on sums set aside to finance improvements to sewage treatment plants and the fitting of aids and adaptations to homes. This interest was paid into reserves to protect the value of the capital sums set aside. Also £370,000 of Planning Delivery Grant awarded to the Council in 2004/05 was underspent by £142,000. This sum was paid into a reserve earmarked for planning purposes in future years.

Of the remaining £286,000 underspend £223,000 relates to the expenditure deferred from the previous year, a further £23,000 of interest earned and £40,000 in respect of service expenditure (see below for details). This necessitated a withdrawal of £183,000 from the General Revenue Reserve instead of the budgeted £469,000.

The balance on the General Revenue Reserve stood at £903,000 as at 31st March 2005.

The balance on the General Fund at 31st March 2005 was maintained at £1,000,000.

Details of the variances to the approved budget are set out below:-	£'000
Employee Costs	+ 20
Ayton Road Industrial Estate - rental income	- 27
Community Safety – net grants received	- 27
Recruitment Costs	+ 52
Community Magazine	+ 22
Licencing Income	+ 72
Land Charges	+ 33
Provision for bad debts	+ 52
Additional interest received	- 23
Office Catering	+ 23
Benefits (net of Government Grants)	- 50
Bank Giro Charges	+ 29
Concessionary Travel	- 33
Homelessness – new initiatives and additional grant	- 161
Care and Repair – additional grants	- 98
Other minor items	<u>+ 76</u>
	<u>- 40</u>

7. Capital Programme

The original capital programme of £7.8m approved by Council in February was reduced to £6.6m mid way through the year to reflect the reprofiling of capital schemes. At year end £4.5m had been spent with capital schemes valued at £1.7m having been delayed until 2005/06. Resources used to finance capital expenditure are given at Note 3 to the Consolidated Balance Sheet. Further information regarding the use of capital receipts is shown at Note 11 to the Consolidated Balance Sheet.

8. The accounting policies adopted by the Council comply with the relevant recommended accounting practices and are explained fully in the notes to the accounts.
9. The Council has yet fully to evaluate the impact of the Euro on the Council but an initial assessment suggests it will be fairly small. A further assessment will be made in 2005/06.
10. The cost of providing pensions for employees has been charged to the accounts in accordance with the statutory requirements of FRS17. The underlying commitment that the authority has in the long term to pay retirement benefits is also incorporated into the account. More information can be found at Note 8 to the Consolidated Revenue Account and Note 16 to the Consolidated Balance Sheet.

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP), issued in 2004 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of accounting standards (SSAPs). They therefore comply with 'proper accountancy practice' under the terms of the Local Government and Housing Act 1989.

The accounts also comply with the Best Value Accounting Code of Practice produced by CIPFA as updated in 2004.

2. Fixed Assets

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

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2004 Code of Practice on Local Authority Accounting.

In accordance with the requirements of the O.D.P.M. all fixed assets are revalued at least every five years. Any differences arising from this exercise are credited to the fixed asset restatement reserve. Any material changes to asset valuations will be adjusted in the interim period, as they occur.

3. Charges to Revenue for Fixed Assets

Depreciation is provided for on all fixed assets with a finite useful life.

In accordance with the 2004 Code of Practice on Local Authority Accounting, all buildings have been depreciated over their anticipated remaining life.

The value at which each category of assets is included in the balance sheet is reviewed at the end of each year and where there is reason to believe that its value has changed materially in the year, the valuation is adjusted accordingly. Examples of events and changes in circumstances that indicate a reduction in value would include:

- a significant decline in a fixed asset's market value during the period
- evidence of obsolescence or physical damage to the fixed asset
- a significant adverse change in the statutory or other regulatory environment in which the authority operates
- a commitment by the authority to undertake a significant reorganisation

Where an impairment loss on a fixed asset occurs the loss would be recognised. If the loss is caused by a clear consumption of economic benefits (e.g. physical damage or a deterioration in the quality of the service) this would be recognised in the asset management account and the service revenue account. Other impairments (reflecting a general fall in prices) would be recognised in the fixed asset restatement reserve

Our valuer has certified that no additional charge in respect of impairment is required.

The General Fund, Housing Revenue Account and DSOs are charged for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a notional rate of 3.5% interest on assets carried at current values (3.5% for 2003/04) and 4.625% on assets carried at historical values (i.e. infrastructure and community assets).

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

4. Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created, but which may properly be financed over a period of years. They include improvement and environmental enhancement.

5. Basis of Charges for Borrowing

The Prudential Capital Finance System came into force on 1st April 2004.

Under Part XII of the Capital Finance Regulations 1997 authorities were required to set aside a minimum amount from revenue each year as provision to repay debt. This Minimum Revenue Provision (M.R.P.) was based on the credit ceiling and was 2% in respect of Housing Revenue Account debt and 4% for General Fund debt. From 1st April 2004 the M.R.P. is based on the Capital Financing Requirement as defined in the C.I.P.F.A. Prudential Code. The M.R.P. for the General Fund remains at 4% but following the introduction of the Major Repairs Allowance for housing is no longer be a similar requirement in relation to the H.R.A. The amount set aside in 2004/05 exceeded the minimum level by £149,000. The charges to the General Fund have been reduced in 2004/05 by an adjustment of £241,400 (£322,500 in 2003/04) in respect of the commutation of improvement grants.

6. Gains and Losses on Borrowing (Debt Redemption)

The 2004 SORP requires gains and losses arising on the repurchase of borrowing to be recognised in the period of the repurchase. Where the repurchase is coupled with a restructuring of the borrowing with substantially the same overall economic effect, the gains or losses may be written off over the life of the replacement loan.

The relevant share of the gain or loss is passed to the Housing Revenue Account (H.R.A.). The statutory provisions for the H.R.A. require the gains or losses to be made on a straight line basis over the unexpired period of the repurchased debt or 10 years whichever is the lesser.

For more information on debt redemption see Note 17 to the Consolidated Balance Sheet.

7. Capital Receipts

There is no longer a requirement to set aside part of a receipt from the disposal of an asset to repay debt. Instead from 1st April 2004, under the Prudential Code, receipts from the disposal of H.R.A. assets are subject to "pooling". This means that 75% of dwelling sales and 50% of receipts from the sale of other H.R.A. assets is payable to the Secretary of State. This pooling arrangement does not apply if the capital receipt is spent on affordable housing. Receipts from L.S.V.T. and preserved Right to Buy capital receipts are excluded from the pooling arrangements.

8. Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years.

These policies are consistently applied each year and therefore do not have a material effect on the year's account.

Capital expenditure and receipts are also dealt with on an accruals basis.

8.

9. **Stocks and Work in Progress**

SSAP9 requires stocks to be shown at actual cost or net realisable value if lower. The stock figure shown in the accounts is calculated at cost.

Work in progress on uncompleted jobs is valued at cost and includes an allocation of overheads.

10. **Costs of Support Services**

Management and administration costs are allocated by means of service level agreements. These agreements between service delivery units identify users, levels of service, the basis of charging and units costs.

All costs were fully recharged in the 2004/05 accounts.

11. **Reserves**

The Council maintains reserves to meet general, rather than specific, future expenditure.

i) **General Revenue Reserve**

Contributions to or withdrawals from the General Revenue Reserve are made to support net expenditure at the level agreed by the Council.

ii) **Earmarked Reserves**

The Council maintains several other reserves for specific purposes (e.g. Leisure Grants). This avoids large variations in council tax between years.

More detailed information on these reserves can be found in note 14 to the Consolidated Balance Sheet.

In line with CIPFA guidance on capital accounting the Council also maintains a Fixed Asset Restatement Account and a Capital Financing Account. More information concerning these reserves can be found in notes 12 and 13 to the Consolidated Balance Sheet and in the Statement of Total Movements in Reserves.

12. **Rent Rebates**

From 1st April 2004 Rent Rebates were charged to the General Fund instead of the H.R.A. as previously. As rent rebates are funded almost 100% by the D.W.P. this is in effect neutral to the General Fund.

13. Pensions

In 2004/05 the Council paid an employer's contribution of 12.9% (12.1% in 2003/04) of employees' reckonable pay into a superannuation fund administered by Norfolk County Council. The fund is a final salary scheme. The Council's contribution includes the costs of inflation awards (Pensions Increase Act payments) to pensioners of the Fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The last review was at 31st March 2004 which resulted in a new rate from 1st April 2005.

The accounting for pensions fully reflect the requirements of FRS17. The accounts reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The overall amount to be met from government grants and local taxation remains unchanged, but the costs disclosed for individual services are 2.4% higher after the replacement of employer's contributions by current service costs and net operating expenditure is 5.8% higher than it would otherwise have been. The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 27.2%.

14. Investments

Investments are shown in the Consolidated Balance Sheet at cost. Further details appear in Note 4 to the Balance Sheet.

15. Grants

Revenue based grants are accrued and credited to the accounts of the same period in which the expenditure to which they relate is charged. Where claims have not been finalised (e.g. housing benefit claims) an estimate of grant income is used.

Capital grants are used to finance the capital expenditure to which they relate (i.e. improvement grants).

16. Leasing

The Council has outstanding operating leases in respect of vehicles and equipment. Rental payments are charged to revenue on a straight line basis over the period of the lease. The capital values of assets acquired are not shown in the balance sheet. No assets have been acquired using finance leases.

17. Interest

Interest payable on external borrowings and interest income is accrued and accounted for in the accounts of the period to which it relates.

18. Capital Expenditure

In previous years capital expenditure was financed on a cash basis. In 2004/05, under the Prudential Code, capital expenditure was financed on an accruals basis adding £160,000 to the financing requirement.

10.

THE CONSOLIDATED REVENUE ACCOUNT

	----- 2004/05 -----		2003/04	
	Gross		Net	Net
	Expenditure	Income	Expenditure	Expenditure
	£'000	£'000	£'000	£'000
Expenditure on Services				
Cultural, Environmental and Planning	11,461	2,871	8,590	7,438
Highways, Roads & Transport	591	257	334	397
Housing	3,263	973	2,290	3,084
Central Services	19,016	17,255	1,761	1,302
Corporate Management	1,912	4	1,908	1,779
Building Control (C.N.C.) Note 6	558	591	- 33	-
Non Distributed Costs	<u>231</u>	<u>-</u>	<u>231</u>	<u>306</u>
Total Continuing Services	37,032	21,951	15,081	14,306
Services Transferred to S.N.H.P.	<u>1,267</u>	<u>1,440</u>	<u>- 173</u>	<u>4,690</u>
Net Cost of Services	<u>38,299</u>	<u>23,391</u>	14,908	18,996
Other Items				
Precepts paid to Parish Councils			1,552	1,409
Trading Undertakings		Note 1	- 54	- 35
Provision for Bad Debts			82	- 23
Interest on Balances etc			- 1,470	- 391
Interest on C.N.C. Balances			- 2	
Transfer from Asset Management Revenue A/C		Note 2	- 734	- 3,689
Pension interest cost and expected return on pensions assets			440	448
			-----	-----
Net Operating Expenditure			14,722	16,715
Transfers to or from Reserves			-259	- 1,019
Transfers to or from Pension Reserve			-810	- 665
Change in HRA Balance			719	- 36
Transfer to C.N.C. Reserve			35	-
Transfer to Capital Financing Account		Note 3	- 510	- 1,453
Deferred Charges		Note 4	- 1,506	- 1,361
			-----	-----
Amount to be met from Govt. Grants & Local Tax Payers			12,391	12,181
Financed by				
Demand on Collection Fund			- 6,485	- 5,954
Use of Collection Fund			16	11
Revenue Support Grant			- 2,868	- 2,371
Contribution from Non Domestic Rate Pool			<u>- 3,054</u>	<u>- 3,867</u>
Surplus/Deficit for Year (-/+)			<u>-</u>	<u>-</u>

Balance at beginning of year	1,000	1,000
Surplus for year	<u>-</u>	<u>-</u>
Balance at end of year	<u>1,000</u>	<u>1,000</u>

11.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Trading Undertakings

The Council operates industrial estates at Long Stratton, Ketteringham and Ayton Road, Wymondham and business centres at Diss and Loddon. The headlease scheme at the Wymondham Spur Estate ended in April 2003. The Council also operated a direct labour organisation to undertake council house maintenance. The surpluses achieved by this organisation were credited to the client, primarily the Housing Revenue Account, and were not shown in the 'other items' section of the Consolidated Revenue Account. The building maintenance direct labour organisation transferred to S.N.H.P. on the 17th May 2004. No trading accounts were kept for the period 1st April 2004 to 17th May 2004 with all costs being charged directly to the Housing Revenue Account.

<u>2004/05</u>			<u>2003/04</u>		
Expend.	Income	Surplus (-) Deficit(+)	Expend.	Income	Surplus (-) Deficit(+)
£'000	£'000	£'000	£'000	£'000	£'000
302	356	- 54	305	340	- 35
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,673</u>	<u>3,776</u>	<u>- 103</u>
<u>302</u>	<u>356</u>	<u>- 54</u>	<u>3,978</u>	<u>4,116</u>	<u>- 138</u>

2. Asset Management Revenue Account

This account effectively reverses out the capital charges debited to services for the use of assets and replaces them with depreciation and external interest.

	<u>2004/05</u>	<u>2003/04</u>
	£'000	£'000
Capital Charges	(1,914)	(8,719)
Depreciation	1,150	4,738
External Interest	<u>30</u>	<u>292</u>
	<u>(734)</u>	<u>(3,689)</u>

3. Capital Financing Account

Capital expenditure financed directly from revenue is charged to this account. An adjustment is also made to bring depreciation, included in net operating expenditure, to the statutory minimum revenue provision.

	<u>2004/05</u>	<u>2003/04</u>
	£'000	£'000
Capital Expenditure Financed from Revenue	382	940
Minimum Revenue Provision (less depreciation)	(892)	(771)
Major Repairs Allowance (less depreciation)	<u>-</u>	<u>(1622)</u>
	<u>(510)</u>	<u>(1,453)</u>

4. Deferred Charges

Some expenditure, e.g. improvement grants, although correctly classified as expenditure for capital purposes does not result in the acquisition or creation

of a fixed asset. The amount shown for 2004/05 of £1,506,000 (£1,361,000 in 2003/04) represents the writing off to revenue of this expenditure over a suitable period.

12.

5. Publicity

In 2004/05 the Council spent £172,127 (£143,216 in 2003/04) on publicity as defined by the Local Government Act 1986. This expenditure is analysed below.

	2004/05	2003/04
	£	£
Tourism - General	4,024	14,081
Community Magazine	40,020	16,575
Recruitment of Staff	118,483	102,608
Other	<u>9,600</u>	<u>9,952</u>
	<u>172,127</u>	<u>143,216</u>

6. Building Control Trading Account

Together with Broadland District Council and Norwich City Council the authority has formed a partnership to deliver the building control function. The partnership is managed by a joint committee with representatives from each Council.

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

Total	2004/05			Expenditure	2003/04		
	Chargeable	Non	Total		Chargeable	Non	Total
	£'000	£'000	£'000		£'000	£'000	£'000
	265	51	316	Expenditure	231	55	286
	16	3	19	Employee expenses	9	2	11
	19	4	23	Premises	23	5	28
	48	9	57	Transport	23	11	34
	<u>119</u>	<u>23</u>	<u>142</u>	Supplies and Services	<u>142</u>	<u>22</u>	<u>164</u>
	<u>467</u>	<u>90</u>	<u>557</u>	Central & support service charges	<u>428</u>	<u>95</u>	<u>523</u>
				Total Expenditure			
				Income			
	<u>502</u>	<u>90</u>	<u>592</u>	Building Regulation charges	<u>462</u>	<u>7</u>	<u>469</u>
	<u>502</u>	<u>90</u>	<u>592</u>	Total Income	<u>462</u>	<u>7</u>	<u>469</u>
	<u>(35)</u>	<u>-</u>	<u>(35)</u>	(Surplus)Deficit for year	<u>(34)</u>	<u>88</u>	<u>54</u>

7. Government Grants

All Government Grants credited to the General Fund, except Revenue Support Grant and Non Domestic Rates, are service specific and are therefore shown as income against the appropriate service.

13.

8. Pension Costs

In 2004/05 the Council paid an employer's contribution of £957,703 (£1,119,752 in 2003/04) into the Norfolk County Council's Superannuation Fund. This represented 12.9% of pensionable pay (12.1% in 2003/04).

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The last review was at 31st March 2004. Under Superannuation Fund Regulations contribution rates are set to meet the overall liabilities of the Fund. The new rate resulting from the review was effective from 1st April 2005.

The Council is also responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2004/05 these amounted to £120,985 (£154,276 in 2003/04) representing 1.6% of pensionable pay (1.7% in 2003/04).

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the commitment the authority has to make these payments in the future is shown in the accounts.

The Council participates in the Local Government Pension Scheme, a defined benefit statutory scheme, administered by Norfolk County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The cost of retirement benefits are recognised 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of retirements is reversed out of the Consolidated Revenue Account after net operating expenditure.

The following transactions have been made during the year:

	2004/05	2003/04
	£,000	£'000
Net Cost of Services		
Current service costs	(1,350)	(1,325)
Past service costs	(110)	(152)
Net Operating Costs		
Interest	(2,750)	(2,565)
Expected return on assets in the scheme	2,310	2,117
Amount to be met from Government Grants and Local Taxation		
Movement on pension reserve	810	665

Actual amount charged against Council Tax for Pensions in Year

Employer's contributions payable to scheme	(1,090)	(1,260)
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Further information regarding pensions appear at Note 16 to the Consolidated Balance Sheet.

The Council's liabilities and assets in the Superannuation Fund reduced on 17th May 2004 when these transferred to S.N.H.P. The purchase price paid to the Council by S.N.H.P. took account of these values. The L.S.V.T. capital receipt reflects this and no further action is required. The L.S.V.T. Guidance Manual relevant to this transfer does not require the charging of any deficit to the H.R.A.

14.

9. **Operating Leases**

In 2004/05 the Council entered into leases in respect of cars, under the Council's employee car leasing scheme, valued at £209,875. As a result of transferring the housing function to S.N.H.P. it was necessary to enter into sub-leases with the partnership in respect of vehicles which they used. During the year lease payments amounted to £817,000 (of which S.N.H.P. £92,000 was reimbursed by the partnership) leaving outstanding obligations of £1,598,000 (of which £300,000 is the responsibility of S.N.H.P.)

10. **Officers' Remuneration**

In 2004/05 the number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were:-

<u>Remuneration Band</u>	<u>Number of Employees</u>	
	<u>2004/05</u>	<u>2003/04</u>
£50,000 - £59,999	1	2
£60,000 - £69,999	1	1
£70,000 - £79,999	-	-
£80,000 - £89,999	1	1

11. **Related Party Transactions**

There are no material transactions with related parties other than those disclosed elsewhere in these Statement of Accounts.

12. **Members' Allowances**

Total allowances paid to members in 2004/05 amounted to £186,997 (£164,130 in 2003/04).

13. **Audit Costs**

In 2004/05 the following costs relating to external audit and inspection were paid to the audit commission:

	<u>2004/05</u>	<u>2003/04</u>
	£'000	£'000
External Audit	79	119
Statutory Inspection	10	16
Certification of Grant Claims and Returns	44	46
Other Services	7	-
	<u>140</u>	<u>181</u>

HOUSING REVENUE ACCOUNT

		<u>2004/05</u> £'000	<u>2003/04</u> £'000
Income			
Rents - Dwellings	Note 1	1,435	10,616
- Other		25	272
Fees and Charges		28	908
Other Grants and Contributions		46	225
Government Subsidy	Note 10	<u>(188)</u>	<u>2,189</u>
		<u>1,346</u>	<u>14,210</u>
Expenditure			
Management		3132,706	
Repairs and Maintenance		324	2,864
Rent Rebates	Note 2	-	6,021
Capital Charges	Note 9	371	11,985
Debt Management		1	21
Provision for Bad Debts	Note 3	<u>137</u>	<u>5</u>
		<u>1,146</u>	<u>23,602</u>
Net Cost of Services		- 200	9,392
Capital Charges – Notional Interest	Note 9	- 113	- 8,017
Interest Payable		-	100
Interest Receivable		- 7	- 30
Premium on Redeemed Loans		<u>151</u>	<u>157</u>
Net Operating Expenditure		-169	1,602
Appropriations			
Housing Set-aside			56
Capital Expenditure Financed from Revenue			
Depreciation/Major Repairs Allowance Adjustment		-	- 1,622
Movement on Reserves		<u>- 550</u>	
Deficit (+)/Surplus(-) for Year		<u>- 719</u>	<u>36</u>

Housing Revenue Account Balance

Balance at Beginning of Year		341	377
Deficit /Surplus for Year	Note 11	719	- 36
Balance at End of Year		<u>1,060</u>	<u>341</u>

16.

NOTES ON HOUSING REVENUE ACCOUNT

On 17th May the Council transferred its housing stock to the South Norfolk Housing Partnership. Consequently all figures of income and expenditure in respect of 2004/05 relate to the six week period ended on this date.

1. Gross Rent Income

This is the total rent income for the year after allowance has been made for discounts, voids and write-offs. Average rents and charges in respect of dwellings were £51.67 a week in 2004/05 (£47.83 in 2003/04).

2. Housing Benefits

Rent rebates paid, charged to the General Fund in 2004/05, represent 36.3% of gross rent income in 2004/05 compared to 56.7% in 2003/04.

3. Provision of Bad and Doubtful Debts

The provision relates to rent arrears that are unlikely to be collected. The Housing Revenue Account (Arrears of Rents and Charges) Directions 1990 sets out how this provision should be calculated. In order to achieve a more realistic provision these directions were not followed in 2005/06.

Following the transfer of the Council's housing stock on 17th May 2004 a number of arrears remain which will be recovered or written off against this provision.

	2004/05	2003/04
	£'000	£'000
Balance at 1st April	269	282
<u>Less</u> amounts written off	- 206	- 18
<u>Add</u> provision in year	<u>137</u>	<u>5</u>
Balances as at 31st March	<u>200</u>	<u>269</u>

4. Tenants' Arrears

	31 March 2005	31 March 2004
	£'000	£'000

Arrears	<u>406</u>	<u>650</u>
Amounts written-off during the Year	<u>206</u>	<u>18</u>

Under the terms of the transfer of the housing stock, S.N.H.P. will pay the Council £102,000 in 2005/06 in respect of former tenants' arrears.

17.

5. **Housing Stock**

The entire Council's stock of dwellings was transferred to S.N.H.P. on 17th May 2004.

	31/03/05	31/03/04
Number of Dwellings:		
Houses	-	1,716
Bungalows	-	1,512
Flats	<u>-</u>	<u>424</u>
	-	3,652
Sheltered Housing (16 Schemes)	<u>-</u>	<u>574</u>
	<u>-</u>	<u>4,226</u>

As at 31st March 2004 the Council also had an interest in 130 equity share properties equating to 64 complete houses.

	31 March 2005 £'000	31 March 2004 £'000
Balance Sheet Value of Assets:		
Operational Assets		
Dwellings	-	31,389
Other Land and Buildings	-	88
Equipment	-	-
Non-Operational Assets	<u>-</u>	<u>571</u>
	<u>-</u>	<u>32,048</u>

18.

6. **Major Repairs Reserve**

This reserve, established on 1st April 2001, is funded by Government Grant (the Major Repairs Allowance) and is used to finance Housing Revenue Account capital expenditure.

	2004/05	2003/04
	£'000	£'000
Major Repairs Allowance for Year	258	2,345
Depreciation of Assets (Other than Dwellings)	-	
- 24		
Financing of Capital Expenditure on Dwellings	<u>- 258</u>	<u>- 2,321</u>
Balance Carried Forward at 31 st March	<u>-</u>	<u>-</u>

7. **Capital Expenditure**

An analysis of capital expenditure incurred by the Housing Revenue Account is given below:

	2004/05	2003/04
	£,000	£'000
Maintenance of Dwellings	281	3,728
Shared Equity Purchase	103	295
Sewage Schemes	-	13
Sheltered Housing Schemes	-	53
Homeless Hostel	301	-
Other Projects	<u>-</u>	<u>163</u>
	<u>685</u>	<u>4,252</u>

This expenditure was financed as followed:

	2004/05	2003/04
	£'000	£'000
Borrowing	-	722
Capital Receipts	427	1,209
Major Repairs Reserve	258	2,321
Revenue Contributions	<u>-</u>	<u>-</u>
	<u>685</u>	<u>4,252</u>

8. **Capital Receipts**

The following receipts resulted from the disposal of property within the H.R.A.

2004/05	2003/04
---------	---------

	£'000	£'000
Houses	30,301	4,738
Land	15	6
Equity Share Properties	133	493
Other Properties	-	155
	<u>30,449</u>	<u>5,392</u>

19.

9. Capital Charges

A capital charge is made to the Housing Revenue Account (H.R.A) made up of notional interest and depreciation. The notional interest is calculated at 3.5% of the value of H.R.A assets which are all valued at current value (6% in 2003/04) carried out in accordance with the Guidance on Stock Valuation published by DETR in May 2000. Depreciation is charged in respect of all H.R.A. properties (including non-dwelling properties) in accordance with proper practices.

<u>2004/05</u>			<u>2003/04</u>		
Notional Interest	Depreciation	Capital Charges	Notional Interest	Depreciation	Capital Charges
£'000	£'000	£'000	£'000	£'000	£'000
		Total			Total
140	257	397	3,335	3,943	7,278
-	1	1	13	19	32
-	-	-	-	3	3
-	-	-	74	3	77
<u>140</u>	<u>258</u>	<u>398</u>	<u>3,422</u>	<u>3,968</u>	<u>7,390</u>
					Operational Assets:
					Dwellings
					Other Land and Buildings
					Equipment
					Non Operational Assets

The notional interest element of capital charges is reversed out below the Net Cost of Services at the Net Operating Expenditure Level.

As the depreciation for H.R.A. assets exceeds the Major Repairs Allowance a credit is transferred from the Major Repairs Reserve to the appropriations section of the account to ensure that depreciation does not impact on the bottom line.

10. Housing Revenue Account Subsidy

Government grant is paid to meet any shortfall between expenditure and income based on a model for each authority (the notional H.R.A.).

The H.R.A. Subsidy is made up as follows:

	2004/05 £'000	2003/04 £'000
Management and Maintenance		
Management Allowance	137	1,146
Maintenance Allowance	336	2,618
Major Repairs Allowance	<u>258</u>	<u>2,345</u>
	731	6,109
Admissible Allowance	63	-
Debt Financing and Management Costs	188	789

Rent Rebates	-	5,977
Guideline Rent Income	(1,281)	(10,758)
Other specific items of expenditure and income.	52	72
Previous Years' Adjustments	<u>59</u>	<u>-</u>
Net Subsidy received	<u>(188)</u>	<u>2,189</u>

11. The surplus achieved in 2004/05 includes a transfer of the provision previously set aside of £550,000 for redeeming the deferred purchase agreement in respect of Barley Court.

20.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

		2004/05 £'000	2003/04 £'000
Income			
Business Ratepayers	Note 2	14,761	14,247
Council Tax Payers		47,091	43,670
Community Charge Payers (collection of outstanding charges)		-	1
Council Tax Benefits		4,846	4,264
		----- 66,698 -----	----- 62,182 -----
Expenditure			
Precepts and Demands	Note 4	51,866	47,853
Contributions to General Fund			
re Community Charge		4	-
Payment to NNDR Pool		14,536	14,049
NNDR Costs of Collection		194	216
Provision for Bad Debts - Council Tax		62	80
- NNDR		- 15	- 57
Write Offs - Council Tax		96	65
- NNDR		46	39
Previous Years Estimated Council Tax Surplus (+)/Deficit (-)			
Contribution to N.C.C.		- 122	- 59
Contribution to Norfolk Police Authority			- 17
- 8			
Contribution to South Norfolk Council		- 20	- 11
Total Expenditure		----- 66,630 -----	----- 62,167 -----

Collection Fund Balance

Balance at beginning of the Year	30	15
Surplus/Deficit (+/-)for Year	68	15
	-----	-----
Balance at End of the Year	98	30
	-----	-----

21.

NOTES TO THE COLLECTION FUND

1. **General**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows transactions in relation to non-domestic rates and council tax. The Collection Fund is consolidated with the Council's accounts.

2. **Income from Business Rates**

The Council collects non-domestic rates for its area based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government. This pool is redistributed to authorities based on a standard amount per head of the local population.

The total non-domestic rateable value at 31st March 2005 was £41.4m (£40.9m 31st March 2004). The non-domestic multiplier for the year was 45.6p (44.4p 2003/04).

3. **Council Tax**

The Council's tax base was calculated as follows:

<u>Band</u>	<u>Estimated No. of Taxable Properties after Discounts</u>	<u>Ratio</u>	<u>Band D Equivalents</u>
A	4,198	6/9	2,799
B	12,841	7/9	9,988
C	11,254	8/9	10,004
D	8,017	9/9	8,017
E	4,900	11/9	5,988
F	2,121	13/9	3,064
G	1,198	15/9	1,997
H	<u>98</u>	18/9	<u>196</u>
	<u>44,627</u>		<u>42,053</u>
			<u>423</u>
			<u>42,476</u>

Adjustment for changes during the year and losses on collection

Council Tax Base

	£'000	£'000
Norfolk County Council	39,490	36,795
Norfolk Police Authority	5,891	5,104
South Norfolk District Council (including parish precepts)	6,485	5,954
	<hr/>	<hr/>
	<u>51,866</u>	<u>47,853</u>

CONSOLIDATED BALANCE SHEET

		--- 31 March 2005---	31 March 2004
		£'000	£'000
Fixed Assets	Notes 1&3		
Dwellings		-	31,217
Other Land & Buildings		15,021	14,533
Vehicles, Plant & Equipment		3,165	2,430
Infrastructure		23	23
Community		0	0
Non Operational		<u>1,011</u>	<u>936</u>
			19,220
			49,139
Deferred Charges	Notes 2&3	-	53
Long Term Investments	Note 4	15,091	56
Long Term Debtors			
Mortgages		37	
Other	Note 5	<u>265</u>	<u>278</u>
			34,613
			49,526

Current Assets			
Stocks & Work in Progress	Note 6	51	148
Debtors	Note 7	7,949	7,426
Short Term Investments	Note 20	11,930	900
Cash		<u>2</u>	<u>2</u>
			19,932
			8,476

Current Liabilities			
Creditors	Note 8	(3,885)	(4,187)
Bank Overdraft		<u>(231)</u>	<u>(413)</u>
			(4,116)
			(4,600)

Net Current Liabilities			15,816
Pension Scheme Liability	Note 16	(13,800)	(7,298)
Deferred Capital Receipts	Note 9	(42)	(46)
Other Deferred Debtors	Note 10	(55)	(82)
			(4,116)
			(4,600)

			<u>36,532</u>
			<u>45,976</u>

Financed by:			
Usable Capital Receipts	Note 11	27,594	1,566
Unapplied Capital Contributions		-	-
Fixed Asset Restatement Account	Note 12	(26,076)	5,493
Capital Financing Account	Note 13	43,350	41,314
Pension Reserve		(13,800)	(7,298)
C.N.C. Reserve	Note 18	35	-
Reserves	Note 14	3,271	3,530
General Fund Balance		1,000	1,000
Housing Revenue Account Balance		1,060	341
Collection Fund Balance		<u>98</u>	<u>30</u>
	Note 15	<u>36,532</u>	<u>45,976</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets

Movement in fixed assets during the year were as follows:

	<u>Dwellings</u> £'000	<u>Other Land & Bldgs.</u> £'000	<u>Vehicles Plant & Equip.</u> £'000	<u>Infrast- ructure</u> £'000	<u>Comm -unity</u> £'000	<u>Non Operational</u> £'000	<u>Total</u> £'000
Certified Valuation as at 31 March 2004	31,217	15,739					
Accumulated Depreciation	-	(1,206)					
Net Book Value as at 31 March 2004	31,217	14,533	2,430	23	-	936	49,139
Expenditure	449	362	1,447	-	-	542	2,800
Revaluations	(86)	1,064	-	-	-	222	1,200
Disposals	(30,978)	(68)	-	-	-	(571)	(31,617)
Depreciation	(256)	(274)	(615)	-	-	(5)	(1,150)
Reclassification of Assets	-	-	112	-	-	(112)	-
Expenditure written off to Fixed Asset Restatement Reserve	(346)	(596)	(209)	-	-	(1)	(1,152)
Net Book Value as at 31 March 2005	<u>-</u>	<u>15,021</u>	<u>3,165</u>	<u>23</u>	<u>-</u>	<u>1,011</u>	<u>19,220</u>

Expenditure on Fixed Assets	£'000
Information Technology	501
Vehicles, Plant and Equipment	945
Offices and Depots	284
Council Dwellings	449
Other Land and Buildings	<u>621</u>
	<u>2,800</u>

Contracts for schemes not completed at 31st March 2005 commit the Council to future expenditure of £119,000 (Costessey Hostel £41,000, storage at South Norfolk House £18,000 and a grant of £60,000 to Hethel Engineering).

1. /Cont'd

	-----31 March 2005 ---		----31 March 2004 ---	
	Numbers	£'000	Numbers	£'000
Operational				
Dwellings				
Council Dwellings	-	-	3,716	29,082
Sheltered Housing Schemes	-	-	16	<u>2,135</u>
				<u>31,217</u>
Buildings				
Caravan Sites	-	-	2	30
Hostels	3	392	3	482
Car Parks	17	2,157	17	1,713
Industrial Estates	1	958	1	906
Depots	2	800	2	740
Leisure Centre and Pool	1	3,806	1	4,211
Leisure Centres	1	1,176	1	1,081
Swimming Pools	1	2,322	1	2,310
Offices	4	2,572	4	2,314
Mini Recycling Centre Sites	71	175	71	156
Tenants' Meeting Rooms	-	-	2	43
Public Conveniences	7	<u>663</u>	7	<u>547</u>
		<u>15,021</u>		<u>14,533</u>
Equipment				
Vehicles	5	637	2	286
Information Technology		1,703		1,726
Play Area Equipment		119		23
Other Plant and Equipment		<u>706</u>		<u>395</u>
		<u>3,165</u>		<u>2,430</u>
Total Operational		<u>18,186</u>		<u>17,443</u>
Non Operational				
Land Awaiting Development		252		529
Shops	-	-	3	106
Industrial Estates	1	118	1	80
Offices	2	265	1	104
Assets under Construction				
I.T. Systems		-		112
Other works		<u>376</u>		<u>5</u>
		<u>1,011</u>		<u>936</u>
Community				
Play Areas		-		-
Infrastructure				
Loddon Staithe	1	<u>23</u>	1	<u>23</u>
		<u>23</u>		<u>23</u>
		<u>19,220</u>		<u>49,139</u>

The Council's fixed assets are valued by B.Arnett F.R.I.C.S. of Norfolk Property Services. Operational and non-operational assets are valued at the lower of net current replacement cost or net realisable value. Plant, equipment, community and infrastructure assets are valued on historical cost.

Assets are revalued at intervals not exceeding five years. Any major changes will, however, be reflected in the accounts in the year they occur.

Assets are depreciated on a straight-line basis over the useful life of the asset as determined by the valuer.

2. Deferred Charges

This category refers to expenditure properly capitalised but which does not acquire or increase the balance sheet value of a fixed asset. Expenditure is charged to revenue over an appropriate number of years.

	Balance 1 April 2004 £'000	Expend. £'000	Grants Rec'd £'000	Amounts Written Off £'000	Balance 31 March 2005 £'000
Improvement Grants	-	755	168	587	-
Industrial Estates	1	13	-	14	-
Offices	47	-	-	47	-
Diss Swimming Pool	5	-	-	5	-
Framingham Sports Centre	-	365	-	365	-
Other	-	488	-	488	-
	<u>53</u>	<u>1,621</u>	<u>168</u>	<u>1,506</u>	<u>-</u>

3. Capital expenditure was financed as follows

	£'000		£'000
Provisional Creditors b/fwd	(385)	Fixed Assets (Note 1)	2,800
Capital Receipts	3,389	Deferred Charges (Note 2)	1,621
Revenue Contributions	382	Debtors	54
Major Repairs Reserve	258		
Grants & Contributions	<u>831</u>		
	<u>4,475</u>		<u>4,475</u>

As required by the Prudential Code capital expenditure was financed on an accruals basis in 2004/05 instead of a cash basis as in previous years.

4. Long Term Investments

The investment figure is made up as follows:-	31 March 2005 £'000	31 March 2004 £'000
Financial Institutions	15,000	-
Government Securities	29	29
Other Local Authorities and Public Bodies	27	27
C.N.C.	<u>35</u>	<u>-</u>
	<u>15,091</u>	<u>56</u>

The long term investments to various financial institutions, including £10m with a fund manager (Alliance Capital), is the investment of the part of the capital receipt resulting from the transfer of the Council's housing stock to S.N.H.P. A further £11,930,000 has been invested on a short term basis. See Note 20 to the Consolidated Balance Sheet.

5. Long Term Debtors

An interest free loan of £250,000 was made in 1996/97 to the developers of Sawmills Business Park at Diss. This loan, secured on the land, is repayable as the Business Park is developed or after 25 years. £145,000 has subsequently been repaid. If interest had been charged at the market rate on the balance outstanding £7,950 would have been payable in 2004/05. In exchange for the loan, however, 6.8 acres of land was given to the Council to be used as amenity land.

At the end of 1997/98 an interest free loan of £45,000, repayable over 5 years, was made to the owner of part of Harleston Industrial Estate. During 1998/99 a further £5,000 was advanced. This loan, secured on land at the estate, was made to encourage extension of the estate road and enable further development to take place. If interest had been charged at the market rate £3,800 would have been payable in 2004/05.

Since 1st April 2004 the Council has been able to make home maintenance loans and housing renewal loans. These loans are repayable from the proceeds of the sale of the property improved. The balance outstanding as at 31st March 2005 was £54,000. Home maintenance loans are for sums less than £5,000 and are interest free. If interest had been charged at the market rate £900 would have been payable in 2004/05.

Also included here are loans made under the business growth scheme (See note 10 to the Consolidated Balance Sheet for further details).

6. Stocks

	31 March 2005	31 March 2004
	£'000	£'000
Stocks – Cleansing Division	13	106
- Other	<u>38</u>	<u>42</u>
	<u>51</u>	<u>148</u>

7. Debtors

	31 March 2005	31 March 2004
	£'000	£'000
Government Departments	1,258	2,522
Other Local Authorities	131	159
Non-Domestic Rate Payers	398	505
Council Tax Payers	1,511	1,433
Former Housing Tenants	406	650
Car Loans to Employees	59	92
Sundry Debtors	4,562	2,220
Payments in Advance	<u>901</u>	<u>1,120</u>
	9,226	8,701
Less Provision for Doubtful Debts	<u>- 1,277</u>	<u>- 1,275</u>
	<u>7,949</u>	<u>7,426</u>

The amount due from Government Departments as at 31st March 2005 includes £0.4m in respect of housing benefit subsidy and £0.6m overpaid to the N.N.D.R. Pool (£1m and £0.9m respectively as at 31st March 2004).

Included in the sundry debtor figure as at 31st March 2005 is £2.3m due from the South Norfolk Housing Partnership mainly in respect of Right to Buy sales and service level agreements

Included in the payments in advance figure as at 31st March 2005 is £680,000 in respect of premium paid on the early redemption of debt (£830,000 as at 31st March 2004).

More information can be found at Note 17 to the Consolidated Balance Sheet.

8. **Creditors**

	31 March 2005	31 March 2004
	£'000	£'000
Government Departments	741	301
Other Local Authorities	634	955
Non-Domestic Rate Payers	134	355
Council Tax Payers	495	244
Former Housing Tenants	31	141
Sundry Creditors	1,636	1,986
Receipts in Advance	<u>214</u>	<u>205</u>
	<u>3,885</u>	<u>4,187</u>

9. **Deferred Capital Receipts**

These are amounts derived from sale of assets which will be received in instalments over agreed periods of time and receipts due in the year but not received as at 31st March 2004. The amount shown as at 31st March 2005 includes £28,000 (£31,000 as at 31st March 2004) from sales of council houses, which form part of the mortgage figure under long term debtors.

10. **Other Deferred Debtors**

The Council makes loans under the business growth scheme to assist in the development of new businesses. These loans are repayable over a number of years without interest. If interest had been charged at the market rate £7,700 would have been payable in 2004/05. The amount shown represents that part of the loans which is still outstanding at 31st March 2005.

11. **Capital Receipts**

These are receipts from the sale of capital assets.

	2004/05	2003/04
	£'000	£'000
Balance at beginning of year	1,566	3,505
Receipts during year	<u>29,417</u>	<u>5,556</u>
	30,983	9,061
Receipts used to finance capital expenditure	(3,389)	(2,375)
Set aside for provision of credit liabilities	<u>-</u>	<u>(5,120)</u>
Balance at end of year	<u>27,594</u>	<u>1,566</u>

The capital receipts in 2004/05 include the receipt from S.N.H.P., net of the levy and post ballot costs, for the sale of the Council's housing stock.

Of the usable capital receipts as at 31st March 2005 the Council has retained liabilities for funding the costs of bringing sewage treatment plants up to adoptable standards and future funding for aids and adaptations to peoples homes. These liabilities total an estimated £7m, leaving capital receipts of some £20m available to finance future capital expenditure.

12. **Fixed Asset Restatement Account**

The balance on this account includes the differences arising from the revaluation of assets as at 1st April 1999. In addition the reserve is written down by the book value of assets as they are disposed of and credited with the value of assets acquired.

For more information on the Fixed Asset Restatement Account see notes 3 and 4 to the Statement of Total Movements.

13. **Capital Financing Account**

The capital financing account contains the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of any external loans. As the Council was debt free from 1st April 2004 there is no longer a requirement to set aside amounts from capital receipts for the repayment of external loans

For more information on the Capital Financing Account see note 5 to the Statement of Total Movements in Reserves.

14. Reserves

Name and Purpose of Reserve	Balance 1 April 2004 £'000	Movement in Year £'000	Balance 31 March 2005 £'000
Revenue	1,063	-160	903
Evens out Council expenditure from year to year.			
Building Control Partnership	83	-83	-
To contribute to the start-up costs of the Partnership			
Invest to Save Bids	75	-	75
To enable projects to proceed that will generate savings to the Council			
Planning Delivery Grant		142	142
Underspent grant carried forward to future years			
Renewals Reserve		82	82
Sums set aside from revenue to finance purchase of vehicles and equipment in accordance with replacement programme			
Aids and Adaptions		145	145
Contribution to reserve in lieu of interest to protect capital sum set aside from inflation			
Sewage Treatment Plants		167	167
Contribution to reserve in lieu of interest to protect capital sum set aside from inflation			
District Election	11	13	24
Evens out costs of elections held every four years and unforeseeable by elections.			
Members' Training	19	-	19
To cover costs of attendance at seminars, conferences and other training needs of councillors.			
Parish Council Elections	5	-	5
Evens out costs of elections held every four years			
Land Charges	136	9	145
To finance computerisation of the land charges and associated functions.			
Employee Training	188	-25	163
To provide all professional and management training for employees			

Name and Purpose of Reserve	Balance 1 April 2004 £'000	Movement in Year £'000	Balance 31 March 2005 £'000
Deferred Purchase	526	-526	-
Money set aside to repay deferred purchase scheme debt.			
Land Sales Reserve	568	-	568
Money moved from capital receipts.			
S.N.L.P. Inquiry	109	32	141
To finance future local plan inquiry costs.			
Diss H.E.R.S.	23	22	45
Joint funding towards repair of buildings in the conservation area			
Business Growth Scheme	101	25	126
To provide loans to new businesses.			
Leisure Services Grants	115	-28	87
To finance leisure grants awarded to successful applicants.			
Southern Broads Regeneration	23	-23	-
To promote tourism to the Broads			
Rent Guarantees	81	-13	68
To provide assistance towards the payment of rent for new businesses.			
Office Minor Works	58	-	58
To cover expenditure for repairs and maintenance of South Norfolk House and associated plant.			
Contingent Liabilities	68	-	68
To meet unexpected expenditure			
Leisure Centre Repairs	20	-2	18
To provide for unplanned repairs not covered by the main budget.			
Legal Expenses	38	-	38
To provide a contingency for unforeseeable legal costs and to even out fluctuations in expenditure			
Donations/Arts	26	-1	25
To finance grants awarded to successful applicants.			
Emergencies			
To cover unpredictable expenditure due to severe weather conditions.	43	-	43
Community Development	28	-1	27
To finance the promotion of community safety and social cohesion.			
Economic Development	123	-34	89
To provide help which promotes economic development.			
Totals	<u>3,530</u>	<u>-259</u>	<u>3,271</u>

For more information on reserves see note 11 of the Statement of Accounting Policies and the Statement of Total Movements in Reserves.

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15. **Analysis of Net Assets Employed**

	31 March 2005 £'000	31 March 2004 £'000
General Fund	36,885	12,754
Housing Revenue Account	<u>-</u>	<u>33,222</u>
	<u>36,885</u>	<u>45,976</u>

16. **Pensions**

Note 8 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pension Scheme administered by Norfolk County Council in providing employees with retirement benefits.

As at 31st March 2005 £115,000 (£142,000 at 31st March 2004) was owing to the Norfolk County Council in respect of pension contributions. This amount is included in the creditors figure as amounts due to 'Other Local Authorities' (see note 8 to the Consolidated Balance Sheet).

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31st March 2005 are as follows:

	31 March 2005 £'000	31 March 2004 £'000
Estimated liabilities in scheme	50,000	44,849
Estimated assets in scheme	36,200	37,551
Net liability	<u>13,800</u>	<u>7,298</u>

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The net liability for retirement benefits of £13.8m has a substantial impact on the net worth of the authority, reducing the overall Council's assets from £51.0m to £37.2m as shown in the Consolidated Balance Sheet on page 23. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary

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

The main assumptions used in their calculations are:

	31 March 2005	31 March 2004
Rate of inflation	2.9%	2.9%
Rate of increase in salaries	4.4%	4.9%
Rate of increase in pensions	2.9%	2.9%
Rate for discounting scheme liabilities	5.4%	6.5%

31.

Assets in the scheme are valued at fair value, principally market value for investments, and can be analysed as follows:

	Long Term Return	Assets as at	
		31 March 2005	31 March 2004
	%	£'000	£'000
Equities	7.7	25,050	24,493
Bonds	5.1	5,830	7,507
Property	6.5	4,040	3,769
Cash	4.0	1,280	1,782
Total	7.0	<u>36,200</u>	<u>37,551</u>

17. Premature Repayment of Loans

As at 31 March 2005 accumulated premium of £680,000 is still to be written off to the Housing Revenue Account from debt rescheduling in earlier years

18. C.N.C. Reserve

This figure represents the Council's share of the Building Control Partnership's accumulated trading surplus. A similar figure is included in the Long Term Investments – see note 4 to the Consolidated Balance Sheet

19. Contingent Liability

The Council has retained some liabilities in respect of the housing stock which transferred to S.N.H.P. These liabilities will only arise as a result of future surveys, so at the present time are shown as a contingent liability.

20. Short Term Investments

The capital receipt resulting from the transfer of the Council's housing stock to S.N.H.P. has enabled short term investments in various financial institutions of £11,930,000 to be made and longer term investments of £15,000,000 (see Note 4 to the Consolidated Balance Sheet).

STATEMENT OF TOTAL MOVEMENT IN RESERVES

		2004/05		2003/04
		£'000	£'000	£'000
Surplus/(Deficit) for the Year				
General Fund		-		-
Housing Revenue Account		719		(36)
Collection Fund		68		15
Movements on Specific Reserves		(259)		(1,019)
C.N.C. Reserve		35		-
Actuarial gains and losses relating to pensions	Note 6	<u>(6,502)</u>		<u>3,979</u>
Total Increase/(Decrease) in Revenue Resources	Note 1		(5,939)	2,939
Increase in Useable Capital Receipts		26,028		(1,939)
Increase in Unapplied Capital Grants and Contributions		<u>-</u>		<u>(3)</u>
Total Increase in realised Capital Resources	Note 2		26,028	(1,942)
Total Increase in Unrealised Value of Fixed Assets	Note 3		48	(196,940)
Value of Assets Sold	Note 4		(31,617)	(4,980)
Capital Receipts Set Aside		3,389		7,495
Revenue Resources Set Aside		<u>(1353)</u>		<u>(2,617)</u>
Total Increase in Amounts Set Aside to Finance Capital Investment	Note 5		2,036	4,878
Total Recognised Gains			<u>(9,444)</u>	<u>(196,045)</u>

NOTES TO THE STATEMENT OF TOTAL MOVEMENT ON RESERVES

	General Fund	Housing Revenue Account	Collect'n Fund	Specific Reserves	C.N.C, Reserve	Pensions Reserve
	£'000	£'000	£'000	£'000	£'000	£'000
1. Surplus/(Deficit) for 2004/05	-	169	68			(810)
Appropriations to/(from) reserves	-	550	-	(259)	35	
Actuarial gains/losses relating to pensions	-	-	-	-		(5,692)
	-	719	68	(259)	35	(6,502)
Balance b/forward at 1 April 2004	1,000	341	30	3,530	-	(7,298)
Balance c/ forward at 31 March 2005	1,000	1,060	98	3,271	35	(13,800)

	Usable Capital Receipts	Unapplied Capital Grants and Contributions
	£'000	£'000
2. Movement in Realised Capital Resources 2004/05		
Amounts received	29,417	831
Amounts applied to finance new capital investment	(3,389)	(831)
Total increase in realised capital resources	26,028	-
Balance brought forward at 1 April 2004	1,566	-
Balance carried forward at 31 March 2005	27,594	-

	Fixed Asset Restatement Account
	£'000
3. Movement in Unrealised Value of Fixed Assets in 2004/05	
Gains on revaluation of fixed assets	48
4. Value of assets sold	(31,617)
	(31,569)
Total movement on reserve in 2004/05	
Balance brought forward at 1 April 2004	5,493
Balance carried forward at 31 March 2005	(26,076)

	Capital Financing Account	
	£'000	£'000
5. Movements in Amounts Set Aside to Finance Capital Investment in 2004/05		
Capital receipts set aside		
- reserved receipts	-	
- usable receipts applied	3,389	
Total capital receipts set aside	<u>3,389</u>	3,389
Revenue resources set aside		
- capital expenditure financed from revenue	382	
- reconciling amount for provisions for loan repayment	(1,735)	
Total revenue resources set aside	<u>(1,735)</u>	(1,353)
Total increase in amounts set aside to finance capital investment		<u>2,036</u>
Total movement on reserve in 2004/05		2,036
Balance brought forward at 1 April 2004		41,314
Balance carried forward at 31 March 2005		<u>43,350</u>

6. Analysis of Actuarial Gains and Losses relating to Pensions	2004/05		2003/04	
	£'000	%	£'000	%
Actual return less expected return on pension scheme assets	1,420		4620	
- expressed as a percentage of assets as at 31 March		3.9		12.3
Expected gains and losses	(222)		24	
- expressed as a percentage of liabilities as at 31 March		(0.4)		0.1
Changes in financial assumptions underlying the present value of the scheme liabilities	(6,890)		-	
Actuarial gain/(loss)	<u>(5,692)</u>		<u>4644</u>	
- expressed as a percentage of liabilities as at 31 March		(11.4)		10.4
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-		-	
Actuarial gain/(loss) recognised in Statement of Total Movements in Reserves	<u>(5,692)</u>		<u>4644</u>	

7. For more information on reserves see notes 11, 12, 13 and 14 to the Consolidated Balance Sheet.

35.

CASH FLOW STATEMENT

	-----2004/05-----		-----2003/04---	
	£'000	£'000	£'000	£'000
Revenue Activities				
Cash Outflows				
Employees	11,387		12,699	
Other Operating Costs	7,851		14,114	
Housing Benefits Paid	16,266		5,028	
Contbn. To N.N.D.R.Pool	14,536		18,497	
Precepts (incl. prev. years adjs.)				
Norfolk County Council	39,368		36,737	
Norfolk Police Authority	5,874		5,096	
Parishes	1,552	96,834	1,409	93,580
	-----		-----	
Cash Inflows				
Rents	1,124		5,307	
Council Tax	52,010		47,817	
Community Charge	-		1	
Receipt from N.N.D.R. Pool	3,403		2,912	
Non Domestic Rate Receipts	14,746		14,087	
Revenue Support Grant	2,868		2,371	
D.W.P. Grants for Benefits	17,869		10,380	
Other Government Grants	Note 1 660		2,658	
Other Operating Income	3,865	96,545	5,545	91,966
	-----	-----	-----	-----
Net Cash Outflow from Revenue Activities	Note 2	289		1,614
Servicing of Finance				
Outflows - Interest Paid	86		381	
Inflows - Interest Received	1,082		644	
	-----		-----	
Net Cash Inflow from Servicing of Finance		(996)		(263)
Capital Activities				
Cash Outflows				
Purchase of Fixed Assets	2,959		5,521	
Long Term Investments	15,000		-	
Deferred Charges	1,687		1,497	
Capital Loans	54		-	
	-----		-----	
	19,700		7,018	
Cash Inflows				
Sale of Fixed Assets	29,412		5,425	
Capital Grants Received	788		496	
Other Capital Cash Income	5		131	
	-----		-----	
	30,205		6,052	
	-----		-----	
Net Cash (Inflow)/Outflow from Capital Activities		(10,505)		966
		-----		-----
Net Cash (Inflow)/Outflow before Financing		(11,212)		2,317
Management of Liquid Reserves				
Net increase of short term deposits	Note 3	(11,030)		(9,230)
Financing				
Outflows - Repayments of amounts borrowed	-		7,111	
Inflows - New loans raised	-		-	

Net Cash Outflow from Financing	Note 4	----- -	----- 7,111
Increase in Cash	Note 5 36.	----- 182 -----	----- 198 -----

NOTES TO THE CASH FLOW STATEMENT

1. Analysis of Other Government Grants

	2004/05 £'000	2003/04 £'000
Housing Subsidy	4	1,995
Recycling Grant	33	179
Invest to Save	-	172
Planning Delivery Grant	392	75
Other	<u>231</u>	<u>237</u>
	<u>660</u>	<u>2,658</u>

2. Reconciliation of Consolidated Revenue Account to Revenue Activities Cash Flow

	2004/05 £'000	2003/04 £'000
Surplus per Consolidated Revenue A/C	-	-
Non-Cash Adjustments		
Minimum Revenue Provision	-	-
Deferred Purchase Debt Repayment	-	-
Direct Revenue Financing	382	939
Provisions Set Aside	2	- 13
Movement on Reserves	- 259	- 1,019
Major Repairs Reserve	258	2,346
Other Adjustments	786	- 21
Accruals		
Less Increase in Stocks & W.I.P.	97	11
Less Increase in Debtors	- 495	- 201
Less Decrease in Creditors	- 64	- 3,393
Add Interest Paid	86	381
Less Interest Received	<u>- 1,082</u>	<u>- 644</u>
Net Cash Inflow from Revenue Activities	<u>- 289</u>	<u>- 1,614</u>

3. Reconciliation of Movement of Financing and Liquid Resources

	As at 31 March 2005 £'000	As at 31 March 2004 £'000	Movement £'000
Short Term Investments	<u>-11,930</u>	<u>-900</u>	<u>-11,030</u>

4. Reconciliation of Financing Transactions to Consolidated Balance Sheet

	As at 31 March 2005 £'000	As at 31 March 2004 £'000	Movement £'000
Loans Repayable within 12 months	-	-	-
Long Term Borrowing	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>

5. Reconciliation of Cash Movements to Consolidated Balance Sheet

	As at 31 March 2005 £'000	As at 31 March 2004 £'000	Movement £'000
Cash	2	2	-

Bank Overdraft

-231
-229

-413
-411

182
182

37.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required:

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

The Head of Financial Services' Responsibilities

The Head of Financial Services is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2005.

In preparing this statement of accounts, the Head of Financial Services has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Head of Financial Services has also:

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

I certify that the statement of accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2005.

Andy Radford BA CPFA
(Head of Financial Services)

25 July 2005

APPROVAL OF STATEMENT OF ACCOUNTS

I confirm that these accounts were approved by the Final Accounts Committee (delegated by full Council to approve these accounts) at a meeting held on 25th July 2005.

Signed on behalf of South Norfolk District Council

25 July 2005

Vivienne Clifford-Jackson
Leader of the Council

Date

STATEMENT OF INTERNAL CONTROL

1. Scope of Responsibility

South Norfolk Council is responsible for ensuring that its business is conducted in accordance with the law and highest standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Additionally, South Norfolk Council 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.

The Accounts and Audit Regulations 2003 state that:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”

It has been agreed that the Head of Financial Services is responsible for the collection of Statement of Internal Control assurance and the drafting of the statement.

Ownership rests with Management Team and Council members.

2. The Purpose of the System of Internal Control

The System of Internal Control is designed to manage risk at a reasonable and acceptable level rather than to try to eliminate all risk in achieving the outcome of policies, aims and objectives. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council’s policies, aims and objectives and to evaluate the likelihood of those risks being realised. Systems must then be put in place to minimise the likely occurrence of the affected risks.

The completion of the Statement of Internal Control involves the Council:

- Reviewing the adequacy of its internal control arrangements
- Knowing where it needs to improve those arrangements; and
- Communicating to users and stakeholders what it plans to do to improve the arrangements and how the planned improvements in internal control lead to better quality public services and best use of resources.

The Council engaged its Internal Audit function to review its systems of internal control. This issue is taking on additional significance as it forms a key part of the Comprehensive Performance Assessment Use of Resources analysis.

3. The Internal Control Environment

Establishing and Monitoring the Achievement of the Authority’s Objectives

The Community Plan was launched during 2004/05, following extensive work with residents and partners, the Alliance (the Council’s Local Strategic Partnership) and Area Forums. The Council’s own priorities and objectives are contained in the Corporate Plan. Each service publishes its own plan setting out its three-year service strategy and there has been increased emphasis placed on establishing the “golden thread” via these policies and plans.

During 2004/05 the Council broadened the remit of its Scrutiny Committee to encapsulate a Resources brief. The Committee already had a responsibility to scrutinise the achievement of the Council’s objectives, so this wider role ensures that one committee is able to link resources to achievement of objectives. The Policy Development Panels have the role of exploring policy development in the longer term.

The Facilitation of Policy and Decision-making

There has been a strengthening of financial management arrangements and their interaction with other management information made available to managers so that they can have the confidence that the best decisions are being made. Regular financial and performance reporting to managers, management team and quarterly reporting to members enables policy implementation and decision-making to take place in an informed way.

Ensuring Compliance with Established Policies, Procedures, Laws and Regulations, including Risk Management

Responsibilities for statutory obligations are formally established. The Chief Executive disseminates statutory instruments to managers responsible for acting on them. The relevant professional heads are tasked with monitoring compliance with appropriate policies and procedures to ensure all officers work within them. The Council subscribes to LAWTEL which alerts it to new legal or statutory issues and requirements.

The Head of Democratic Services will review the Code of Corporate Governance in support of the CIPFA/SOLACE guidance. The terms of reference for the committee charged with corporate governance arrangements will reflect its responsibility. This will be reported to Cabinet in September 2005 and then on to full Council for its endorsement.

Decisions to be taken by members are subject to a rigorous scrutiny process by the Monitoring Officer, Solicitor to the Council, Section 151 Officer and in most cases CMT before they are considered by Cabinet or full Council. All services are represented at the Corporate Management Team (CMT), where corporate decisions are taken.

Improvements in performance management have occurred during 2004/05. Further work is required to ensure that the Council has a continuous review process of the effectiveness of internal control and risk management systems.

Risk management was also developed further during 2004/05. Workshops with senior managers and members have highlighted a range of strategic and operational risks, and these are actively managed and reviewed on a regular basis. The Council has recently appointed a member champion for risk management.

Development work on a Human Resources Strategy and a Workforce Development Plan has assisted managers in determining the future shape and skills required of staff. Managers began to use Human Resources advice in a more proactive manner during 2004/05 and into 2005/06, supporting the Council's objectives in developing services through developing staff.

With regard to procurement, an external healthcheck by the IDEA was undertaken which measured progress being made against the Best Value Action Plan and the National Procurement Strategy. The IDEA report has been useful in focussing on particular priorities. One particular project taking place in 2005/06 is the facility to enable electronic purchase ordering and commitment accounting- (POPCA). This will support the overall strategic approach to procurement and provide better financial management for managers.

There has been considerable improvement in project management arrangements. Post project reviews of the housing stock transfer and building control partnership have been useful, and the delivery of projects on time, on budget and meeting the objectives has improved, but there is further work to do. The corporate plan includes significant positive movement in the Council's performance indicators.

The Council's Standards Committee, chaired by an independent person, has helped to ensure compliance with the Code of Conduct for members of the Council, through monitoring and training.

41.

Economic, Efficient and Effective use of Resources, and Securing Continuous Improvement

Internal Audit publishes an annual report setting out the opinion on the overall adequacy and effectiveness of the Council's internal control environment, providing details of any weaknesses that qualify this opinion and bringing to the attention of the Council any issues particularly relevant to the preparation of this Statement.

Based upon this work, the Audit Manager is of the view that the overall adequacy and effectiveness of the internal control environment are satisfactory given the size of the Council, the majority of high priority recommendations have been, or are being addressed, and that all key systems have been evaluated.

Particular areas of weakness reported on during the year surrounded reconciliations and procedures between financial systems, eg benefits, debtors and general ledger. Improvements are required as new systems have been implemented recently and there is a need to ensure integrity between them.

There is also work to do around developing a formal Disaster Recovery Plan for network services, again as ICT developments have been rapid, and there is a need to reflect on these developments to ensure controls and procedures are sufficiently robust.

The Financial Management and Reporting of the Authority

The Council's overall financial position is sufficiently robust; the Council is not spending, nor committing to spend, beyond what is affordable. The Medium Term Financial Planning requires further development so that service objectives can be budgeted for in future years and a longer-term view of South Norfolk can be adopted. Closer integration of financial and corporate planning processes across the Council remains the objective and the Corporate Plan picks up these relationships.

The full impact of LSVT of the Council's housing stock has led to a fundamental change to the Council's financial position and outlook for the future. These changes were known during the LSVT process, but with the almost immediate loss of service level agreements with the South Norfolk Housing Partnership, the financial consequences are being felt sooner than had been predicted. Members and senior managers will be working through the issues during 2005/06 to identify solutions.

The Performance Monitoring and Reporting of the Authority

The management restructuring in April 2003 facilitated an increased focus on performance management. The establishment of a performance review team, working alongside service managers in setting, monitoring and improving on performance, has produced good results. The Council is on target to achieve top quartile in all performance measures it targeted; also in 6 out of 8 indicators targeted, improvements in BVPIs improved by two quartile positions.

4. Review of Effectiveness

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

The roles of the Council, Cabinet and internal audit are set out in the Rules of Financial Governance.

Action plans to meet all identified internal control issues are allocated to an individual officer. These are monitored and followed up to ensure compliance within agreed timescales.

5. Significant Control Issues

These are referred to in other parts of the Statement, which includes commentary on actions taken or proposed to deal with significant internal control issues.

Geoff Rivers
(Chief Executive)

25th July 2005

Vivienne Clifford-Jackson
(Leader of the Council)

25th July 2005

AUDITORS' REPORT TO SOUTH NORFOLK DISTRICT COUNCIL

These accounts are subject to audit.

A final set of accounts will be produced with the auditor's opinion after the audit has been completed.

44.