



Statement of Accounts

2006/2007



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South Norfolk Council
Swan Lane
Long Stratton
South Norfolk
NR15 2XE

Telephone (01508) 533633

EXPLANATORY FOREWORD

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. The Statements

The Council's Accounts for the year 2006/07 are set out on pages 9 to 38. The accounts contain a series of statements, summarising financial activity during the year and setting out the Council's assets and liabilities at 31st March 2007.

The accounts consist of the following:-

- The Income and Expenditure covers the resources that have been generated and consumed in providing services and managing the council.
- The Statement of Movement on the General Fund Balance summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.
- The Statement of Total Recognised Gains and Losses brings together all the gains and losses of the council for the year.
- The Balance Sheet sets out the financial position of the council as at 31st March 2007.
- The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- The Housing Revenue Account reflects a statutory requirement to account separately for local authority housing.
- The Collection Fund is a separate statutory fund established to record transactions relating to business rates, council tax and residual community charge.

These accounts are supported by the Statement of Accounting Policies, which follows this foreword, and various notes to the accounts.

2. General Fund

The original budget approved for FY 2006/07 was £12.754 million. This was revised mid-year to a figure of £12.975 million.

The Net Operating Expenditure on page 9 is £16.684 million, excluding Parish Precepts (£1.847 million) and the Movement on the General Fund less the movement on reserves (£1.577 million) the outturn net expenditure for services is £13.260 million, an overspend of £0.285 million. This can be explained by two main cost pressures described below:

The Council set aside a provision to finance the Council's retained liabilities in respect of Sewage Treatment Works. This provision was originally set at £3.92 million, which was to be supplemented by interest earned. As the project has been implemented the projected costs have increased by £0.967 million, and this increased provision has been made.

The capital programme includes a number of schemes for asset management and development. On analysis, some of them are in fact revenue costs. This has resulted in a transfer of costs of £0.493 million to the revenue account.

In summary, the cost pressures from the transfer to the revenue budget of some expenditure which had been charged to the capital programme during the year (£0.493 million) and the increase in the provision for the Sewage Treatment Plants (£0.967 million) have been funded from the additional interest earned, the closure of two reserves and general service underspends.

The general service overspends total £0.285 million and are listed below:

	£'000s
Access to Services project	(138)
Land Search Fees- additional income	(68)
Concessionary Travel	106
Waste Management- Agency Costs	252
Waste Management- additional income	(207)
IT Projects	(191)
IT Equipment	106
IT- Additional Income	(75)
Strategic Housing- additional income	(224)
Travellers Work	(153)
Benefits Administration Grant	(296)
Benefits Subsidy	232
Capital Financing	(89)
Housing Grant	(352)
Other	(78)
Net Underspend on Services	(1175)
Increased Sewage Treatment Plants Provision	967
Transfer of Capital Costs to Revenue	493
Net Overspend for the Year	285
Local Authority Business Growth Incentive	(21)
Prior Period increase in RSG	(65)
Transfer from Earmarked Reserves	(392)
Transfer to General Reserve	93
General Fund balance	(100)

The overall impact of all variations on the General Fund revenue budget requires £0.093 million to be put back to the General Revenue Reserve. The General Revenue Reserve is £0.638 million as at 31 March 2007. The drawing from earmarked reserves of an additional £0.392 million to a total of £0.468 million reflects the transfer of reserves to partly finance the increased sewers provision. The Council's reserves have reduced from £2.9 million at 31st March 2006 to £2.4 million as at 31st March 2007. In addition to these reserves, the Council has increased its General Fund Balance to £1.2 million and the HRA Balance to £1.0 million.

3. Housing Revenue Account

The Council transferred its housing stock to Saffron Housing Trust on 17th May 2004. From that date Saffron was responsible for managing and maintaining the stock and collection of rents.

The Housing Revenue Account will be kept open to enable the writing down of premia incurred in the early redemption of debt and to receive housing subsidy on this charge. Homeless hostels and all residual land and buildings retained by the Council were transferred to General Fund assets during 2005/06.

4. Capital Outturn

The original capital programme for FY 2006/07 was £6.711 million. The revised capital programme was adjusted to take account of slippage of schemes from FY 2005/06 and schemes into FY 2007/08. The net result was a revised capital programme of £5.873 million.

Capital expenditure for the financial year totalled £3.887 million, an underspend of some £1.986 million. The main capital expenditure surrounded a project to provide grants to Housing Associations

to provide additional affordable housing for rent, and a range of other housing grants and loans provided.

Resources used to finance capital expenditure is given in note 15 on page 22. Further information regarding the use of capital receipts is shown in note 32 on page 27.

The Council holds capital receipts of £20.2 million, which is invested to earn interest which is credited to the General Fund and Housing Revenue Account. The Council does not have any borrowings, and remains debt-free.

5. 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 (Central Norfolk Consultancy – C.N.C.) with representatives from each Council. South Norfolk Council is providing the accountancy support to the partnership.

The turnover of the partnership for 2006/07 was £1.7 million (2005/06 £1.6 million). CNC produce their own set of accounts as a joint committee and can be requested from South Norfolk Council. This Council's share of the turnover has been included in the Income and Expenditure Account and the Council's share in the accumulated funds of the joint committee is reflected in the Balance Sheet. For more detail of the South Norfolk Council's share of the CNC trading account see note 9 on page 15.

6. Other Issues

The accounting policies adopted by the Council comply with the relevant recommended accounting concepts and are explained fully in the notes to the accounts. In line with the SORP 2006, the Council has changed a number of Accounting Policies and has presented its financial statements in the new format. The 2005/06 figures have been restated to aid comparison.

The Council has yet to fully 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 2007/08.

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 accounts. More information can be found at note 11 on page 17.

At the beginning of 2005/06 4 years of accounts were outstanding, in January 2007 the 2005/06 accounts were signed off and were unqualified by the auditors.

7. Further Information

These accounts have been produced by the Financial Services team and other staff across the Council. A summary of the statement of accounts and further information is available from Financial Services at South Norfolk House or our web site www.south-norfolk.gov.uk. Any queries can be sent to our e-mail address FinancialServices@s-norfolk.gov.uk. In addition, interested members of the public have a right to inspect the accounts between 17th July and 13th August by contacting the Council at the above address. The Appointed day for raising queries with the external auditor is 14th August 2007.

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (SORP), issued in 2006 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of accounting standards. They therefore comply with 'proper accountancy practice' under the terms of the Local Government and Housing Act 1989. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The accounts also comply with the Best Value Accounting Code of Practice produced by CIPFA as updated in 2006.

2. Accounting Concepts

In managing its finances and preparing the Statement of Accounts the Council has particular regard to the accounting concepts within the SORP to ensure that the accounts present fairly its financial position and performance.

- **Relevance** - the information in the accounts is useful in assessing the Council's stewardship of public funds and for making economic decisions.
- **Reliability** - the information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors.
- **Comparability** – a consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has a material effect on the figures, this is disclosed.
- **Comprehensibility**– the Council has endeavoured to ensure that an interested reader can understand the accounts.
- **Materiality** – in using its professional judgement the Council has considered the size and nature of any transaction, or set of transactions. An item is considered to be material where its omission or misstatement would reasonably change the substance of the information presented in the accounts.
- **Accruals** – the non-cash effects of transactions have been reflected in the statements for the financial year in which they occur not when any cash is received or paid.
- **Going Concern** – the accounts have been prepared on the assumption that the Council will continue to provide operational services for the foreseeable future.
- **Primacy of Legislative Requirements** – the Council operates through the power of statute. Where legislation prescribes the express treatment of transactions then the accounting concepts outlined above may be over-ruled.

3. Tangible 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 that is charged direct to service revenue accounts.

A de minimis level of £10,000 has been adopted from 1st April 2005 (previously £6,000) for all fixed assets. Expenditure on assets less than this is treated as revenue.

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 2006 Code of Practice on Local Authority Accounting on the following basis:

- Operational land and buildings are included at the lower of net current replacement cost and net realisable value in existing use.
- Short life operational assets, such as vehicles, plant and equipment, are included at historical cost less depreciation as a proxy for the lower of net current replacement cost and net realisable value in existing use.
- Investment properties and assets that are surplus to requirements are included at estimated open market value.
- Infrastructure assets are included at historical cost, net of depreciation where appropriate.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains.

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.

Where impairment is identified as part of the review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits- the loss is charged to the relevant service account
- Otherwise – written off against the Fixed Asset Restatement Reserve.

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. Amounts in excess of £10,000 are categorised as Capital Receipts. Receipts of less than £10,000 are treated as revenue income. Receipts are appropriated to the Usable Capital Receipt Reserve from the Statement of Movement on the General Fund Balance

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

4. Charges to Revenue for Fixed Assets

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

In accordance with the 2006 Code of Practice on Local Authority Accounting, all buildings have been depreciated over their anticipated remaining life (excluding Investment Properties).

The General Fund is charged for all fixed assets used in the provision of services. In previous years the total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a notional rate of interest. In 2005/06 this charge was 3.5% on assets carried at current values and 4.95% on assets carried at historical values (i.e. infrastructure and community assets). From 2006, in accordance with the SORP this charge is no longer required.

The Council is not required to raise Council Tax to cover depreciation or impairment losses these charges are appropriated to the Capital Financing Account through the Statement of Movement on the General Fund Balance.

5. Intangible Fixed Assets

Expenditure on purchased software together with the direct costs incurred in the commissioning or enhancement of the software are capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment (5 years).

6. Deferred Charges

Deferred Charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred Charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year

7. Basis of Charges for Borrowing

Authorities are required to set aside a minimum amount from revenue each year as a provision to repay debt. This Minimum Revenue Provision (M.R.P.) is based on the Capital Financing Requirement (C.F.R.) as defined in the C.I.P.F.A. Prudential Code. The M.R.P. for the General Fund is 4% of the C.F.R. but following the introduction of the Major Repairs Allowance for housing there is no longer a similar requirement in relation to the H.R.A. The charges to the General Fund were reduced in 2005/06 by an adjustment of £210,800 in respect of the commutation of improvement grants. The amount set aside in 2005/06 exceeded the minimum level by £135,000. As at 31st March 2006 the C.F.R. stood at £2.1 million. This was reduced to nil by the use of capital receipts. As long as the C.F.R. remains at nil there will be no need to make a revenue provision.

8. Gains and Losses on Borrowing (Debt Redemption)

The 2006 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 19 on page 24.

9. Capital Receipts

Under the Prudential Code, receipts from the disposal of housing assets are subject to "pooling". This means that 75% of dwelling sales and 50% of receipts from the sale of other housing assets is payable to the Treasury. Receipts from preserved Right to Buy capital receipts following L.S.V.T. are excluded from the pooling arrangements, however a share of the Right To Buy receipts are retained by Saffron Housing Association and are not passed over to the council.

10. 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.

11. Stocks

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.

12. Cost of Support Services

Management and administration costs are allocated by a variety of methods. Some allocations are based on time data supplied by individual services. Other costs are allocated on a unit basis i.e. use of telephones and office space. There is also a set scale of charges for reprographic work.

All costs were fully recharged in the 2006/07 accounts.

13. Reserves

The Council maintains reserves to meet 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 31 on page 27.

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 33 and 34 on page 28.

14. Pensions

In 2006/07 the Council paid an employer's contribution of 14.9% (13.9% in 2005/06) 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 that resulted in new rates from 1st April 2005 and April 2006.

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.

Actual pension contribution in 2006/07 charged to the Income and Expenditure Account is £1.24 million representing 14.9% of pay. FRS17 requires the replacement of these cost with current service costs of £1.82 million, 21.9% of pay. Net operating expenditure is 4.29% higher than it would otherwise have been.

The requirement to recognise the net pensions liability in the balance sheet reduces the reported net worth of the authority by 20.0%, or £10.4 million.

15. Investments

Investments are shown in the Balance Sheet at cost. Further details appear in notes 18 and 23 on pages 24 and 25 respectively.

16. 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 (e.g. improvement grants).

17. Leasing

The Council's leases have, in accordance with SSAP21, been classified between operating and finance leases. See notes 16 and 17 on pages 22 and 23 respectively.

The Council has outstanding operating leases in respect of cars, under the Council's employee car leasing scheme. Rental payments are charged to revenue on a straight line basis over the period of the lease. The capital values of these assets are not shown in the balance sheet.

The Council also has outstanding finance leases in respect of vehicles, plant and equipment. Rental payments under finance leases are apportioned between the finance charge and the principal element. The finance element is charged to the asset management account and the principal element is treated as capital expenditure. These assets appear on the balance sheet as tangible fixed assets.

The Council has now taken the view, under the Prudential Code regime, to fund capital expenditure from its own resources rather than lease.

18. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Key items for the council are Bad Debts, and Sewage Treatment Work provisions.

19. Value Added Tax

Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

INCOME AND EXPENDITURE ACCOUNT

This 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.

Restated 2005/06 Net Expenditure £'000s	2006/07 Gross Expenditure £'000s	2006/07 Gross Income £'000s	Net Expenditure £'000s
8,300 Cultural, Environmental and Planning	14,497	(4,350)	10,147
376 Highways, Roads & Transport	1,166	(212)	954
2,944 Housing	5,284	(1,931)	3,353
1,362 Central Services	22,607	(21,427)	1,180
2,542 Corporate Management	2,290	(9)	2,281
90 Non Distributed Costs	0	0	0
15,614 Net Cost of Services (Note 2)	45,844	(27,929)	17,915
(1,211) (Gain)/Loss on the Disposal of Fixed Assets			(1,542)
0 (Gain)/Loss on the Disposal of Investments			14
1,707 Precepts paid to Parish Councils			1,847
(89) Trading Undertakings (Note 3)			(19)
197 Interest Payable or similar charges			277
(1,564) Interest and investment Income			(1,662)
50 Payment to Housing Capital Receipts Pool			34
Pension interest cost and expected return			
210 on pensions assets			(180)
14,914 Net Operating Expenditure			16,684
Financed by			
Income from Collection Fund			
(6,929)			(7,188)
0 Local Authority Business Grant			(21)
(3,087) Revenue Support Grant			(1,265)
(3,274) Contribution from Non Domestic Rate Pool			(6,209)
1,624 (Surplus)/Deficit for Year			2,001

The 2005/06 figures have been restated for the 2006 SORP, a reconciliation from the consolidated revenue account in the 2005/06 statements to the restated figures above are included in note 1.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the past year. However, the authority 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 the Housing Capital receipts to the government scores as a loss on the Income and Expenditure Account, but is met from the Usable Capital Receipts balance rather than Council Tax
- Retirement Benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. See note 10 for a detailed analysis.

Restated 2005/06 £'000s	2006/07 £'000s
1,624 Deficit for Year on the Income and Expenditure Account	2,001
Net additional amount required by Statute and Non-Statutory (1,724) Proper Practices to be debited or credited to the General Fund	(2,101)
Balance for the year	
(100) Increase in General Fund Balance For Year	(100)
(1,000) General Fund Balance brought forward	(1,100)
(1,100) General Fund Balance carried forward	(1,200)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

Restated 2005/06 £'000s	2006/07 £'000s
1,624 (Surplus)/Deficit for the year on the Income and Expenditure Account	2,001
426 (Surplus)/Deficit arising on Revaluation of Fixed Assets	(1,314)
370 Actuarial (Gains)/Losses on pension fund assets and liabilities	(4,540)
75 Collection Fund	(37)
2,495 Total Recognised (Gains)/Losses for the year	(3,890)

BALANCE SHEET AS AT 31 MARCH 2007

Restated 2005/06 £'000s		2006/07 £'000s £'000s	
660	Intangible Fixed Assets	Note 12	531
	Tangible Fixed Assets	Note 13	
	Operational Assets		
13,011	Other Land & Buildings		13,874
3,809	Vehicles, Plant & Equipment		3,363
50	Infrastructure		50
	Non Operational		
2,502	Investment Properties		2,365
0	Assets under Construction		11
7,905	Surplus Assets held for Disposal		7,750
<u>27,937</u>	Total Fixed assets		27,944
14,056	Long Term Investments	Note 18	6,050
	Long Term Debtors		
572	Deferred Premia	Note 19	441
33	Mortgages	Note 20	28
339	Other	Note 20	392
<u>42,937</u>	Total Long Term Assets		34,855
	Current Assets		
49	Stocks	Note 21	43
5,812	Debtors	Note 22	4,423
13,250	Short Term Investments	Note 23	23,400
643	Cash		618
<u>19,754</u>			28,484
	Current Liabilities		
(4,333)	Creditors	Note 24	(6,952)
(1,031)	Bank Overdraft		(843)
<u>14,390</u>	Net Current Assets		20,689
	Long Term Liabilities		
(3,700)	Provisions	Note 25	(2,720)
(1,364)	Government Grants Deferred	Note 26	(1,018)
(14,600)	Pension Scheme Liability	Note 11	(10,400)
(45)	Other Deferred Debtors	Note 27	(12)
(29)	Deferred Discounts	Note 19	(26)
(773)	Long Term Creditors	Note 28	(662)
<u>36,816</u>	Total Assets less Liabilities		40,706
	Financed by:		
20,467	Usable Capital Receipts	Note 32	20,183
(17,974)	Fixed Asset Restatement Account	Note 33	(17,377)
43,975	Capital Financing Account	Note 34	43,653
38	Deferred Capital Receipts	Note 29	33
(14,600)	Pension Reserve	Note 11	(10,400)
48	C.N.C. Reserve	Note 31	47
2,895	Reserves	Note 35	2,375
1,100	General Fund Balance		1,200
932	Housing Revenue Account Balance		1,019
(65)	Collection Fund Balance		(27)
<u>36,816</u>	Total Net Worth	Note 30	40,706

Andy Radford BA CPFA
(Head of Finance and Property Services)

27th September 2007

CASHFLOW STATEMENT

2005/06		2006/07	
£'000s	£'000s	£'000s	£'000s
Revenue Activities			
Cash Outflows			
11,361		Employees	12,343
9,628		Other Operating Costs	12,296
19,293		Housing Benefits Paid	20,561
16,141		Contbn. To N.N.D.R.Pool	18,851
		Precepts (incl. prev. years adjs.)	
41,386		Norfolk County Council	42,914
6,296		Norfolk Police Authority	6,588
1,707	105,812	Parish/ Town Councils	1,847
			115,400
Cash Inflows			
(360)		Rents	(327)
(53,910)		Council Tax	(57,220)
(4,293)		Receipt from N.N.D.R. Pool	(7,182)
(16,319)		Non Domestic Rate Receipts	(19,117)
(3,087)		Revenue Support Grant	(1,265)
(19,977)		D.W.P. Grants for Benefits	(22,989)
(1,396)		Other Government Grants	Note 37 (1,218)
(6,328)	(105,670)	Other Operating Income	(7,055)
		142 Net Cash Outflow from Revenue Activities	Note 38 (973)
Servicing of Finance			
106		Outflows - Interest Paid	123
35		- Interest element of finance leases	28
(1,149)		Inflows - Interest Received	(2,066)
		(1,008) Net Cash Inflow from Servicing of Finance	(1,915)
Capital Activities			
Cash Outflows			
2,645		Purchase of Fixed Assets	1,581
1,127		Deferred Charges	2,073
81		Capital Loans	79
3,853			3,733
Cash Inflows			
(2,382)		Sale of Fixed Assets	(3,114)
(963)		Capital Grants Received	(230)
(1,025)		Long Term Investments	(8,006)
(6)		Other Capital Cash Income	(5)
(4,376)			(11,707)
		(523) Net Cash (Inflow)/Outflow from Capital Activities	(7,622)
		(1,389) Net Cash (Inflow)/Outflow before Financing	(10,510)
Management of Liquid Reserves			
	1,320	Net increase of short term deposits	Note 39 10,150
Financing			
	228	Outflows – Capital element of finance leases	197
	159	Decrease/(Increase) in Cash	(163)

NOTES TO THE CORE STATEMENTS

1. Prior Period Adjustments

In the 2006/07 Statement of Accounts, the council adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

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

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

	Consolidated Revenue Account in 2005/06 Statement of Accounts	Removal of Capital Financing Charges	Relocation of Government Grants Deferred Credits	Interest Payable	Recognition of Gains and Losses on Disposal of Fixed Assets	2005/06 comparatives in Income and Expenditure Account
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Expenditure on Services						
Cultural, Environmental and Planning	9,132	(681)	(151)			8,300
Highways, Roads & Transport	515	(137)	(2)			376
Housing	3,242	(232)	(66)			2,944
Central Services	1,974	(584)	(28)			1,362
Corporate Management	2,573	(22)	(9)			2,542
Non Distributed Costs	90					90
Total Continuing Services	17,526	(1,656)	(256)	0	0	15,614
Services Transferred to Saffron	0					
Net Cost of Services	17,526	(1,656)	(256)	0	0	15,614
Other Items						
Gain on the disposal of Fixed Assets					(1,211)	(1,211)
Precepts paid to Parish Councils	1,707					1,707
Trading Undertakings	19	(108)				(89)
Interest Payable				60		60
Premia on Early Redemption of Debt	137					137
Interest on Balances etc	(1,558)					(1,558)
Interest on C.N.C. Balances	(6)					(6)
Transfer from Asset Management Revenue A/C	(1,960)	1,764				
Payment to Housing Capital Receipts Pool	50		256	(60)		50
Pension interest cost and expected return on pensions assets	210					210
Net Operating Expenditure	16,125	0	0	0	(1,211)	14,914

2. Net Cost of Services

The Income and expenditure account shows the net cost for the year of the functions for which the Council is responsible and how this cost was met. The following table lists the main functions that are included in each service heading.

<u>Service Heading</u>	<u>Main Functions</u>
Cultural	Leisure Centres, Swimming Pool, Amenity Areas
Environmental	Refuse Collection, Street Cleaning, Environmental Protection, Sewerage and Sewage Disposal, Food Control,
Planning	Development Control, Building Control, Economic Development, Environmental Improvement, Community Safety
Highways	Street Lighting
Housing	Homelessness, Renovation Grants. Housing Advice, Maintenance of Waiting List, Housing Benefit Administration
Corporate Management	Corporate Management, Democratic Representation, Provision for Bad Debts
Transport	Car Parks, Concessionary Travel
Central Services	Council Tax Benefits, Council Tax Cost of Collection, Elections, Land Charges

3. Trading Undertakings

The Council operates industrial estates at Ketteringham and Ayton Road, Wymondham. There is also a Business Centre at Diss.

2005/06			2006/07		
Expenditure	Income	(Surplus) /Deficit	Expenditure	Income	(Surplus) /Deficit
£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Industrial Estates					
79	(84)	(5)	90	(16)	74
27	(106)	(79)	16	(109)	(93)
118	(123)	(5)	120	(120)	0
224	(313)	(89)	226	(245)	(19)

Note - Capital Financing adjustments have been taken out of the 2005/06 comparators see note 1 for further information.

4. Audit Costs

In 2006/07 the following costs relating to external audit and inspection were paid to the audit commission:

2005/06	2006/07
£'000s	£'000s
92 External Audit	97
4 Statutory Inspection	6
48 Certification of Grant Claims and Returns	36
57 Other Services *	0
201	139

* These costs relate to the additional audit costs incurred investigating objections to the accounts in 2005/06. No objections have been upheld by our auditors.

5. Officers Remuneration

In 2006/07 the number of employees whose remuneration excluding pension contributions was £50,000 or more in bands of £10,000 were:-

Number of Employees		
2005/06	Remuneration Band	2006/07
1	£50,000 - £59,999	8
1	£60,000 - £69,999	1
1	£70,000 - £79,999	1
0	£80,000 - £89,999	0
1	£90,000 - £99,999	1

6. Publicity

In 2006/07 the Council spent £78,235 (2005/06 - £81,906) on publicity as defined by the Local Government Act 1986. This expenditure is analysed below.

2005/06		2006/07
£'000s		£'000s
7	Tourism – General	0
25	Community Magazine	33
49	Recruitment of Staff	44
1	Other	1
<u>82</u>		<u>78</u>

7. Members' Allowances

Total allowances paid to members in 2006/07 amounted to £214,803 (2005/06 - £202,151).

8. Related Party Transactions

Related parties are individuals or organisations that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

The Council operates a Register of Members' Interests and a Register of Staff Interests to record and monitor Related Party Transactions. In addition forms were sent to all Members and relevant officers at the year end. Where declarations were made, there is evidence that the individual did not have influence or control over the transactions.

9. 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. A joint committee manages the Partnership 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.

2005/06			2006/07		
Chargeable	Non Chargeable	Total	Chargeable	Non Chargeable	Total
£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
303	32	335	349	33	382
18	2	20	19	2	21
29	2	31	28	3	31
40	5	45	42	5	47
75	14	89	132	16	148
465	55	520	570	59	629
Income					
(6)	0	(6)	(4)	0	(4)
(482)	(55)	(537)	(541)	(59)	(600)
(488)	(55)	(543)	(545)	(59)	(604)
(23)	0	(23)	25	0	25

10. Reconciling items for the Statement of Movement on the General Fund Balance

Restated 2005/06 £'000s	2006/07 £'000s
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	
(270) Amortisation of Intangible Fixed Assets	(264)
(972) Depreciation of Tangible Fixed Assets	(1,209)
(394) Impairment of Fixed Assets	(24)
256 Government Grants Deferred Amortisation	393
(1,156) Deferred Charges	(1,999)
1,211 Gain/ (Loss) on Sale of Fixed Assets	1,542
0 Gain/ (Loss) on Investments	(14)
(1,590) Net charges made for retirement benefits	(1,640)
(2,915)	(3,215)
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the Year	
101 Capital Expenditure Financed from Revenue	86
(50) Transfer from Usable Capital Receipts	(34)
1,160 Ers pension contributions	1,300
1,211	1,352
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	
(50) HRA	88
(198) Movement on Reserves	(523)
228 Other	197
(20)	(238)
(1,724) Net additional amount to be charged / (credited) to the General Fund	(2,101)

11. Pension Costs

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 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. New rates resulting from the review were effective from 1st April 2005 and April 2006.

The Council is also responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2006/07 these amounted to £134,344 (2005/06 - £120,333) representing 1.7% of pensionable pay (2005/06 - 1.6%).

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 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:

2005/06 £'000s	2006/07 £'000s
Income and Expenditure Account	
Net Cost of Services:	
(1,350) Current service costs	(1,820)
(70) Past service costs	0
(20) Settlements and Curtailments	0
Net Operating Expenditure:	
(2,710) Interest	(2,950)
2,500 Expected return on assets in the scheme	3,130
(1,650) Net Charge to the Income and Expenditure Account	(1,640)
Statement of Movement in the General Fund Balance	
1650 Reversal of net charges made for retirement benefits in accordance with FRS17	1,640
Actual amount charged against the General Fund Balance for pensions in the year	
(1,220) Employer's contributions payable to scheme	(1,300)

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31st March 2007 are as follows:

31-Mar-06 £'000s	31-Mar-07 £'000s
(59,800) Estimated Liabilities in scheme	(60,000)
45,200 Estimated Assets in scheme	49,600
<u>(14,600) Net liability</u>	<u>(10,400)</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 £10.4 million has a substantial impact on the net worth of the authority, reducing the overall Council's assets from £51 million to £40.6 million as shown in the Balance Sheet on page 11. 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-Mar-06	31-Mar-07
3.1% Rate of inflation	3.2%
4.6% Rate of increase in salaries	4.7%
3.1% Rate of increase in pensions	3.2%
4.9% Rate for discounting scheme liabilities	5.4%

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

Assets at 31-Mar-06 £'000s	Long Term Return at 31-Mar-07 % p.a.	Assets at 31-Mar-07 £'000s
32,200 Equities	7.9%	33,400
6,400 Bonds	4.9%	7,200
5,500 Property	5.9%	7,800
1,100 Cash	4.9%	1,200
<u>45,200 Total</u>	<u>7.1%</u>	<u>49,600</u>

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

The actuarial losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2007

	2006/07		2005/06		2004/05		2003/04		2002/03	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the Expected and Actual Return on Assets	(260)	(0.5)	6,440	14.2	1,420	3.9	4,620	12.3	(9,340)	(30.6)
Experience Gains/(Losses) on Liabilities	1,250	2.1	(40)	(0.1)	(222)	(0.4)	24	0.1	295	0.7
Changes in financial assumptions underlying the present value of the scheme Liabilities	3,550	5.9	(6,770)	(11.3)	(6,890)	(13.8)	0	0.0	0	0.0
Actuarial Gains/(Losses) Recognised in Statement of Total Recognised Gains and Losses.	4,540	7.6	(370)	(0.6)	(5,692)	(11.4)	4,644	10.4	(9,045)	(22.0)

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

12. Intangible Fixed Assets

The cost of software together with the direct costs incurred in the commissioning or enhancement of the software is charged to capital and held on the Balance Sheet as Intangible Fixed Assets. These costs are amortised to revenue over five years.

	£'000s
Original Cost	1,440
Amortisation to 31 March 2006	(780)
Balance as at 31 March 2006	660
Expenditure in Year	135
Written off to revenue in year	(264)
Balance as at 31 March 2007	531

13. Tangible Fixed Assets

Valuation of Tangible Fixed Assets

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 and infrastructure assets are valued at historical cost.

In previous years all land and property was valued every year with the last full valuation being carried out as at 1st April 2004. From 2005/06 a rolling five year programme was commenced revaluing a proportion of the assets each year. All assets are therefore revalued at intervals not exceeding five years as required by the S.O.R.P. Any major changes will, however, be reflected in the accounts in the year they occur. The gross book value of assets revalued by Norfolk Property Services as at 1st April 2006 totalled £6,113,000 which equates to 22.3% of the Gross Book Value of all land and buildings held at current value as at 31st March 2007.

The basis of valuation and classification of fixed assets are explained in the Statement of Accounting Policies section of these accounts.

Movement in fixed assets during the year were as follows:

	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure £'000s	Investment Properties £'000s	Assets Under Construction £'000s	Surplus Assets £'000s	Total £'000s
Certified Valuation as at 31 March 2006	13,473	5,513	50	2,502	0	7,905	29,443
Accumulated Depreciation	(462)	(1,704)	0	0	0	0	(2,166)
Net Book Value as at 31 March 2006	13,011	3,809	50	2,502	0	7,905	27,277
Expenditure	181	508	0	0	11	71	771
Revaluations	972	0	0	36	0	307	1,315
Disposals	(11)	0	0	(173)	0	(533)	(717)
Depreciation	(255)	(954)	0	0	0	0	(1,209)
Impairment	(24)	0	0	0	0	0	(24)
Net Book Value as at 31 March 2007	13,874	3,363	50	2,365	11	7,750	27,413

Depreciation of Tangible Fixed Assets

Assets are depreciated on a straight-line basis over the useful life of the asset as determined by the valuer. A review of remaining useful life was undertaken and revisions made where necessary.

<u>Class of Asset</u>	<u>Remaining Useful Life (years)</u>		
Buildings	22	-	40
Plant and Equipment	1	-	19
Vehicles	6	-	7

Expenditure on Tangible Fixed Assets

	£'000s
Vehicles, Plant and Equipment	508
Surplus Assets	71
Assets under Construction	11
Other Land and Buildings	181
	<u>771</u>

Capital Contracts for schemes not completed at 31st March 2007 commit the council to future expenditure of £106,400 which relates to affordable housing.

Analysis of Tangible Fixed Assets

31-Mar-06			31-Mar-07		
Numbers	£'000s		Numbers	£'000s	
Operational					
Land and Buildings					
3	1,029	Hostels	4	1,162	
17	2,219	Car Parks	17	2,208	
1	376	Depots	1	364	
1	3,848	Leisure Centre and Pool	1	3,772	
1	2,334	Swimming Pools	1	2,264	
1	2,493	Offices	1	3,343	
66	163	Mini Recycling Centre Sites	66	186	
6	549	Public Conveniences	6	575	
	<u>13,011</u>			<u>13,874</u>	
Vehicles, Plant and Equipment					
34	1,747	Vehicles	34	1,718	
	124	Information Technology		75	
	10	Play Area Equipment		8	
	1,627	Wheeled Bins		1,339	
	301	Other Plant and Equipment		223	
	<u>3,809</u>			<u>3,363</u>	
Infrastructure					
	50	Access Roads		50	
	<u>50</u>			<u>50</u>	
	<u>16,870</u>	Total Operational		<u>17,287</u>	
Non Operational					
Investment Properties					
2	1,764	Industrial Estates	2	1,627	
1	255	Offices	1	255	
	483	Other Assets		483	
	<u>2,502</u>			<u>2,365</u>	
Assets under Construction					
	0	Friarscroft Lane, Wymondham		11	
	<u>0</u>			<u>11</u>	
Surplus Assets Awaiting Disposal					
	7,905	Land Awaiting Development		7,750	
	<u>7,905</u>			<u>7,750</u>	
	<u>10,407</u>	Total Non Operational		<u>10,126</u>	
	<u>27,277</u>	Total Tangible Assets		<u>27,413</u>	

14. 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 2006/07 of £1,998,654 (2005/06 - £1,156,000) represents the deferred charge amount written off to revenue of this expenditure in the year it incurred.

	Expenditure £'000s	Grants Received £'000s	Amounts Written Off £'000s
Improvement Grants	577	(248)	(329)
Aids and Adaptations	277		(277)
Grants	10		(10)
Surface Water Drainage	66		(66)
Affordable Housing	1,235		(1,235)
Other	82		(82)
	<u>2,247</u>	<u>(248)</u>	<u>(1,999)</u>

15. Capital Expenditure

Resources Used	£'000s	Expenditure	£'000s
Capital Receipts	3,141	Tangible Fixed Assets	771
Revenue Contributions	86	Intangible Fixed Assets	135
Grants & Contributions	660	Deferred Charges	2,247
		Debtors	79
		Corporate Bond	655
	<u>3,887</u>		<u>3,887</u>

16. Operating Leases

Lessee

In 2006/07 the Council did not enter into any new leases in respect of cars. The Council leases properties that have been accounted for as operating leases. Expenditure in 2006/07 is made up as follows:

Payments 2005/06 £'000s	Payments 2006/07 £'000s
126 Cars	110
115 Land and Buildings	125
<u>241</u>	<u>235</u>

As at 31st March 2007 the authority is committed to make payments of £202,000 in the future under operating leases made up as follows:

	Land and Buildings £'000s	Cars £'000s
Leases expiring in 2007/08	9	59
Leases expiring between 2008/09 and 2011/12	58	51
Leases expiring after 2011/12	25	0
	<u>92</u>	<u>110</u>

The Council has let some of its properties and surplus land under operating leases. Rentals received are shown below:

Income 2005/06 £'000s	Income 2006/07 £'000s
198 Industrial Units	185
2 Land	6
14 Car Parks	14
15 Other Buildings	15
<u>229</u>	<u>220</u>

Lessor

With regard to the authority's activity as a lessor, the gross value of assets held for use in operating leases was £2,365,000. As these assets are held as investment properties, in accordance with the S.O.R.P. no depreciation is charged upon them. More information is given below including an analysis of the assets involved and the dates they were last valued.

	Gross Value			Total £'000s
	Valuation Date 1 April 2004 £'000s	Valuation Date 1 April 2005 £'000s	Valuation Date 01 April 06 £'000s	
	Industrial Units	148	1,617	
Other Buildings	12	255	0	267
Land	335	135	0	470
	<u>495</u>	<u>2,007</u>	<u>(137)</u>	<u>2,365</u>

17. Finance Leases

Although no other new leases have been entered into the Council has existing leases relating to vehicles, plant and equipment. As a result of transferring the housing function to Saffron it was necessary to enter into sub-leases with the partnership for vehicles and equipment that they use. During the year payments for finance leases amounted to £312,000 (£366,000 in 2005/06) of which £66,000 was reimbursed by Saffron (£94,000 in 2005/06) leaving outstanding obligations of £806,000 (of which £86,000 is the responsibility of Saffron).

The Council holds various vehicles, plant and equipment under finance leases which are accounted for as part of tangible fixed assets. As at 31st March 2007 the value of these assets was £630,000.

	Fair Value of Assets £'000s	Accumulated Depreciation £'000s	Net Book Value 31 March 06 £'000s	Depreciation 2006/07 £'000s	Net Book Value 31 March 07 £'000s
Vehicles	898	(597)	301	(88)	213
Wheeled Bins	479	(115)	364	(45)	319
Other Plant and Equip	358	(219)	139	(41)	98
	<u>1,735</u>	<u>(931)</u>	<u>804</u>	<u>(174)</u>	<u>630</u>

As at 31st March 2007 outstanding obligations under these leases, excluding finance charges, which are accounted for as part of long- term liabilities, are shown below. No new leases were entered into in 2006/07.

	£'000s
Obligations payable in 2007/08	168
Obligations payable between 2008/09 and 2011/12	401
Obligations payable after 2011/12	91
	<u>660</u>

Finance charges of £28,000 were incurred in 2006/07.

18. Long Term Investments

The investment figure is made up as follows:

31 March 2006 £'000s		31 March 2007 £'000s
14,000	Financial Institutions	6,000
29	Government Securities	29
27	Other Local Authorities and Public Bodies	21
14,056		6,050

Investments with various financial institutions for over 1 year are part of the capital receipt from the transfer of the Council's housing stock to Saffron. A further £19,400,000 has been invested on a short-term basis of less than 1 year. See note 23 on page 25.

19. Premia/Discounts on early Redemption of Loans

As at 31st March 2007 accumulated premia of £415,000 is still to be written off to the Housing Revenue Account from debt rescheduling in earlier years. This is broken down between the Premia and the Discount as follows:

2005/06 £'000s	2006/07 £'000s
572 Premia	441
-29 Discounts	-26
543	415

20. 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, was repayable as the Business Park was developed or after 25 years. In exchange for the loan, 6.8 acres of land was given to the Council to be used as amenity land. Subsequent repayments and restructuring has resulted in an outstanding balance of £155,000 as at 31st March 2007. If interest had been charged at the market rate on this balance outstanding £11,750 would have been payable in 2006/07.

Since 1st April 2004 the Council has been able to make home maintenance loans and housing renewal loans. The advancing of these loans is classified as debtors within capital expenditure (See note 15 for further details). These loans are repayable from the proceeds of the sale of the property improved. The balance outstanding as at 31st March 2007 was £225,000. Home Maintenance Loans are for sums less than £5,000 and are interest free. If interest had been charged at the market rate £3,600 would have been payable in 2006/07. A new policy for charging interest was approved during 2006/07 which will affect all new loan applications.

Also included here are loans made under the business growth scheme (See note 27 for further details).

21. Stock

31 March 2006 £'000s		31 March 2007 £'000s
10	Leisure Centres and TIC	10
39	Other	33
49		43

22. Debtors

31 March 2006	31 March 2007
£'000s	£'000s
558 Government Departments	311
613 Other Local Authorities	494
472 Non-Domestic Rate Payers	317
1,446 Council Tax Payers	1,401
322 Former Housing Tenants	308
49 Car Loans to Employees	29
3,541 Sundry Debtors	2,649
194 Payments in Advance	208
<u>7,195</u>	<u>5,717</u>
(1,383) Less Provision for Doubtful Debts	(1,294)
<u>5,812</u>	<u>4,423</u>

The amount due from Government Departments as at 31st March 2007 includes £0.109 million in respect of Housing Benefit Subsidy compared to a figure of £0.4 million as at 31st March 2006 .

Included in the Other Local Authorities figure there is £0.253 million relating to the collection fund (2005/06 £0.590 million). See note 6 to the Collection Fund Income and Expenditure Account.

Sundry Debtors have reduced from £3.5 million to £2.6 million due to a number of service level agreements relating to 2005/06 which were negotiated and settled during 2006/07.

23. Short Term Investments

The capital receipt resulting from the transfer of the Council's housing stock to Saffron has enabled short term investments in various financial institutions of £23.4 million to be made and longer term investments of £6.05 million (see note 18 on page 24).

24. Creditors

31 March 2006	31 March 2007
£'000s	£'000s
1,342 Government Departments	3,495
697 Other Local Authorities	693
194 Non-Domestic Rate Payers	105
414 Council Tax Payers	482
50 Former Housing Tenants	50
197 Finance Leases	168
1,229 Sundry Creditors	1,735
210 Receipts in Advance	224
<u>4,333</u>	<u>6,952</u>

The amount due to Government Departments as at 31st March 2007 included £1.795 million in respect of an overpayment by the DWP of Housing Benefit Rent Subsidy as well as £1.323 million in respect of an underpayment to the N.N.D.R. Pool.

25. Provisions

On transfer of the housing stock to Saffron on 17th May 2004 the Council retained the liability of bringing sewage treatment plants up to adoptable standards. Expenditure to date on the scheme is £2.204 million with a further £2.683 million remaining to be spent.

In 2005/06 a provision of £136,000 was made to cover a potential penalty in respect of under declarations on VAT. £37,000 is remaining at 31st March 2007 while negotiations between the Council and Customs and Excise are completed.

26. Government Grants Deferred

This account holds the balance of grants applied to the financing of Fixed Assets awaiting amortisation to the Income and Expenditure account to offset the depreciation on the relevant asset. Movements during the year are as follows:

31 March 2006 £'000s		31 March 2007 £'000s
945	Grants Applied to Capital Investment	47
(256)	Amounts credited to the Income and Expenditure Account	(393)
689	Movement on Government Grants Deferred	(346)
689	Total Movement on Reserve	(346)
675	Balance Brought Forward at 1 April 2006	1,364
1,364	Balance Carried Forward at 31 March 2007	1,018

27. 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 £3,600 would have been payable in 2006/07. The balance remaining of £12,000 represents the amount of loans outstanding as at 31st March 2007.

28. Long Term Creditors

Included here are obligations under finance leases (see note 17 on page 23) and payments received from developers of housing estates transferring the responsibility for the upkeep of grassed areas to the Council. These sums are transferred to the General Fund over ten years to offset the costs incurred.

31 March 2006 £'000s		31 March 2007 £'000s
660	Obligations under Finance Leases	492
113	Maintenance of Grassed Areas	170
773		662

29. 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 2007. £5,000 of mortgage payments were made during the year reducing the balance from £38,000 to £33,000.

30. Analysis of Net Assets Employed

The Balance Sheet includes the General Fund and Housing Revenue Account, if the Balance Sheet was to be split between the two the net assets employed would be as follows:

31 March 2006 £'000s		31 March 2007 £'000s
36,462	General Fund	40,151
354	Housing Revenue Account	555
36,816		40,706

31. Movements on Reserves

The council keeps a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	Balance 01 April 2006 £'000s	Movement in Year £'000s	Balance 31 March 2007 £'000s	Purpose of Reserve	Further Detail of Movements
Usable Capital Receipts	20,467	(284)	20,183	Proceeds of Fixed Asset sales available to meet future capital investment	See note 32
Fixed Asset Restatement Account	(17,974)	597	(17,377)	Store of gains on revaluation of fixed assets	See note 33
Capital Financing Account	43,975	(322)	43,653	Store of capital resources set aside to meet past expenditure	See note 34
Pension Reserve	(14,600)	4,200	(10,400)	Balancing account to allow inclusion of pension liability in the Balance Sheet	See note 11
CNC Reserve	48	(1)	47	The Council's share of the Building Control Partnership's accumulated trading surpluses	
Other Reserves	2,895	(520)	2,375		See note 35
General Fund	1,100	100	1,200	Resources available to meet future running costs for non housing services	Statement of Movement on the General Fund Balance page 10
Housing Revenue Account	932	87	1,019	Resources available to meet future running costs in the HRA Income and Expenditure account	HRA Statements page 32
	<u>36,843</u>	<u>3,857</u>	<u>40,700</u>		

32. Usable Capital Receipts

These are receipts from the sale of capital assets:

31 March 2006 £'000s	31 March 2007 £'000s
<u>23,596</u> Balance at beginning of year	<u>20,467</u>
1,782 Receipts during year	2,891
<u>25,378</u>	<u>23,358</u>
(2,710) Receipts used to finance capital expenditure	(3,141)
(50) Payment to Housing Capital Receipts Pool	(34)
(2,151) Used to reduce Capital Financing Requirement	0
<u>20,467</u> Balance at end of year	<u>20,183</u>

Under the Prudential Code, receipts from the disposal of housing assets are subject to "pooling". This means that 75% of dwelling sales and 50% of receipts from the sale of other housing assets is payable to the Treasury. Receipts from preserved Right to Buy capital receipts following L.S.V.T. are excluded from the pooling arrangements. In 2006/07 £34,000 was paid to the Treasury (£50,000 in 2005/06)

The Council has also the obligation to fund future costs of fitting aids and adaptations to homes. It is anticipated that this obligation amounts to £3.1 million leaving usable capital receipts of some £17 million available to finance future capital expenditure.

33. Fixed Asset Restatement Account

The balance on this account includes the differences arising from the revaluation of assets. 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. Movements in the year are as follows:

31 March 2006		31 March 2007
£'000s		£'000s
16,982	Balance at beginning of year	17,974
(1,166)	Gains on Revaluation of Fixed Assets	(1,315)
566	Disposal of Fixed Assets	718
1,592	Removal from Balance Sheet of assets held under operating leases	0
<u>17,974</u>	Balance Carried Forward at 31 March 2007	<u>17,377</u>

34. 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 and the Capital Financing Requirement was nil as at 31st March 2006 there is no longer a requirement to make a provision for the repayment of external loans. Movements in the year are as follows:

31 March 2006		31 March 2007
£'000s		£'000s
42,056	Balance at beginning of year	43,975
3,917	Usable Capital Receipts	3,141
101	Direct Revenue Financing	86
944	Capital Grants	60
<u>4,962</u>	Total Receipts	<u>3,287</u>
(1,156)	Deferred Charges	(1,999)
(394)	Impairment Loss on Fixed Assets	(24)
0	Purchase of Investment	(657)
228	Adjustment to Finance Leases	197
(1,031)	Depreciation	(1,209)
(270)	Amortisation	(264)
<u>(2,623)</u>	Total Charges to Income and Expenditure Account	<u>(3,956)</u>
(420)	Government Grant	347
<u>1,919</u>	Total Movement on Reserve	<u>(322)</u>
<u>43,975</u>	Balance Carried Forward	<u>43,653</u>

35. Other Reserves

The Council formally reviews the adequacy of reserves annually. It also reviews the purpose for holding each reserve. The movement in reserves in 2006/07 are set out below:

Name and Purpose of Reserve	Balance	Movement	Balance
	1 April 2006 £'000s	in Year £'000s	31 March 2007 £'000s
Revenue	690	(52)	638
Evens out Council expenditure from year to year.			
Grants Reserve	0	150	150
Includes money received through grants where spend will be more than one year			
Invest to Save Bids	48	0	48
To enable projects to proceed that will generate savings to the Council			
Planning Delivery Grant	166	19	185
Underspent grant carried forward to future years			
Renewals Reserve	254	0	254
Sums set aside from revenue to finance purchase of vehicles and equipment in accordance with replacement programme			
Aids and Adaptations	295	(295)	0
Contribution to reserve in lieu of interest to protect capital sum set aside from inflation			
Sewage Treatment Plants	344	(344)	0
Contribution to reserve in lieu of interest to protect capital sum set aside from inflation			
District Election	41	32	73
Evens out costs of elections held every four years and unforeseeable by elections.			
Members' Training	10	0	10
To cover costs of attendance at seminars, conferences and other training needs of councillors.			
Parish Council Elections	5	0	5
Evens out costs of elections held every four years			
Land Charges	151	0	151
To finance computerisation of the land charges and associated functions.			
S.N.L.D.F. Inquiry	193	(40)	153
To finance future local plan inquiry costs.			
Diss H.E.R.S.	45	(39)	6
Joint funding towards repair of buildings in the conservation area			
Business Growth Scheme	140	13	153
To provide loans to new businesses.			
Leisure Services Grants	87	0	87
To finance leisure grants awarded to successful applicants.			
Rent Guarantees	33	(9)	24
To provide assistance towards the payment of rent for new businesses.			
Office Minor Works	58	0	58
To cover expenditure for repairs and maintenance of South Norfolk House and associated plant.			
Contingent Liabilities	68	0	68
To meet unexpected expenditure			
Leisure Centre Repairs	18	50	68
To provide for unplanned repairs not covered by the main budget.			
Legal Expenses	38	0	38
To provide a contingency for unforeseeable legal costs and to even out fluctuations in expenditure			
Donations/Arts	25	0	25
To finance grants awarded to successful applicants.			
Emergencies	43	0	43

To cover unpredictable expenditure due to severe weather conditions.			
Community Development	27	0	27
To finance the promotion of community safety and social cohesion.			
Economic Development	89	0	89
To provide help which promotes economic development.			
Musical Excellence	27	(5)	22
To finance a partnership enabling access to music in the Waveney Valley.			
Total	<u>2,895</u>	<u>(520)</u>	<u>2,375</u>

36. Contingent Liabilities

The Council has retained some liabilities in respect of the housing stock that transferred to Saffron on 17th May 2004. Any of these liabilities that are identified after the transfer date, but existed before then remain the responsibility of the Council. The Council's insurers were unable to provide cover for these unquantified risks. £100,000 of the L.S.V.T. receipt has been earmarked to cover any potential liabilities.

The Council has made a decision that officers believe could be held to be unlawful regarding a planning application. If this proves to be the case, the Council could face costs estimated to be £100,000.

37. Analysis of Other Government Grants

31 March 2006	31 March 2007
£'000s	£'000s
220 Housing Subsidy	149
236 Recycling Grant	93
558 Planning Delivery Grant	384
382 Other	592
<u>1,396</u>	<u>1,218</u>

38. Reconciliation of Income & Expenditure Account to Revenue Activities Cash Flow

31-Mar-06		31-Mar-07
£'000s		£'000s
1,624	Deficit per Consolidated Revenue A/C	2,001
	Non-Cash Adjustments	0
(1,242)	Depreciation and Amortisation	(1,473)
(394)	Impairment of Fixed Assets	(24)
256	Government Grants Deferred Amortisation	393
(1,156)	Deferred Charges	(1,999)
1,211	Loss on Disposal of Assets	1,527
(430)	FRS17 Adjustments	(340)
228	Movement on Reserves	197
49	Provisions Set Aside	1,069
752	Collection Fund	(374)
	Accruals	0
(2)	(Decrease)/Increase in Stocks & W.I.P.	(6)
(1,522)	(Decrease)/Increase in Debtors	(1,316)
(240)	(Increase)/Decrease in Creditors	(2,543)
(141)	Add Interest Paid	(151)
1,149	Less Interest Received	2,066
<u>142</u>	<u>Net Cash (Inflow) /Outflow from Revenue Activities</u>	<u>(973)</u>

39. Reconciliation of Movement of Financing and Liquid Resources

	As at 31 March 2006	As at 31 March 2007	Movement
	£'000s	£'000s	£'000s
Short Term Investments	(13,250)	(23,400)	(10,150)

40. Reconciliation of Cash Movements to the Balance Sheet

	As at 31 March 2006	As at 31 March 2007	Movement
	£'000s	£'000s	£'000s
Cash	643	618	(25)
Bank Overdraft	(1,031)	(843)	188
	(388)	(225)	163

41. Authorised for Issue Date

The accounts were approved at a meeting on 20th September 2007 and any further adjustments were delegated to the Head of Finance and property Services. They were then signed by the Leader of the Council. The Head of Finance and Property Services authorised that the Statement of Accounts should be printed ready for audit and be placed on the Council's website. Any events arising after the balance sheet date have been reflected in the accounts up to this authorised for issue date of the 20th September 2007.

HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory requirement to account separately for local authority housing provision. Since the Council has disposed of its housing stock, permission will be sought to close this account at the appropriate time.

Restated 2005/06 Net Expenditure £'000s		2006/07 Net Expenditure £'000s
Income		
38 Rents – Dwellings		0
4 Fees and Charges		0
6 Other Grants and Contributions		0
180 Government Subsidy	Note 2	149
228		149
Expenditure		
40 Management		0
65 Repairs and Maintenance		0
21 Depreciation and Impairment of Fixed Assets	Note 3	0
79 Provision for Bad Debts	Note 4	(18)
205		(18)
(23) Net Cost/(Surplus) of HRA Services		(167)
(44) Interest Receivable		(48)
138 Premia on Redeemed Loans		128
71 Net Operating Expenditure		(87)
71 Deficit /(Surplus) for Year		(87)

STATEMENT OF MOVEMENT ON THE HRA BALANCE

Restated 2005/06 £'000s		2006/07 £'000s
71 Deficit/(Surplus) for Year on the HRA Income and Expenditure Account		(87)
(21) Net additional amount required by Statute to be debited/ (credited) to the HRA Balance for the year	Note 3	0
50 (Increase)/ Decrease in HRA Balance		(87)
(982) HRA Balance brought forward		(932)
(932) HRA Balance carried forward		(1,019)

NOTES TO THE HRA

On 17th May 2004 the Council transferred its housing stock to the South Norfolk Housing Partnership (subsequently renamed Saffron Housing Trust). The H.R.A. is, however, still open. The reported figures consist mainly of the writing off of premia incurred by the rescheduling of debt in earlier years (see note 19 to page 24) with the associated housing subsidy. Capital accounting entries and transactions in respect of assets still held within the Housing Revenue Account in 2005/06 also feature as do some minor items of residual income and expenditure.

1. Prior Year Adjustments

In 2006/07 the council adopted the following new accounting policy that would impact the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts

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

	Housing Revenue Account in 2005/06 Statement of Accounts £'000s	Removal of Capital Financing Charges £'000s	2005/06 comparatives in HRA Income and Expenditure Account £'000s
Income	(228)		(228)
Expenditure			
Management	40		40
Repairs and Maintenance	65		65
Capital Charges	76	(55)	21
Provision for Bad Debts	79		79
	260	(55)	205
Net Cost/(Surplus) of Services	32	(55)	(23)
Capital Charges - interest	(55)	55	0
Interest Receivable - Item 8 (excl External)	(44)		(44)
Premia on Redeemed Loans	138		138
Net Operating Expenditure	71	0	71

2. 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:

2005/06 £'000s	2006/07 £'000s
42 Admissable Allowance	21
137 Debt Financing and Management Costs	127
0 Rent Rebates	0
0 Guideline Rent Income	0
1 Other specific items of expenditure and income	1
0 Previous Years' Adjustments	0
180 Net Subsidy received	149

3. Reconciling items for the Statement of Movement on the HRA Balance

<u>2005/06</u> £'000s	<u>2006/07</u> £'000s
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA for the Year	
(21) Depreciation and Impairment of Fixed Assets	<u>0</u>
(21)	0
<u>(21) Net additional amount to be charged to General Fund</u>	<u>0</u>

4. Provision of Bad and Doubtful Debts

Following the transfer of the Council's housing stock on 17th May 2004, arrears of rent and other debts amounting to £307,500 remain as at 31st March 2007 in respect of former tenants. Officers are still pursuing this debt and it is now felt that there should be a reduction in the provision as there is an anticipation to collect more debts than previously accounted for.

<u>2005/06</u> £'000s	<u>2006/07</u> £'000s
200 Balance at 1st April	270
(9) Less amounts written off	(6)
79 Add provision in year	(18)
<u>270 Balances as at 31st March</u>	<u>246</u>
31st March 2006	31st March 2007
£'000	£'000
322 Former Tenants' Arrears	307

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund is a separate statutory fund established to record transactions relating to business rates, council tax and residual community charge. It shows how the money is redistributed to Norfolk County Council, Norfolk Police Authority and South Norfolk Council.

2005/06 £'000s			2006/07 £'000s
	Income		
16,362	Business Ratepayers	Note 2	19,021
48,692	Council Tax Payers		51,551
5,243	Council Tax Benefits		5,547
70,297			76,119
	Expenditure		
54,509	Precepts and Demands	Note 4	57,305
1	Contributions to General Fund		0
16,141	Payment to NNDR Pool		18,851
177	NNDR Costs of Collection		145
(10)	Provision for Bad Debts - Council Tax		(43)
(3)	- NNDR		(52)
87	Write Offs - Council Tax		77
48	- NNDR		77
	Previous Years Estimated Council Tax Surplus /(Deficit)		
75	Contribution to N.C.C.		(466)
12	Contribution to Norfolk Police Authority		(71)
12	Contribution to South Norfolk Council		(78)
71,049			75,745
(752)	Surplus/(Deficit) for Year	Note 5	374
	Collection Fund Balance		
98	Balance at beginning of the Year		(654)
(752)	Surplus/Deficit (+/-) for Year		374
(654)	Balance at End of the Year	Note 6	(280)

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 relief's 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 2007 was £55.8 million (£53.6 million 31st March 2006). The standard non-domestic multiplier for the year was 43.3p (42.2p 2005/06) and the small business multiplier 42.6p (41.5p 2005/06).

3. Council Tax

The Council's tax base was calculated as follows:

<u>Band</u>	Estimated No. of Taxable Properties after Discounts	Ratio	Band D Equivalents
A	4,311	6/9	2,874
B	12,953	7/9	10,075
C	11,335	8/9	10,076
D	8,126	9/9	8,126
E	5,041	11/9	6,161
F	2,189	13/9	3,162
G	1,210	15/9	2,017
H	95	18/9	190
	45,260		42,681
			509
			43,190

Adjustment for changes during the year and losses on collection

4. Precepts and Demands

2005/06 £'000	2006/07 £'000
41,310 Norfolk County Council	43,380
6,284 Norfolk Police Authority	6,659
5,208 South Norfolk District Council	5,419
1,707 Parish Councils	1,847
54,509	57,305

5. Surplus/(Deficit)

When calculating the taxbase for 2006/07 it was anticipated that there would be an appreciable increase in the number of domestic properties. This growth did not materialise and together with an increase in second homes and other exemptions has led to a shortfall in the amount collectable in respect of council tax compared to the precepts and demands. There is a deficit on the Collection Fund of £280,000 as at 31st March 2007.

6. Collection Fund Balance

On the basis that surpluses and deficits are shared between South Norfolk Council, Norfolk County Council and Norfolk Police Authority the Collection Fund balance has been accounted for as follows:

31 March 2006	31 March 2007
£'000	£'000
78 Norfolk Police Authority	34
512 Norfolk County Council	219
64 South Norfolk District Council	27
<hr/> 654	<hr/> 280

In the Balance Sheet as at 31 March 2007 the £280,000 deficit has been split as debtors of Norfolk County Council and Norfolk Police £253,000 and a £27,000 deficit on the Collection Fund Balance.

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 Finance and Property 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 Finance and Property Services' Responsibilities

The Head of Finance and Property 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 2007.

In preparing this statement of accounts the Head of Finance and Property 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 Finance and Property 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 31st March 2007.

Andy Radford BA CPFA
(Head of Finance and Property Services)
27th September 2007

APPROVAL OF STATEMENT OF ACCOUNTS

I confirm that in accordance with the authority delegated by Council, these accounts were approved by the Accounts and Audit Committee at a meeting held on 20th September 2007.

Signed on behalf of South Norfolk District Council

John Fuller
(Leader of the Council)

27th September 2007

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.

It has been agreed that the Head of Finance and Property Services is responsible for the collection of Statement of Internal Control assurance and the drafting of the statement. Ownership for a sound system of internal control 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 Council engaged its Internal Audit function to review its systems of internal control and undertook a thorough review of the internal control environment with its service managers. The Statement of Internal Control is assessed as 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 in 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, which contributes to the Community Strategy. 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.

The remit of its Scrutiny Committee encapsulates 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 establishment of an Audit Committee with a clear brief to review and improve on the Council's corporate governance arrangements is a significant step forward. The Audit Committee approved the action plan to improve the overall internal control environment, and has received quarterly updates on progress. The Committee will consider the evidence submitted by Management Team, the opinion of the Audit Manager and a review of the effectiveness of the system of internal audit before approving this Statement of Internal Control.

The Facilitation of Policy and Decision-making

There has been a further 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. Managers with responsibility for managing budgets have formally signed off their budget allocations.

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 and other sources of legal advice which alerts it to new legal or statutory issues and requirements.

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 Management Team before they are considered by Cabinet or full Council. All services are represented at the Corporate Management Team, where corporate decisions are taken. This ensures that all aspects of our governance arrangements (eg finance, risk, equalities) are considered when making decisions.

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.

Economic, Efficient and Effective Use of Resources

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.

The overall standards of internal control are considered to be satisfactory in those areas examined during the financial year with the exception of income collection and processing, where the control environment is noticeably weak. This opinion is based upon the internal audit work undertaken in relation to the 2006/07 Annual Audit Plan, a review of agreed actions implemented by management during the financial year, levels of assurance given by External Audit and the extent of audit recommendations rated as 'High' priority which have yet to be implemented by management. Throughout the financial year, management has shown an ongoing commitment to improve systems of internal control demonstrated by its readiness to address operational weaknesses as they are reported, but there is still a need to channel additional staff time and resources into progressing a number of outstanding agreed actions designed to enhance working practices and improve the Council's Use of Resources assessment.

Securing Continuous Improvement

The Council has received a very positive assessment in respect of continuous improvement in its services.

"The pace of improvement continues to be rapid with services once again improving. Overall, 80 per cent of the Audit Commission's basket of performance indicators have improved; this is much higher than the district council average of 58 per cent. The Council continues to achieve in its priority areas, such as affordable housing and recycling. Local people are benefiting from high quality local services. Overall, value for money is good."

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 has been developed so that service objectives are budgeted for in future years and a longer-term view of South

Norfolk is adopted. Closer integration of financial and corporate planning processes across the Council remains the objective and the Corporate Plan picks up these relationships.

The Audit Commission reviewed the Council's governance arrangements through the Use of Resources assessment. This identified that the Council is providing Value for Money and is strong in its Financial Standing. Improvements have been made in the Council's Use of Resources, but further work is planned, particularly around Statutory financial reporting and the internal control environment.

The Performance Monitoring and Reporting of the Authority

The Council was rated as 'Good' in our first 2003 District Comprehensive Performance Assessment (DCPA) and we are now striving to be an 'Excellent' one. We will be reassessed in October 2007.

4. Review of Effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of the system of internal control and internal audit. 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 auditor and other review agencies and inspectorates.

The Council engaged in a thorough review of its internal control environment with Heads of Service. This work provides evidence that there are effective internal controls operating across services. There will always be room for improvement, and an action plan will take forward many of the gaps identified.

The roles of the Council, Cabinet and internal audit are set out in the Rules of Financial Governance, which were updated in April 2006.

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

A key weakness of the current assurance framework is that although service managers do provide assurances in a number of areas, they are not currently required to provide a comprehensive assurance statement to evidence that internal controls are working effectively or to work within an overall system of assurances. This will be developed during 2007/08.

The most significant weakness in the internal control environment surrounds cash collection and reconciliation processes. Weekly reconciliations are now carried out between Income and General Accounts to the General Ledger. Furthermore, procedures have been implemented to enhance the assurance in this area. There are however a number of further improvements necessary across the organisation, for example, reconciliations for income received in systems across the organisation. Weaknesses have been identified but not yet improved sufficiently in the following income systems: car parks, environmental and leisure services.

Cabinet approved a project to review and improve on these systems and their interfaces at its meeting on the 18th June 2007.

Other key weaknesses are described as follows:

- a) Target dates not set or monitored for services to raise debtors, and a lack of segregation of duties where services raise only a small number of debtors. Also there is a need for an "Arrears Recovery procedure" so they are clearly defined and implemented.

- b) Contingency arrangements need to be put in place to ensure adequate coverage over the administration of the payroll function exists.
- c) Information Security responsibilities, including Data Protection need to be identified and documented in the information security policy and job descriptions.
- d) An IT Security Policy, covering all the areas of good practice defined by the relevant British Standard, should be introduced.
- e) A time period should be set and adhered to for the full implementation of a formal disaster recovery plan covering IT and business continuity and including consideration of the use of a third party disaster recovery agency.
- f) As part of the review of the Council's assets, a risk assessment should be performed annually for insurance purposes to ensure that risk can be identified and the appropriate insurance cover arranged.
- g) Contract Standing Orders are to be expanded to include the recommended procedures but this exercise has been delayed to permit consultation with the Council's new administration.
- h) The Purchase Ledger Control Account reconciliations are not being certified and dated in a timely manner. Furthermore, verification of reconciliations between the Sales Ledger and the General Ledger needs improvement.
- i) Procedures notes around a range of systems require updating. There needs to be an overall framework as to how procedure notes are reviewed and maintained. For example:
 - around financial systems still a cultural weakness.
 - procedures around tenancy agreements.
 - procedure notes for post opening.

There were a number of weaknesses highlighted between the end of the financial year and the drafting of this Statement of Internal Control. These weaknesses will be addressed during 2007/08:

- a) Waste Management with regard to financial management of two suppliers and assurances around income.
- b) Council Tax/ Business rates in respect of segregation of duties, control to systems access and contingency plans.

These issues listed above will form the Statement of Control Action Plan for 2007/08. The benefits to the Council will be an improved internal control environment providing a stronger assurance framework, leading to a more effective use of public funds and a higher quality of services.

Geoff Rivers
 (Chief Executive)
 27th September 2007

John Fuller
 (Leader of the Council)
 27th September 2007

Independent auditor's report to the Members of South Norfolk Council

Opinion on the financial statements

I have audited the financial statements of South Norfolk Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International

Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

Andy Perrin
District Auditor
Audit Commission
1st Floor
Sheffield House
Lytton Way
off Gates Way
Stevenage,
Herts.
SG1 3HB
28 September 2007

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

Authority's responsibilities

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

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

Auditor's responsibilities

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

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

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

Qualified conclusion

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

31 March 2007 except that it did not put in place arrangements to maintain a sound system of internal control.

Best value performance plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 in December 2006. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Andy Perrin
District Auditor
Audit Commission
1st Floor
Sheffield House
Lytton Way off
Gates Way
Stevenage
Herts.
SG1 3HB
28 September 2007

Glossary of Financial Terms

Accounting Period

The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

Accruals

Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.

Capital Charges

Charges made to service revenue accounts based on the value of the assets they use.

Capital Expenditure

Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

Capital Receipt

The money received from the sale of assets.

Contingency

A condition exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Creditors

Amounts incurred by the council but not yet paid.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Debtors

Amounts due to the council but not yet received.

Deferred Capital Receipts

Amounts due to the council from the sale of Fixed Assets which are not receivable immediately on sale e.g. repayments on mortgages granted on the sale of Council Houses.

Deferred Charges

Capital Expenditure for which the council either never had, or no longer holds a capital asset.

Depreciation

The estimated losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence

Direct Revenue Financing

A method of financing capital expenditure from revenue resources in the year of account instead of spreading the cost over a period of years.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee

Fixed Asset

Assets which can be expected to be of use or benefit the council in providing its service for more than one accounting period.

General Fund

The main account of the council which records the cost of services

Government Grants

Payments by central government towards local authority expenditure. They may be specific, for example Housing Benefit Subsidy, Planning Delivery Grant, or general such as the Revenue Support Grant.

Intangible Fixed Asset

Fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights, e.g. software licences.

Local Authority Business Growth Incentive

In 2005 the government introduced this scheme whereby local authorities could share in any excess business rate income above a pre-determined growth rate.

Operating Lease

A lease under which the ownership of the asset remains with the lessor.

Operational Assets

Fixed assets held and occupied used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Precepts

The amount which a local authority which cannot levy a council tax directly on the public (for example County Council) requires to be collected on its behalf.

Provisions

Monies set aside for liabilities which are likely to be incurred but where exact amounts or dates are uncertain.

Reserves

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.

Revenue Expenditure

Recurring expenditure on day-to-day expenses such as salaries, electricity, and telephones.

Revenue Support Grant

Paid by central government to assist in the provision of local government services.

Support Service Costs

The cost of certain departments that provide professional and administrative services to the council e.g. legal and accountancy.

Glossary of Abbreviations

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Practice
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
RSG	Revenue Support Grant
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice