Public Document Pack

Governance, Risk and Audit Committee

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22nd March 2022

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Council Chamber - Council Offices** on **Wednesday, 30 March 2022** at **10.00 am**.

At the discretion of the Chairman, a short break will be taken after the meeting has been running for approximately one and a half hours

Members of the public who wish to ask a question or speak on an agenda item are requested to notify the committee clerk 24 hours in advance of the meeting and arrive at least 15 minutes before the start of the meeting. This is to allow time for the Committee Chair to rearrange the order of items on the agenda for the convenience of members of the public. Further information on the procedure for public speaking can be obtained from Democratic Services, Tel: 01263 516047, Email: matthew.stembrowicz@north-norfolk.gov.uk.

Anyone attending this meeting may take photographs, film or audio-record the proceedings and report on the meeting. Anyone wishing to do so must inform the Chairman. If you are a member of the public and you wish to speak on an item on the agenda, please be aware that you may be filmed or photographed.

Please note that Committee members will be given priority to speak during the debate of agenda items

Emma Denny
Democratic Services Manager

To: Mr J Rest, Mr S Penfold, Mr C Cushing, Mr H Blathwayt, Dr P Bütikofer and Mr P Fisher

All other Members of the Council for information.
Members of the Management Team, appropriate Officers, Press and Public

If you have any special requirements in order to attend this meeting, please let us know in advance
If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

A G E N D A

1.	**TO RECEIVE APOLOGIES FOR ABSENCE**	
2.	**SUBSTITUTES**	
3.	**PUBLIC QUESTIONS**	
	To receive public questions, if any.	
4.	**ITEMS OF URGENT BUSINESS**	
	To determine any items of business which the Chairman decides should be considered as a matter of urgency pursuant to section 100B(4)(b) of the Local Government Act 1972.	
5.	**DECLARATIONS OF INTEREST**	1 - 6
	Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The code of conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest.	
6.	**MINUTES**	
	Minutes of the meeting of the Governance, Risk & Audit Committee held on 8th March 2022 will be approved at the June 2022 meeting.	
7.	**FINAL STATEMENT OF ACCOUNTS 2019/20**	7 - 126
	To review and approve the 2019/20 Final Statement of Accounts.	
8.	**LETTER OF REPRESENTATION 2019/20**	127 - 134
	To receive and approve the letter of representation.	
9.	**ANNUAL GOVERNANCE STATEMENT 2019/20 - UPDATED**	135 - 144
	To review and approve the updated 2019/20 Annual Governance Statement.	
10.	**EY EXTERNAL AUDIT RESULTS REPORT 2019/20**	145 - 206
	To receive and note the EY External Audit Results Report 2019/20 and the management response to the report.	
11.	**GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME**	207 - 208
	To review the Governance, Risk & Audit Committee Work Programme.	
12.	**EXCLUSION OF THE PRESS AND PUBLIC**	
	To pass the following resolution, if necessary:	

a. That under section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 & 2, Part 1 of schedule 12A (as amended) to the Act, and:

b. That the public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:

Agenda Items	Paragraph of Part 1 Schedule 12A
13	1 & 2

Information relating to any individual or information which is likely to reveal the identity of an individual and the public interest in maintaining this exemption outweighs the public interest in disclosure

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Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1** (**Disclosable Pecuniary Interests**) which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2** (**Other Registerable Interests**).

“**Disclosable Pecuniary Interest”** means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.

2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.

3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which ***directly relates*** to one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which ***directly relates*** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which ***affects*** –
    a. your own financial interest or well-being;
    b. a financial interest or well-being of a relative, close associate; or
    c. a body included in those you need to disclose under Other Registrable Interests as set out in **Table 2**

   you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter ***affects*** your financial interest or well-being:
    a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
    b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

   You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

   If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer
Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either— (i)) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were

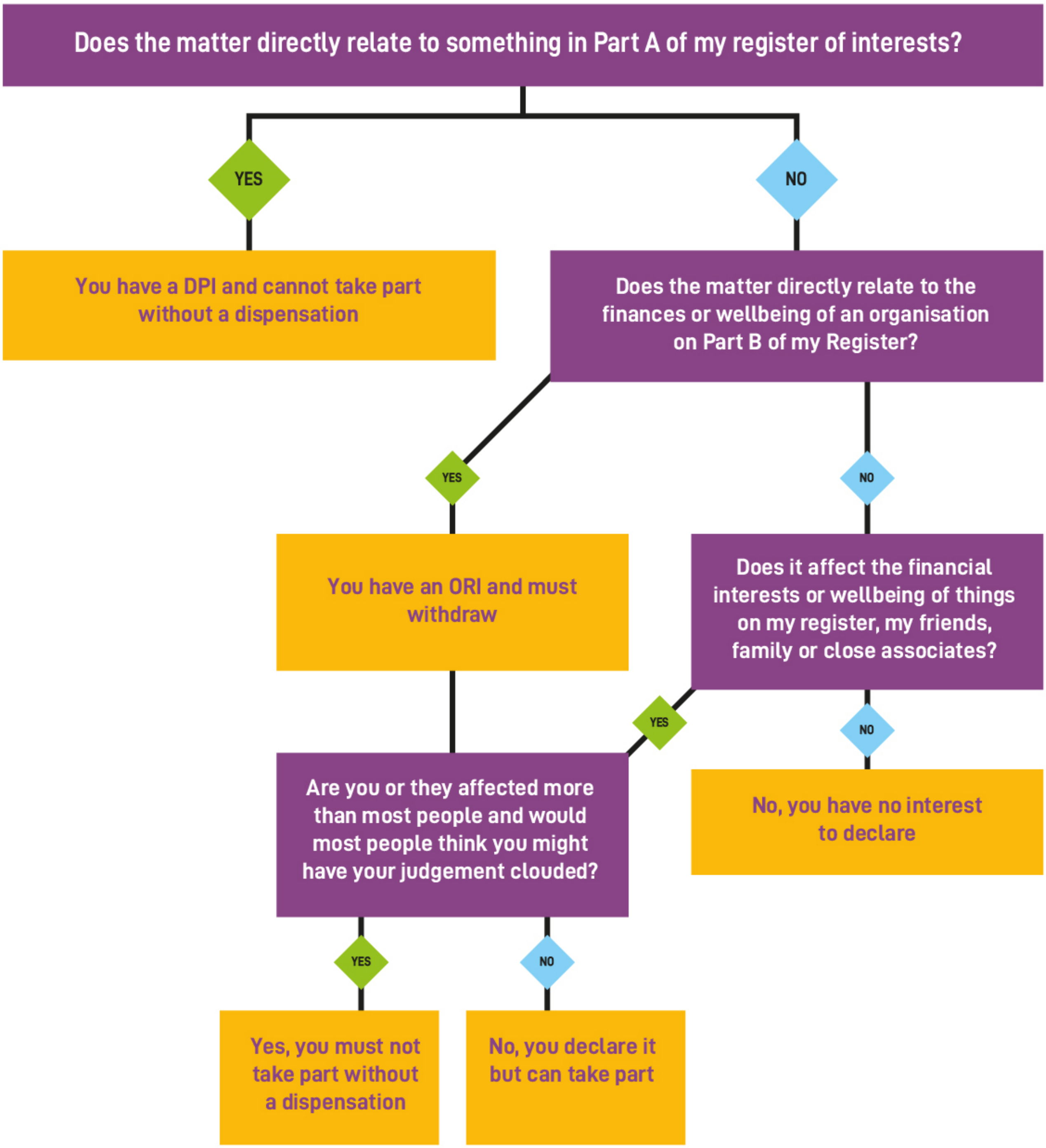
	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* ‘director’ includes a member of the committee of management of an industrial and provident society.

* ‘securities’ means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect: a) any body of which you are in general control or management and to which you are nominated or appointed by your authority b) any body (i) exercising functions of a public nature (ii) any body directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)



Local Government Association
Guidance on LGA Model Councillor Code of Conduct

Statement of Accounts

2019/2020

THE NARRATIVE STATEMENT

1. Introduction

1.1 The Statement of Accounts for 2019/20 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. This narrative statement aims to provide the reader with information on the authority, its main objectives and strategies and the principle risks we face and to provide a commentary on how the authority has used its resources to achieve our desired outcomes. It also helps to explain and highlight the linkages between the information contained within the narrative statement itself and the information presented within the financial statements. The accounting policies applied in production of the accounts can found on **pages 10 to 26**. The impact of COIVD on this year's accounts is considered in more detail within note 41 (Going Concern).

2. Statements included within the Accounts

2.1 The accounts consist of the following main statements:

- **Expenditure and Funding Analysis (pg 4)** – this shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates etc.) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Comprehensive Income and Expenditure Statement (pg 5)** – this statement shows the accounting cost of providing services in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation.

- **Movement in Reserves Statement (pg 6)** – this statement shows the movement in the year on the different reserves held by the Authority analysed between:

  - 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and;
  - 'other reserves' which are maintained for accounting purposes.

  The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services in the year, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the Authority's General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the movement in the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

- **Balance Sheet (pgs 7-8)** – this statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. It sets out the financial position of the Authority at the year-end, showing its balances, resources and long-term indebtedness, the net current assets employed in its operations, together with summarised information on the fixed assets held. The Balance Sheet is fundamental to the understanding of the Authority's year-end financial position.

- **Cash Flow Statement (pg 9)** - summarises all flows of cash from transactions with third parties for revenue and capital purposes. It shows the changes in cash and cash equivalents during the reporting period and how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

- **Collection Fund (pg 92)** – As a billing authority the Authority is responsible for the billing, collection and distribution of council tax and National Non-Domestic Rates (NNDR). In accordance with the statutory requirement contained in Section 89 of the Local Government Finance Act 1988 (amended by Local Government Finance Act 1992 and the Local Government Finance Act 2012) billing authorities are required to establish and maintain a separate fund for the collection and distribution of amounts due in relation to council tax and NNDR. This statement, known as the Collection Fund, shows the total income collected by the Authority from council tax and NNDR and how this has been distributed to Central Government; the major precepting bodies of Norfolk County Council (NCC) and the Office of the Police and Crime Commissioner for Norfolk (OPCCN) and North Norfolk District Council (NNDC - which includes the local precepts for Parish and Town Councils). There will be a debtor or creditor position between the billing authority (NNDC), Central Government and the major preceptors (NCC & OPCCN) to be recognised at the end of each year. This is because the amounts paid out of the Collection Fund during the years will not exactly match the cash collected in council tax and NNDR.

- **Notes to the Accounts (pgs 10-91)** – The accounts are supported by various notes to the main statements which provide additional information to that contained in the core statements themselves.

3. Organisational overview and external environment

Our district

3.1 North Norfolk District consists of 962 km^2 of beautiful countryside and 73km of coastline. With a range of active village communities and seven busy market towns comprising of Wells-next-the-Sea, Fakenham, Holt, Sheringham, Cromer, North Walsham and Stalham, North Norfolk has a strong appeal for residents, visitors and businesses alike.

3.2 North Norfolk's population is expected to grow from the current **105,600** in 2019 to **107,400** by 2022 and the number of resident households is projected to grow to from **49,100** to **50,300** over the same timeframe. A large proportion of residents live in one of the market towns with the remainder living in rural village homes. This means that the district has a low population density (**110 persons per square kilometer compared**

to 427 for England as a whole). The area's rural nature is characterised by its 121 parishes, numerous villages and low crime rate which make North Norfolk one of the most attractive and safe places to live in the UK.

3.3 Residents work predominantly in the accommodation and food sector, retail, manufacturing and health. The largest numbers of businesses are in the agriculture, forestry and fishing sector followed by retail, construction, accommodation and food services and the professional, scientific and technical sectors.

Corporate Plan and priorities

3.4 The Authority has a new Corporate Plan covering 2019 – 2023 which can be accessed here, along with a supporting Delivery Plan. The Delivery Plan shows what the Authority will do to meet the needs and aspirations of residents and businesses as established within the Corporate Plan. The plan sets out the Authority's priorities which are:

- **Local Homes for Local Need**
- **Boosting Business Sustainability and Growth**
- **Customer Focus**
- **Climate, Coast and the Environment**
- **Financial Sustainability and Growth**
- **Quality of Life**

3.5 The priorities define the medium term goals of the Authority and as such remain relatively constant from year to year, but the actions associated with them are set annually for each financial year.

Local government environment

3.6 The Authority operates within the local government framework, delivering both locally developed policy and central government policy, providing services ranging from waste collection and coast protection through to the administration of benefits and the local planning function. There are a number of policy changes currently being discussed which will impact on the future financial position of the Council including the Fair Funding Review, Spending Review and the localisation of business rates and the outcome from which is not known at the present time. There were however no fundamental changes which have impacted on the year currently under review although it is still not clear at the present time what impact the Brexit decision will have upon local government finances and operations in the future, how the COVID-19 pandemic will affect future service delivery and what the outcome of the White Paper on Devolution will bring.

4. Governance

4.1 The Annual Governance Statement (AGS) is a statutory document which explains the processes and procedures in place to enable the Authority to carry out its functions effectively, this is supported by the Authority's Local Code of Corporate Governance. There have been no significant changes or issues surrounding governance during the current financial year. A full copy of the Statements AGS and the Code are available on the Authority's website and can be accessed **here**.

4.2 The Council was the subject of two police investigations relating to issues arising during the 2019/20 financial year as follows:

- Investigation undertaken by Cambridgeshire Constabulary in the period July 2020-March 2021 in relation to a "whistle-blower" allegation into a brench of internal controls by members of the senior leadsership team relating to a procurement matter in May 2019; and

- Investigation undertaken by Norfolk Constabulary in November/December 2019 into the loss of £1,000 of cash from the digital mailroom. Internal Audit investigations and additional reviews in respect of these issues have subsequently identified a number of areas for improvement.

These issues have been highlighted by the external auditors EY (Ernst & Young LLP) within their Audit Results Report and include a number of recommendations to improve governance arrangements. The District Council welcomes the commentary and supporting recommendations as to the corporate processes and governance arrangements operated during 2019/20. As a learning organisation , with an aim of continuous improvement, it should however be noted that the EY commentary refers to a specific period in time and the Council believes that action has already been taken to address each of the matters raised as recommendations.

5. Risks and opportunities

5.1 As mentioned above there is still considerable uncertainty around future years funding forecasts and this position will not improve until the outcome from the Fair Funding Review, which will set new baseline funding allocations and responding to spending pressures and changes in service demand, and the review of the Local Retention of Business Rates, are concluded. The Comprehensive Spending Review, which sets out the expenditure limits over the coming years has been delayed due to Brexit and COVID and is now expected to commence in the autumn, the latest report on the impact of COVID on the Council's 2020/21 budget can be found here.

5.2 Local Authority funding from business rates is open to risks around funding fluctuations due to increases and decreases in the rateable values (RV) of non-domestic properties and successful alterations of lists and appeals against the RV. The Valuation Office Agency (VOA), who hear the appeals, currently have a backlog and are slow to clear outstanding appeals increasing the risk of the Council needing to pay out large refunds. The 2017/18 accounts also highlighted a contingent liability in respect of a claim received for mandatory Business Rates relief from a local NHS Trust on the basis of charitable status and, while the initial ruling was in favour of Local Authorities, the appeal lodged by the NHS has been granted and therefore at the repent time the final outcome of the case is still unknown. The timing, probability and amount of any relief given are therefore uncertain at the current time although this issue remains as contingent liability until the case appeal is finalised.

5.3 The Council's waste contract has now been re-let and awarded to Serco following a successful joint procurement exercise undertaken with Breckland District Council and Kings Lynn and West Norfolk Borough Council.

5.4 The market for recyclate (such as glass and paper) remains very volatile at the current time. To access recyclate markets improvements have had to be made to the quality of the materials being processed which has resulted in increased waste which then has to be disposed of at additional cost. The position continues to be monitored and will be considered as part of the budget monitoring process for 2020/21.

5.5 The Authority currently holds in excess of £20m in reserves which if required, some of which could be made available to support service budgets in the short to medium term although the use of reserves does not represent a sustainable funding mechanism for the longer term as these are one-off resources.

5.6 The COVID pandemic continues to impact on the Council's finances, and while this crisis brings with it significant risks it also brings with it opportunities, for example potentially new ways to deliver services to customers and the position will continue to be closely monitored and considered as part of updating the Council's Medium Term Financial Strategy and the 2021/22 budget.

6. Strategy and resource allocation

6.1 The budget for 2020/21 was approved in February 2020. At the same time financial projections for the following three years to 2023/24 were also reported. The budget for 2020/21 includes savings and additional income totalling £577k for 2020/21. These savings are based on a number of work streams such as digital transformation/business process review, commercialisation, efficiency improvements etc. and more information about the Authority's savings strategy can be found within the 2020/21 budget report and associated papers here.

6.2 The forward financial projections from 2021/22 onwards make assumptions around funding from government and known commitments and changes to service expenditure. The table below provides a summary of the current reported funding gaps for the next three years as reported at Full Council in February 2020.

Current Reported Funding Forecast			
	2021/22 £000	**2022/23 £000**	**2023/24 £000**
Current Funding Gap/(surplus)[1]	1,847	1,912	2,209

6.3 As part of the budget setting process for 2020/21 it was recommended that the Authority increase council tax by £4.95. Moving forward annual council tax increases were also recommended as another way to help address forecast budget deficits in future years, although these decisions will be taken annually in line with the budget setting process. The forward projections of expenditure and income will be updated to take account of the outturn position and also other spending/income pressures that have been identified outside of the budget process. These will be reported

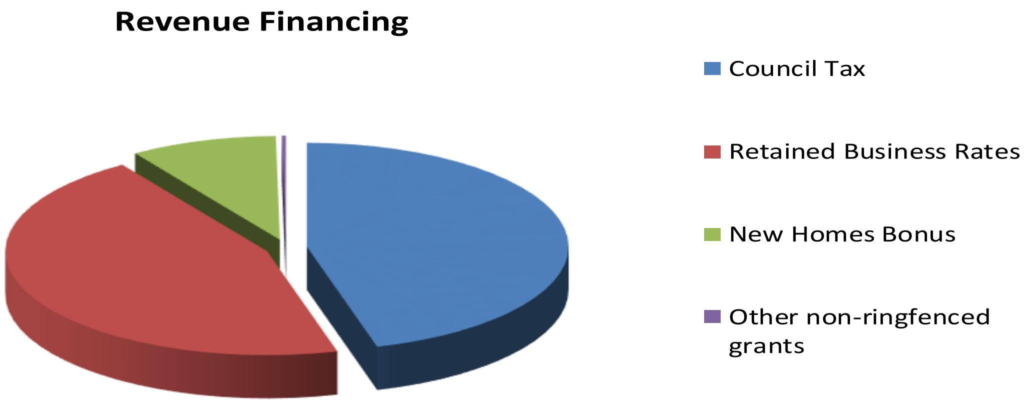
[1] As reported in the 2020/21 Budget Report, February 2020

to Members during 2020/21 as part of the MTFS update to enable early preparation for the 2021/22 budget process, the current version can be found **here**.

7. Performance

Revenue Activity

7.1 The following provides an overview of the resources available to the Authority during the year along with the outturn position compared to the budget. The tables below show how the revenue activity was financed during the year, highlighting that only around 9.4% of the net funding is from external sources, i.e. New Homes Bonus and other non-ringfenced grants, with the balance of 90.6% coming from council tax and locally retained business rates reflecting the continuing shift from central to local funding. This position is shown net of fees and charges service income and highlighted in the tables on the following page.



Revenue Financing

	2019/20 Actual £000	
Council Tax	(6,087)	45.7%
Retained Business Rates	(5,995)	45.0%
New Homes Bonus	(1,211)	9.1%
Other non-ringfenced grants	(33)	0.3%
	(13,327)	

Financial Performance Against Budget 2019/20

7.2 The financial performance of the Authority has been monitored throughout the year by officers and Members with regular reports being presented to Cabinet and Overview and Scrutiny Committee. The summary below provides an overview of the outturn position compared to the updated budget (i.e. updated for virements and approved in-year updates). The overall outturn position for the financial year against budget was an underspend of £97k.

7.3 Transfers to and from reserves in the year are made in line with the Authority's policy framework for earmarked reserves as approved as part of the annual budget setting process. In addition, some roll forward requests of budget underspends have been approved as part of the outturn report where there is no annual budget provision in 2021/22.

Table 1 - 2019/20 Subjective Analysis	2019/20 Updated Budget	2019/20 Outturn	Variance	
	£	£	£	%
Employee Costs	11,982,569	13,533,234	1,550,665	12.94
Premises	2,553,496	2,746,812	193,316	7.57
Transport Related Expenditure	309,614	323,072	13,458	4.35
Supplies & Services	10,861,777	11,994,707	1,132,930	10.43
Transfer Payments	23,513,629	23,036,699	(476,930)	(2.03)
Support Services - Charges In	10,569,300	13,700,050	3,130,750	29.62
Support Services - Charges Out	(10,864,102)	(14,092,923)	(3,228,821)	29.72
Capital Financing Costs	2,733,233	1,951,410	(781,823)	(28.60)
Income	(33,870,349)	(34,436,815)	(566,466)	1.67
Total cost of services	**17,789,167**	**18,756,245**	**967,078**	**5.44**

7.4 The 2019/20 outturn report covers the final budget position for the year and provides a detailed commentary covering the budget variances and the reasons behind some of these, a copy of which can be found on the September Cabinet agenda **here**. The reasons for some of the more significant movements included in the summary above in percentage terms are as follows:

- **Employee Costs –** there is a significant adjustment of £1.5m relating to pension costs showing against the staffing costs for the year, this represents the difference between the actual payments the Council has made to the pension fund during the year and the actual benefit obligation resulting from employee service on the current period. This does not have a bottom line impact within the General Fund but is reflected on the Authority's Balance Sheet which can be found on pages 7 and 8 although it should be noted that, due to a number of other adjustments relating to the pension fund accounting the liability shown has actually reduced slightly.

- **Premises** – The majority of this increase in expenditure relates to repairs and maintenance both programmed and reactive across a number of the Council's key assets including the car parks, parks and open spaces, Admin Buildings, investment properties and a number of public conveniences together with higher premises running costs. The notes covering the Authority's assets can be found on pages 67-75.

- **Supplies and Services** – additional supplies and services costs of £1.1m. The significant movements against these budgets includes expenditure relating to consultancy fees, computer and printing costs, grants and temporary accommodation charges. However, in a number of areas this is offset by grant or fee income, client contributions and funding from reserves.

- **Capital Financing Costs** – The main variance relates to depreciation and amortisation, and payments relating to Disabled Facilities Grants (DFGs) which are treated as revenue expenditure funded from capital under statute (REFCUS) above what had been budgeted. Other minor variances relate to slippage and re-profiling of the capital programme.

- **Transfer Payments -** The variance reflects reduced payments to benefit claimants which has been offset by a reduction in subsidy income claimed from the Department for Works and pensions (DWP).

- **Income** – The most significant income variances include reduced benefits subsidy income (partly offset by reduced benefits payments) (included under the transfer payments heading); various additional grants which were received at the end of the financial year including sums to cover the cost of the General and European elections; additional fee income across a range of services including Planning and Building Control, bulky, garden and trade waste collections and recycling credits and sales of recyclable materials.

Business Rates Retention

7.5 The actual funding from business rate income has exceeded the budget for the year by £0.6m, the majority of which related to additional income gained through being a part of the countywide business rates pilot. The Collection Fund can be found on page 93 along with the associated notes on pages 94 to 96.

7.6 The Authority is a member of the Norfolk Business Rates Pool which enables growth in the business rates collected in Norfolk to be retained locally, rather than being passed to central government. The growth is paid over in the form of a levy payment to Norfolk County Council as the lead authority for the Pool.

7.7 The Authority can retain all the income from renewable energy schemes, provided it granted planning permission for the scheme. It must include each year the amount it anticipates it will receive when completing the NNDR1. Any variation will be carried forward to the following year.

7.8 The Government has provided additional reliefs to business in successive Autumn Statements. These reliefs have been dealt with outside the Business Rate Retention Scheme and funded by Section 31 grants payable to District Councils.

7.9 The business rate income is paid into the Collection Fund and then distributed to Central Government, the County Council and NNDC in accordance with the proportionate shares set out in the Scheme. The distribution is based on the NNDR1 return and any variances at outturn will produce a surplus or deficit on the Collection Fund which is then distributed in the following year.

8. Treasury Management and Economic Climate

8.1 The amount of surplus cash available for investment during the year was at times higher than the level anticipated in the budget; although the overall rate of interest earned was 0.47% lower than budget. The income budget for 2019/20 anticipated £1.344m would be earned in interest from an average balance of £38.4m at a rate of 3.5%. A total of £1.235m was earned from investments over the year from an average balance of £40.7m at an average rate of interest of 3.03%. This resulted in a negative variance against the budget of £109k in respect of investment income.

8.2 The current economic climate, which has been significantly impacted by the COVID pandemic, along with the associated reductions in central government funding, continues to have a direct impact on the finances of the Authority. Income from investments continues to deliver a revenue stream to the Authority and the key treasury management principles for investment continue to be security of the capital sum.

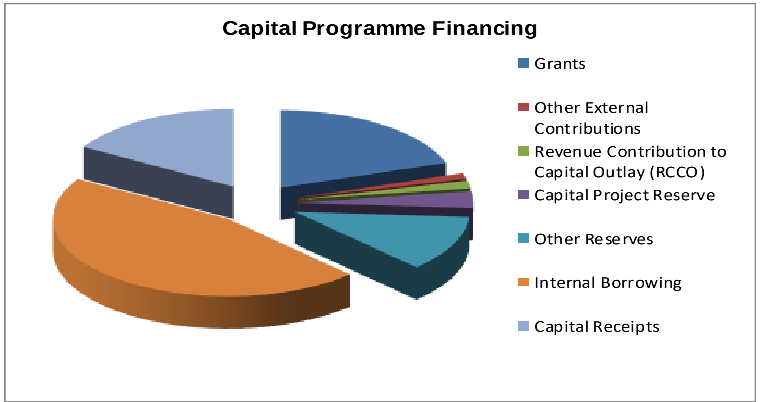
8.3 The Authority remained free of long term debt as at 31 March 2020. At present any short-term cash shortfall can easily be covered as short-term borrowing for cash flow purposes is readily available on the money markets.

9. Capital

9.1 Capital expenditure in the year amounted to £29.0m (£6.3m 2018/19), examples of some of the individual schemes include Better Broadband for Norfolk (£1.0m), payment of Disabled Facilities Grants (£1.1m), Cromer pier (£0.8m), Sandscaping (£21.0m) and expenditure on the reprovision of the Splash leisure facility (£1.8m). Overall expenditure was incurred against the areas identified on the following page and again more detail is provided within the 2019/20 outturn report.

Capital Activity Summary 2019/20 Outturn	2019/20 Updated Budget £000	2019/20 Outturn £000	Variance to Updated Budget £000
Boosting Business Sustainability & Growth	1,703	1,759	56
Local Homes for Local Need	2,034	1,634	-400
Climate, Coast & the Environment	21,617	21,992	375
Quality of Life	2,242	2,434	192
Customer Focus & Financial Sustainability	1,039	1,190	151
	28,635	**29,009**	**374**

9.2 Capital programme financing is shown below, of the £29.01m, £23.45, equating to 80% (£1.09m or 17% 2018/19) was financed externally from grants and contributions, with the balance of £5.56m (£5.23m 2018/19) coming from NNDC internal resources.



Capital Programme Financing	2019/20 Outturn £000	%
Grants	8,403	29.0%
Other External Contributions	15,044	51.9%
Revenue Contribution to Capital Outlay (RCCO)	132	0.5%
Capital Project Reserve	1,212	4.2%
Other Reserves	1,313	4.5%
Internal/External Borrowing	-	0.0%
Capital Receipts	2,906	10.0%
TOTAL FINANCING	**29,009**	**100.0%**

10. Reserves and Balances

10.1 The Authority holds a general reserve for which the recommended minimum balance is currently £1.9m, the balance at 31 March 2020 was £2.3m before taking account of any year end surplus. The purpose of holding a general reserve is to provide a working balance to help cushion the impact of uneven cash flows to avoid temporary borrowing and to provide a contingency to help cushion the impact of unexpected events or emergencies. Each year alongside approval of the budget Members approve the policy framework for the earmarked reserves and assessment of the optimum level of general reserve. This is informed by a risk assessment of the budget that takes into account the context within which the budget has been established along with the financial risks facing the Authority. This will include factors such as, sensitivity of pay and price inflation and interest rates, levels of savings anticipated, demand led budgets (spend and income), future funding fluctuations and emergencies, such as the current COVID pandemic.

10.2 In addition to the general reserve the Authority holds a number of earmarked reserves held to meet known or predicted liabilities totaling £16.5m. The reserves also provide a means at the year-end for carrying funds forward to the new financial year to fund ongoing commitments and known liabilities for which no separate revenue budget exists, more detail can be found at **note 9** on page **39-40** of the accounts. There are a number of earmarked reserves that have balances, yet the timing of the use of the reserve is yet to be agreed.

11. Outlook

11.1 Several risks continue to face Local Authorities in terms of funding, i.e. local retention of business rates and responding to spending pressures and changes in service demand, particularly in light of the COVID pandemic. Some of the more significant and current risks that continue to face the Authority are as follows:

- **Funding reductions** - Further funding reductions and the continued shift from central government support from Revenue Support Grant to local funding from retained business rate income and council tax and the potential impact of the ongoing Fair Funding Review and the Spending Review although further consultation on the latter is expected later this year;

- **New Homes Bonus (NHB) –** The Council is due to receive ‘legacy’ payments in respect of the NHB over the next few years but as yet there is no news regarding what system will replace the current funding mechanism;

- **Business rates –** The risk of funding fluctuations from business rates continues to be a prevalent feature of the funding for local authorities. The impact of appeals only exacerbates this risk, although this is mitigated at a local level by the earmarked reserve. The implementation of localisation of business rates has also been delayed although further consultation is expected later this year;

- **Savings/income –** the delivery of savings built into budget projections and income from demand led services i.e. planning, parking fees;

- **Investment returns –** Interest rates continue to be low and the delivery of investment returns is problematic with the choice of counterparty and period of exposure needing to be weighed on a daily basis in line with the treasury management strategy and the global markets continue to be impacted due to the uncertainties brought about by COVID. Sound principles underpinned by professional guidance from treasury management advisors allows for a cautious but not complacent approach to investment returns;

- **Housing benefit subsidy** – As a significant budget heading in the region of £22m per annum alone this presents a risk in terms of the accuracy of the claims and subsidy recovered. This is mitigated by an earmarked reserve that the Authority maintains;

- **Pay** – the budget has now been updated to reflect the pay review undertaken by the National Joint Council (NJC) along with annual increments;

- **Waste contract** – following the joint procurement exercise undertaken with Breckland District Council and Kings Lynn and West Norfolk Borough Council a new waste contract commenced with Serco in April 2020. Contract monitoring will be in place throughout the year to ensure that any efficiencies proposed within the new contract are realised and this will be supported by the budget monitoring process.

- **Recycling costs** – The market for recyclate (such as glass and paper) remains volatile at the current time with many prices at historical lows, the position continues to be monitored and will be considered as part of the budget monitoring process for 2021/22, the MTFS and future year's budget as we progress through the year.

- **Temporary accommodation** – the Council saw a shortfall in housing benefit subsidy in 2019/20 of £264k of which £227k related to unrecoverable Temporary Accommodation costs. The Council is currently acquiring local properties to use directly to help manage the cost of this provision. This cost is however still increasing year on year at an alarming rate and will be closely monitored during the next financial year as the impact of COVID will undoubtedly cause this cost to increase further.

11.2 The Authority does however have a number of work streams in place to help address these risks as discussed above within section 6 and also has a healthy reserve position to support in the short to medium term. Cash flows during the year were also positive although the interest received during the year being was slightly down on budget forecasts as outlined above. The cashflow can be found on **page 9** with the associated notes on **pages 49 to 50**.

11.3 The disclosures required for the financial year ending 31 March 2020 in relation to the Authority's pension scheme are on pages **55 to 60** and show a Net Pension Liability of £43.6m as at 31 March 2020 (£50.6m at 31 March 2019). The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. At present the deficit on the scheme would be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

12. Basis of preparation and presentation

12.1 As part of preparing the accounts the Authority needs to consider how 'material' or important a transaction might be or the value of a transaction on the understanding of the accounts and for the 2019/20 accounts these levels are as follows;

- Materiality (£0.907m) - materiality has been set at £0.907m, which represents 1.75% of the prior year's gross expenditure on provision of services. This is the maximum amount by which the authority believe the statements could be misstated, by known or unknown error or fraud, and still not affect the decisions of reasonable financial statement users.

13. Further information

13.1 For further information about these accounts please contact the finance team at accountancy@north-norfolk.gov.uk.

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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 Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Certification

I confirm that this **Statement of Accounts** was approval by the Governance, Risk and Audit Committee at the meeting held on the 30 March 2022.

Signed on Behalf of North Norfolk District Council

The Chief Finance Officers Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

Certificate by the Chief Finance Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2020.

Dated: 30 March 2022

Duncan Ellis BSc Hons CPFA, Head of Finance and Assets

THE
FINANCIAL STATEMENTS
2019/20

Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis (EFA) is a note to the Financial Statements, however, it is positioned here as it provides a link from the figures reported in the CIES below to the Council's management accounts. The EFA shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by Local Authorities in comparison with those resources consumed or earned by Authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's departments.

	2018/19				2019/20	
Net Expenditure chargeable to the General Fund	**Adjustments between Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure chargeable to the General Fund**	**Adjustments between Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
218	84	302	CLT / Corporate	**274**	1,180	1,454
286	388	674	Customer Services & ICT	**246**	464	710
1,355	156	1,511	Legal & Democratic Services	**1,565**	315	1,880
2,960	1,390	4,350	Community, Economic Development and Coast	**4,979**	345	5,324
3,215	335	3,550	Environmental Health	**4,429**	411	4,840
3,897	(128)	3,769	Finance & Assets	**4,527**	(1,718)	2,809
2,069	249	2,318	Planning	**2,422**	310	2,732
14,000	**2,474**	**16,474**	**Cost of Services**	**18,442**	**1,307**	**19,749**
2,211	(972)	1,239	Other Operating Expenditure	**2,391**	(369)	2,022
(1,266)	1,122	(144)	Financing and Investment Income and Expenditure	**(1,137)**	1,233	96
(15,111)	(663)	(15,774)	Taxation and Non-Specific Grant Income	**(15,706)**	(23,532)	(39,238)
(14,166)	**(513)**	**(14,679)**	**Other Income & Expenditure**	**(14,452)**	**(22,668)**	**(37,120)**
(166)	**1,961**	**1,795**	**(Surplus) or Deficit on Provision of Services**	**3,990**	**(21,361)**	**(17,371)**
	0	0			(1,509)	(1,519)
23,051			**Opening General Fund Balances**	**23,217**		
166			**Less deficit on GF in year**	**(3,990)**		
23,217			**Closing General Fund Balances at 31 March 2020**	**19,227**		

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The 2018/19 figures have been restated to reflect a change in the management reporting structure. Benefits Administration now comes under Legal and Democratic Services and not Customer Services and ICT.

2018/19 Restated					2019/20		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
361	(59)	**302**	CLT / Corporate		1,902	(448)	**1,454**
1,246	(572)	**674**	Customer Services & ICT		1,634	(924)	**710**
2,024	(513)	**1,511**	Legal & Democratic Services		2,352	(473)	**1,879**
8,839	(4,489)	**4,350**	Community, Economic Development and Coast		8,555	(3,231)	**5,324**
7,347	(3,797)	**3,550**	Environmental Health		8,924	(4,083)	**4,841**
29,522	(25,753)	**3,769**	Finance & Assets		25,999	(23,190)	**2,809**
3,981	(1,663)	**2,318**	Planning		4,183	(1,451)	**2,732**
53,320	**(36,846)**	**16,474**	**Cost of Services**		**53,549**	**(33,800)**	**19,749**
		1,239	Other Operating Expenditure	10			2,022
		(144)	Financing and Investment Income and Expenditure	11	1,342	(1,246)	96
		(15,774)	Taxation and Non-Specific Grant Income	12			(39,238)
		1,795	**(Surplus) or Deficit on Provision of Services**	7			**(17,371)**
		(66)	(Surplus) or Deficit on revaluation of Plant, Property and Equipment Assets	14(a)			1,127
		(255)	(Surplus) or Deficit on revaluation of Available for Sale Financial Assets	14(b)			3,311
		7,279	Actuarial (gains)/losses on pension assets/liabilities	14(d)			(9,250)
		6,958	**Other Comprehensive Income and Expenditure**				**(4,812)**
		8,753	**Total Comprehensive Income and Expenditure**				**(22,183)**

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Movement in Reserves Statement (MIRS)

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’, (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority. The total Authority reserves at 31 March 2020 as shown in the MIRS agrees to the Balance Sheet value of £60.376 million.

2018/19 Figures	Note	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018		**2,196**	**20,854**	**9,011**	**0**	**32,062**	**14,884**	**46,946**
Movement in Reserves during 2017/18								
Total Comprehensive Income and Expenditure		(1,795)	0	0	0	(1,795)	(6,958)	(8,753)
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	1,961	0	(2,319)	0	(358)	358	0
Transfers (to)/from Earmarked Reserves	9	(2)	2	0	0	0	0	0
Increase or (decrease) in 2018/19		164	2	(2,319)	0	(2,153)	(6,600)	(8,753)
Balance at 31 March 2019 carried Forward		**2,361**	**20,856**	**6,691**	**0**	**29,908**	**8,284**	**38,193**
Movement in Reserves during 2019/20								
Total Comprehensive Income and Expenditure		17,371	0	0	0	17,371	4,812	22,183
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	(21,361)	0	(1,907)	0	(23,268)	23,268	0
Transfers (to)/from Earmarked Reserves	9	4,033	(4,033)	0	0	0	0	0
Increase or (decrease) in 2019/20		43	(4,033)	(1,907)	0	(5,897)	28,080	22,183
Balance at 31 March 2020 Carried Forward		**2,404**	**16,823**	**4,784**	**0**	**24,011**	**36,365**	**60,376**

Balance Sheet as at 31 March 2020

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019 £000		Note	31 March 2020 £000
55,145	Property, Plant and Equipment	30	77,930
923	Investment Property	27	831
574	Intangible Assets	28	838
33,371	Long Term Investments	39	30,060
2,958	Long Term Debtors	33/39	2,569
92,972	**Long Term Assets**		**112,227**
4,498	Short Term Investments	39	77
20	Inventories		15
4,545	Short Term Debtors	33	4,386
3,287	Cash and Cash Equivalents	18	6,585
719	Assets held for sale	32	712
13,069	**Current Assets**		**11,776**
0	Bank Overdraft	18	0
(3,001)	Short Term Borrowing	39	(5,004)
(11,707)	Short Term Creditors	34	(13,184)
(784)	Capital Grants Receipts in Advance	38	(1,172)
(1,710)	Short Term Provisions	35	(681)
(17,203)	**Current Liabilities**		**(20,041)**
(50,644)	Other Long Term Liabilities	24	(43,586)
(50,644)	**Long term Liabilities**		**(43,586)**
38,193	**Net Assets**		**60,376**

31 March 2019 £000		Note	31 March 2020 £000
	Usable Reserves:		
2,361	General Fund Balance		2,404
20,856	Earmarked Reserves	9	16,823
6,692	Capital Receipts Reserve		4,784
29,909	**Total Usable Reserves**		**24,011**
	Unusable Reserves:	14	
17,651	Revaluation Reserve	14(a)	16,294
1,371	Pooled Fund Adjustment Account	14(b)	(1,939)
39,559	Capital Adjustment Account	14(c)	63,876
(50,644)	Pensions Reserve	14(d)	(43,586)
617	Collection Fund Adjustment Account	14(e)	1,873
(270)	Accumulated Compensated Absences Adjustment Account	14(f)	(153)
8,285	**Total Unusable Reserves**		**36,365**
38,193	**Total Reserves**		**60,376**

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The Statement of Accounts presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2020. The notes on pages 10 to 91 form part of the financial statements

Dated: 30 March 2022 D. Ellis Duncan Ellis BSc Hons CPFA, Head of Finance and Assets

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

31 March 2019		Note	31 March 2020
£000			£000
(1,795)	Net Surplus on the provision of services	7	17,371
6,351	Adjust Net Surplus/(Deficit) on the provision of services for non cash movements	15	9,604
(3,671)	Adjust for items included in the Net Surplus/(Deficit) on the provision of services that are investing and financing activities	15	(22,694)
885	**Net Cash Flows generated from (used in) Operating Activities**		**4,281**
(6,407)	Investing Activities	16	(1,298)
5,229	Financing Activities	17	315
(293)	**Net Increase or (Decrease) in Cash and Cash Equivalents**		**3,298**
3,580	Cash and Cash Equivalents at the beginning of the reporting period	18	3,287
3,287	Cash and Cash Equivalents at the end of the reporting period	18	6,585

1. Accounting Policies

A General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting Code of Practice 2019/20 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

A local authority's Statement of Accounts are prepared on a going concern basis, this is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of the operation.

The accounting policies detailed below have been consistently applied within the Financial Statements.

B Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a receivable or payable for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

Where the Authority is acting as an agent for another party (e.g. in the collection of NNDR and Council Tax), income and expenditure are recognised only to the extent that commission is receivable by the Authority for the agency services rendered or the Authority incurs expenses directly on its own behalf in rendering the services.

C Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on demand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash on the Balance Sheet date, and which are subject to an insignificant risk of change in value.

D Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There were no material errors from previous year requiring restatement.

E Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations.

F Employee Benefits

<u>Benefits Payable during Employment</u>

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render services to the Authority. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme (LGPS), administered by Norfolk County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Scheme is accounted for as a defined benefits scheme in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2011, the Local Government Pension Scheme (Administration) Regulations 2009 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2014.

- The liabilities of the Norfolk Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (2.4% in 2018/19). This rate is based on a corporate yield curve based on the constituents of the iBoxx Sterling Corporates AA index and using the UBS delta curve fitting methodology. In line with the adoption of IAS 19 – Employee Benefits, an individual discount rate is calculated for each employer, based on their own weighted average duration category. The weighted average duration is used to identify the appropriate category for each employer as shown in the table below:-

Weighted Average Duration	Discount Rate Category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

- The change in the net pensions liability is analysed into seven components:
  - Current service cost - The increase in the present value of the defined benefit obligation resulting from employee service in the current period.
  - Past service cost – The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).
  - Interest cost – The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to payment.
  - Expected return on assets -The expected increase during a period in the value of assets, based on values and long term expected returns as at the start of the period.
  - Gains/losses on settlements and curtailments -the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - Actuarial gains and losses -changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve. These are recognised under ‘other comprehensive income’;
  - Contributions paid to the Norfolk pension fund - cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

G Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes to the accounts of the nature of the events and their estimated financial effect.

H Exceptional Items

When items of income and expense are material, their nature and amount is disclosed, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and Government grants, do not give rise to financial instruments.

I Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity which is potentially unfavourable to the Authority.

The majority of the Authority's financial liabilities held during the year are measured at amortised cost and comprised:

- Short term loans from other local authorities
- Overdrafts with Barclays bank
- Lease payables
- Trade payables for goods and services received

J Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Authority. The financial assets held by the Authority during the year are accounted for under the following three classifications:

Amortised Cost (where cash flows are solely payments of principle and interest and the Authority's business model is to collect those cash flows) comprising:

- Cash in hand
- Bank current and deposit accounts with Barclays bank
- Loans to other local authorities
- Loans to small companies and housing associations
- Covered bonds issued by banks and building societies
- Trade receivables for goods and services provided

Fair value through profit and loss (all other financial assets) comprising:

- Money market funds
- Pooled bond, equity and property and multi-asset funds

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

K Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments; and

- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as payables. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

Where general (non-ring fenced) revenue grants are allocated to the Authority by Central Government these are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

L Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority for more than one financial year.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and for any sale with proceeds greater than £10,000 the Capital Receipts Reserve.

M Inventories and Work in Progress

Inventories including bar stock are included in the Balance Sheet at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

N Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and for any sale proceeds greater than £10,000 the Capital Receipts Reserve.

O Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments, e.g. there is a rent-free period at the commencement of the lease.

<u>The Authority as Lessor</u>

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property -applied to write down the lease liability (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

P Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority’s arrangements for accountability and financial performance.

Q Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de-minimus level of £10,000 is applied to expenditure on assets.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Authority. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Surplus assets – fair value, determined by the measurement of the highest and best use value of the asset
- All other assets - fair value, determined by the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Valuations are carried out either by an internal or external qualified valuer.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets Held for Sale are:

- immediately available for sale;
- where the sale is highly probable;
- actively marketed;
- expected to be sold within 12 months.

The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Properly, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are generally categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- Buildings - straight-line allocation over the useful life of the property as estimated by the valuer (typically 30 to 100 years);
- Vehicles, plant and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. The maximum useful life is 10 years and the minimum 4 years typically most assets have a useful life of 5 years;
- Infrastructure – straight line allocation over 20 years.
- Community and Surplus assets – The land element of these is not depreciated, any property is depreciated over its useful life.

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

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant (i.e. more than 30%) in relation to the total cost of the item, the components are depreciated separately.

Componentisation is considered for all new valuations, enhancement expenditure and acquisition expenditure carried out on or after 1 April 2011. Where a component is replaced or restored (i.e. enhancement expenditure) the carrying amount of the old component shall be de-recognised before reflecting the enhancement.

The Authority recognises the following levels of components:

- Substructure
- Superstructure
- Internal services
- External works

Componentisation is not applicable to land as land is non-depreciable and is considered to have an infinite life.

R Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation but where there is uncertainty around the timing.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Where the obligation is expected to be settled within 12 months of the Balance Sheet date the provision is recognised as a Current Liability in the Balance Sheet. Other provisions are recognised as Long Term Liabilities.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made); the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation. Provisions for bad and doubtful debts are maintained in respect of possible losses from non-collection of amounts owing to the Authority. This includes council tax, business rates and other income. The provisions are recalculated each year based on age and category of outstanding debt at the end of the financial year, reflecting historical collection patterns, and are included in the Balance Sheet as an adjustment to receivables.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

S Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service and included against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Authority - these Unusable Reserves are explained elsewhere within the Accounting Statements.

T Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

U VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

V Council Tax and Non-domestic Rate Income

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council tax and Non-Domestic Rates (NDR). In its capacity as a Billing Authority, the Authority acts as an agent collecting and distributing Council tax and NDR income on behalf of the major preceptors and itself.

From 1 April 2009, the Authority has been required to show Council tax income in the Comprehensive Income and Expenditure Account as accrued income.

From 1 April 2013, the Authority has been required to show Non-Domestic Rate income in the Comprehensive Income and Expenditure Account as accrued income.

The Authority's share of Collection Fund income and expenditure is recognised in the Comprehensive Income and Expenditure Statement in the Taxation and Non-Specific Grant Income and Expenditure section.

W Fair Value measurement

The Authority measures some of its non - financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either;

a) in the principal market for the asset or liability, or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority uses a combination of internal and external Valuers to provide valuations for its assets and liabilities in line with the highest and best use definition within the accounting standard. They are therefore using the same assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. This would take into account the markets participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Valuers have used valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date,

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,

Level 3 – unobservable inputs for the asset or liability.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the UK 2020-21 has introduced the following changes in accounting policy, which will need to be adopted fully by the Council in the 2020-21 financial statements from 1 April 2020.

The Council is required to disclose information relating to the impact of the accounting changes on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council. The Council is required to make disclosure of the estimated effect of the new standard in these financial statements.

The following accounting standards have minor changes next year, but these are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported information in the accounts and will therefore not have a material effect:

- Amendments to IFRS 3 – Definition of a Business

- Amendments to IAS 28 – Long term interests in Associates and Joint Ventures

- Annual improvements to IFRS Standards 2015-2017 cycle

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Asset Categorisation - The Code classifies assets according to certain criteria. For example investment properties are classified as those assets that are held primarily to generate rental income or for capital appreciation, surplus assets are those assets that are surplus to service needs and do not meet the criteria for investment property or assets held for sale. Assets held for sale is usually restricted to property that is expected to be sold in 12 months. For the Authority, industrial rental units have been treated as other land and buildings based on the judgement that they are held for a service objective of Economic Development and regeneration.
- NNDR ratings list alterations- are estimates made for the expected loss of income as a result of alterations of ratings lists following the Check, Challenge, Appeal process. This based on currently outstanding checks, challenges and appeals and as well as expected further ones based on historical values.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	Asset valuation in the current economic climate is subject to significant stress. Impairment reviews by the Authority of its asset base have been undertaken in a robust way to reflect the changes in its asset values. Depreciation charges are related to the useful life of the assets and dependant on the level of repairs and maintenance that will be incurred in relation to individual assets.	It is important that the asset values in the Balance Sheet are kept under review. If the useful lives of the assets are reduced depreciation increases and the carrying value of the assets falls. Whilst there is a risk in any valuation exercise changes to useful lives and depreciation do not impact the Authority’s useable reserves as depreciation charges do not fall on the Tax payer.

Fair Value Measurements	Where the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or, the discounted cash flow). Where possible these inputs are based on observable data, but where this is not possible judgement is required in establishing fair values. This will typically include considerations such as uncertainty and risk. However changes to the assumptions used could affect the fair value of the Authority's assets and liabilities. Where Level 1 inputs are not available, the Authority has used relevant experts to identify the most appropriate valuation technique to determine fair value.	The authority uses the discounted cash flow (DCF), and 'market approach' (as defined in paragraphs B5 to B7 of IFRS 13) to measure the fair value of its assets. The inputs to this latter technique constitute Level 2 inputs, which are observable for the asset either directly or indirectly. If there were to be significant unobservable inputs, this could result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are employed by the pension schemes administrators to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured, for example a 0.5% decrease in the real discount rate assumption would result in an increase of 9% in the pension liability which is approximately £10.301m. (i) A one year increase in member life expectancy would result in an increase of approximately 3 to 5% in the pension liability. In practice, the actual cost will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). (ii) If salaries were to increase by 0.5% more than anticipated, the pension liability would increase by 1%, approximating to £1.143m. (iii) If pensions payable were to increase by 0.5% more than anticipated, the pension liability would increase by 8%, approximating to £9.057m.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance and Assets on 30 March 2022. Events taking place after the accounts are authorised for issue are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Note to the Expenditure and Funding Analysis

	Adjustments between Funding and Accounting Basis 2019-20			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net Change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
CLT / Corporate	1,058	144	(22)	1,180
Customer Services & ICT	218	262	(17)	463
Legal & Democratic Services	130	191	(6)	315
Community, Economic Development and Coast	170	195	(20)	345
Environmental Health	217	209	(15)	411
Finance & Assets	(1,387)	(305)	(25)	(1,717)
Planning	58	264	(12)	310
Net cost of services	**464**	**960**	**(117)**	**1,307**
Other Operating Expenditure	(369)	0	0	(369)
Financing and Investment Income and Expenditure	0	1,233	0	1,233
Taxation and Non-Specific Grant Income	(22,276)	0	(1,256)	(23,532)
Other Income & Expenditure from the Expenditure and Funding Analysis	**(22,645)**	**1,233**	**(1,256)**	**(22,668)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(22,181)**	**2,193**	**(1,373)**	**(21,361)**

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6. Note to the Expenditure and Funding Analysis (Cont'd)

	Adjustments between Funding and Accounting Basis 2018-19			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net Change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
CLT / Corporate	(25)	103	6	84
Customer Services & ICT	227	178	(17)	388
Legal & Democratic Services	14	136	6	156
Community, Economic Development and Coast	1,231	146	13	1,390
Environmental Health	189	148	(2)	335
Finance & Assets	(564)	412	24	(128)
Planning	53	186	10	249
Net cost of services	**1,125**	**1,309**	**40**	**2,474**
Other Operating Expenditure	(972)	0	0	(972)
Financing and Investment Income and Expenditure	0	1,122	0	1,122
Taxation and Non-Specific Grant Income	(258)	0	(405)	(663)
Other Income & Expenditure from the Expenditure and Funding Analysis	**(1,230)**	**1,122**	**(405)**	**(513)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(105)**	**2,431**	**(365)**	**1,961**

1) Adjustments for Capital Purposes

- **Adjustments for capital purposes –** this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
- **Other operating expenditure –** adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for these assets.
- **Taxation and non-specific grant income and expenditure –** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with the capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2) Net Change in Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

- **For services** this represents the removal of the employer's pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure –** the net interest on the defined benefit liability is charged to the CIES.

3) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the code. This timing difference as any difference will be brought forward in future surpluses and deficits on the Collection Fund.

7. Expenditure and Income Analysed by Nature

EXPENDITURE AND INCOME ANALYSED BY NATURE

The Authority's expenditure and income is analysed as follows:

	2018/19	2019/20
Expenditure/ Income	**£000**	**£000**
Expenditure		
Employee Benefits expenses	14,246	14,649
Other Services Expenses	36,856	35,444
Support Service Recharges	11,941	14,472
Depreciation, amortisation, impairment, DRF	4,278	5,816
Interest payments	35	12
Precepts and Levies	2,210	2,391
Gain on the disposal of assets	(972)	(369)
Total Expenditure	**68,594**	**72,415**
Income		
Fees, Charges and other service income	24,854	27,111
Interest and Investment Income	1,296	1,247
Income from Council tax, Non-Domestic Rates, district rate income	13,318	15,717
Government Grants and Contributions	27,331	45,711
Total Income	**66,799**	**89,786**
Surplus or Deficit on the Provision of Services	**1,795**	**(17,371)**

8. Movement in Reserves Statement - Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(127)	0	0	127
Revaluation losses on Property, Plant and Equipment	1,460	0	0	(1,460)
Movements in the market value of Investment Properties	60	0	0	(60)
Amortisation of intangible assets	401	0	0	(401)
Capital Grants and Contributions that have been applied to capital financing	(22,276)	0	0	22,276
Revenue Expenditure Funded from Capital Under Statute	1,328	0	0	(1,328)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(369)	0	0	369
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				0
Statutory provision for the financing of capital investment	0	0	0	0
Capital expenditure charged against the General Fund	(2,656)	0	0	2,656

2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve				
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	432	0	(432)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,339)	0	2,339
Adjustments involving the Pensions Reserve				
Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	4,872	0	0	(4,872)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,680)	0	0	2,680
Adjustments involving the Collection Fund Adjustment Account				
Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	(1,256)	0	0	1,256
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(117)	0	0	117
Total Adjustments	**(21,361)**	**(1,907)**	**0**	**(23,268)**

2018/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	2,127	0	0	(2,127)
Revaluation losses on Property, Plant and Equipment	470	0	0	(470)
Movements in the market value of Investment Properties	(4)	0	0	4
Amortisation of intangible assets	76	0	0	(76)
Capital Grants and Contributions that have been applied to capital financing	(258)	0	0	258
Revenue Expenditure Funded from Capital Under Statute	348	0	0	(348)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(971)	0	0	971
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(354)	0	0	354
Capital expenditure charged against the General Fund	(1,537)	0	0	1,537

2018/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Receipts Reserve				
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	1,164	0	(1,164)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(3,483)	0	3,483
Adjustments involving the Pensions Reserve				
Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	4,687	0	0	(4,687)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,258)	0	0	2,258
Adjustments involving the Collection Fund Adjustment Account				
Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	(405)	0	0	405
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	40	0	0	(40)
Total Adjustments	**1,961**	**(2,319)**	**0**	**358**

General Fund Balance - The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise.

Capital Receipts Reserve – The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes.

Capital Grants Unapplied – The Capital Grants Unapplied Account holds grants and contributions received towards capital projects from which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

9. Movement in Reserves Statement – Transfers to/from Earmarked Reserves

This sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

	Balance at 1 April 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Asset Management	858	(261)	960	1,557	(153)	20	1,424
Benefits	1,295	(13)	58	1,340	(505)	63	898
Broadband	1,000	0	0	1,000	(1,000)	0	0
Building Control	160	0	31	191	0	21	212
Business Rate Retention	2,506	(68)	0	2,437	(373)	0	2,064
Capital Projects Reserve	3,450	(1,064)	94	2,480	(1,212)	36	1,304
Coast Protection	203	(22)	0	181	(12)	70	239
Common Training	(0)	0	0	(0)	0	0	(0)
Communities	1,594	(63)	121	1,652	(677)	26	1,001
Economic Development & Regeneration	121	(10)	60	171	(14)	9	166
Election Reserve	83	0	40	123	(160)	40	3
Enforcement Board	197	(60)	0	137	(24)	0	113
Environmental Health	294	0	29	323	0	13	336
Grants	535	(112)	114	537	(3)	75	609
Grassed Area Deposits	371	0	0	371	0	0	371
Housing	2,500	(307)	341	2,535	(294)	288	2,529
Land Charges	274	0	15	289	0	18	307
Legal	129	(1)	1	129	0	67	196
LSVT Reserve	435	0	0	435	(435)	0	0
New Homes Bonus	2,006	(1,494)	0	512	(220)	0	292

	Balance at 1 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000
Organisational Development	340	(26)	0	314	(59)	14	269
Pathfinder	143	0	0	143	(15)	0	128
Planning - Revenue	56	(32)	86	110	0	50	160
Property Investment Fund	0	0	2,000	2,000	(1,001)	0	999
Property Company	0	0	0	0	0	2,000	2,000
Restructuring and Invest to Save	2,291	(1,251)	843	1,883	(683)	0	1,200
Sports Hall Equipment/Sports Facilities	13	(7)	0	6	(3)	0	3
Treasury (Property) Reserve	0	0	0	0	0	0	0
Total	**20,854**	**(4,791)**	**4,793**	**20,856**	**(6,843)**	**2,810**	**16,823**
Total transfers out during 2019/20					**(6,843)**		
Total transfers in during 2019/20					**2,810**		
Net Movement in Earmarked Reserves in 2019/20					**(4,033)**		

The purpose of each earmarked reserves is explained below:

Asset Management - To support improvements to our existing assets as identified through the Asset Management Plan.

Benefits - To mitigate any claw back by the Department of Works and Pensions following final audited subsidy determination.

Building Control – Ring- fenced to cover any future deficits on the building control service.

Business Rates Retention – To be used to mitigate the impact of final claims and appeals in relation to business rates retention scheme.

Capital Projects Reserve - To provide funding for capital projects. This includes the VAT shelter income that is received in the year and not yet spent on projects.

Coast Protection - To support the on-going coast protection maintenance programme.

Common Training - To deliver the corporate training and development programme.

Communities – To support projects that communities identify where they will make a difference to the economic and social wellbeing of the area. This is funded from the return of the second homes funding from Norfolk County Council.

Economic Development and Regeneration: Service underspends rolled forward that relate to one off projects or expenditure not budgeted for in future years, including learning for everyone.

Election Reserve - Established to meet costs associated with district council elections, to smooth the impact between financial years.

Environmental Health - Earmarking of underspends and additional income to meet Environmental Health.

Grants – Earmarking of grants received in the year for which expenditure is yet to be incurred, for example due to the timing of the receipt.

Grassed Area Deposits - To finance ongoing commitments in relation to grounds maintenance contracts.

Housing – Includes Community Housing Fund grant received from the Ministry of Housing, Communities and Local Government (MHCLG) This is to support community led housing schemes and assisting in the delivery of affordable housing within the area.

Land Charges – To mitigate the impact of potential income reductions for the service.

Legal – Includes funding for Compulsory Purchase Order (CPO) work and other one-off work.

Local Strategic Partnership – Ring fenced from the former Local Strategic Partnership, earmarked for ongoing liabilities.

LSVT Reserve – To meet the cost of successful warranty claims not covered by bonds and insurance following the housing stock transfer.

New Homes Bonus (NHB) – Established for supporting communities with future growth and development and Plan review.

Organisational Development - To provide funding for organisation development to create capacity within the organisation, including the support of apprenticeship and intern programmes.

Pathfinder - To help coastal communities adapt to coastal changes. The balance represents grant funding that has been received that has been fully allocated to projects to deliver the Pathfinder objectives but has not yet been spent.

Planning – Additional Planning Income earmarked for Planning Initiatives including Plan Business Process Review.

Property Investment Fund – To provide funding for the acquisition and development of new land and property assets

Property Company – To fund potential housing development and property related schemes

Restructuring and Invest to Save - To be used for restructuring costs including one-off redundancy and pension strain costs and invest to save projects that will deliver efficiency savings.

Sports Hall Equipment and Sports Facilities - To support renewals for sports hall equipment. Transfers in the year represents over or under achievement of income target.

Treasury (Property) – To smooth the impact of fluctuations in returns from property investment.

10. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2018/19		2019/20
£000		£000
2,211	Parish Council Precepts	2,391
(972)	(Gains) on the disposal of non-current assets	(369)
1,239	**Total**	**2,022**

11. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2018/19		2019/20
£000		£000
23	Interest payable and similar charges	39
1,122	Pensions interest cost and expected return on pensions assets	1,233
(1,285)	Interest receivable and similar income	(1,236)
(4)	Changes in the fair value of investment property	60
(144)	**Total**	**96**

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12. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income

2018/19		2019/20
£000		£000
(8,107)	Council Tax Income	(8,478)
(5,211)	Non Domestic Rates	(7,240)
(536)	Revenue Support Grant	0
(1,662)	Other Non ringfenced government grants	(1,244)
(258)	Capital grants and contributions	(22,276)
(15,774)	**Total**	**(39,238)**

13. Balance Sheet – Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and notes 8 and 9.

14. Balance Sheet – Unusable Reserves

The following provides a summary of the details of the Authority's unusable reserves. Further details on each of the reserves are provided below.

2018/19 £000		2019/20 £000
17,651	Revaluation Reserve	16,294
1,371	Pooled Fund Adjustment Account	(1,940)
39,559	Capital Adjustment Account	63,876
(50,644)	Pensions Reserve	(43,586)
617	Collection Fund Adjustment Account	1,873
(270)	Accumulated Compensated Absences Adjustment Account	(153)
8,284	**Total Unusable Reserves**	**36,365**

14(a) Revaluation Reserve

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The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2018/19 £000		2019/20 £000
17,743	**Balance at 1 April**	**17,651**
1,016	Upward revaluation of assets	3,085
(950)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(4,212)
(158)	Difference between fair value depreciation and historical cost depreciation	(230)
17,651	**Balance at 31 March**	**16,294**

14(b) Pooled Fund Adjustment Account

The Pooled Fund Adjustment Account contains the gains made by the Authority arising from increases in the value of its investments in pooled funds and are therefore accounted for under IFRS9 at fair value through profit and loss. A statutory override currently applies enabling gains or losses to be transferred to this unusable reserve, thereby protecting the Council Tax payer from changes in fair value on these investments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

2018/19 £000		2019/20 £000
0	Balance at 31 March	**1,371**
1,113	Transition to IFRS9 - reclassified FVPL	0
1,113	**Balance at 1 April**	**1,371**
258	(Downward)/Upward revaluation of investments not charged to the surplus/deficit on the provision of services.	(3,311)
1,371	**Balance 31 March**	**(1,939)**

14(c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19 £000		2019/20 £000
36,979	**Balance at 1 April**	**39,559**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,127)	Charges for Depreciation and impairment on non-current assets	6,481
(470)	Revaluation losses on Property, Plant and Equipment	(7,814)
(76)	Amortisation of intangible assets	(401)
(348)	Revenue expenditure funded from capital under statute	(1,328)
(192)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(63)
33,765		36,434
158	Adjusting amounts written out of the revaluation reserve	230
33,923	Net written out amount of the cost of non current assets consumed in the year	36,665
	Capital Financing applied in the year:	
3,483	Use of capital receipts reserve to finance new capital expenditure	2,339
258	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statements that have been applied to capital financing	22,276
355	Statutory provision for the financing of capital investment charged against the General Fund balance	0
1,537	Capital expenditure charged against the General Fund Balance	2,656
39,555		63,936
4	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(60)
39,559	**Balance at 31 March**	**63,876**

14(d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and

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Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The deficit on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19		2019/20
£000		£000
(40,936)	**Balance at 1 April**	**(50,644)**
(7,279)	Actuarial gains/(losses) on pensions assets and liabilities	9,250
(4,687)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(4,872)
2,258	Employer's pension contributions and direct payments to pensioners payable in the year	2,680
(50,644)	**Balance at 31 March**	**(43,586)**

14(e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rate income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rate payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2018/19		2019/20
£000		£000
212	**Balance at 1 April**	**617**
405	Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	1,256
617	**Balance at 31 March**	**1,873**

14(f) Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences, e.g. annual leave, earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018/19		2019/20
£000		£000
(230)	**Balance at 1 April**	**(270)**
230	Settlement or cancellation of an accrual made at the end of the preceding year	270
(310)	Amounts accrued at the end of the current year	(36)
40	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(117)
(270)	**Balance at 31 March**	**(153)**

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15. Cash Flow Statement – Arising from Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000		2019/20 £000
1,251	Interest Received	1,398
(23)	Interest Paid	(39)
1,228	**Net cash flows from operating activities**	**1,359**

2018/19 £000	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements	2019/20 £000
2,127	Depreciation	(127)
470	Impairment and downward valuations	1,459
76	Amortisation	401
2,269	Increase in Creditors	1,716
(37)	(Decrease) in Interest and Dividend Debtors	162
(1,168)	Increase / (Decrease) in Debtors	362
(7)	Increase / (Decrease) in Inventories	5
2,429	Movement in Pension Liability	2,192
192	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	63
0	Movement in Investment Property Values	3,371
6,351		**9,604**

2018/19 £000	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2019/20 £000
(290)	Capital Grants credited to surplus or deficit on the provision of services	(22,276)
(2,250)	Net adjustment from the sale of short and long term investments	13
(1,131)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(431)
(3,671)		**(22,694)**

16. Cash Flow Statement – Investing Activities

2018/19 £000		2019/20 £000
(4,362)	Purchase of property, plant and equipment, investment property and intangible assets	(28,860)
(24,133)	Purchase of short-term and long-term investments	0
1,131	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	431
20,448	Proceeds from short-term and long-term investments	4,250
509	Other receipts from investing activities	22,881
(6,407)	**Net cash flows from investing activities**	**(1,298)**

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17. Cash Flow Statement – Financing Activities

2018/19 £000		2019/20 £000
3,001	Cash receipts of short-term and long-term borrowing	2,003
(355)	Cash payments for the reduction of the outstanding liabilities relating to finance leases.	0
2,583	Other payments for financing activities	(1,688)
5,229	**Net cash flows from financing activities**	**315**

18. Cash Flow Statement – Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

2018/19 £000		2019/20 £000
3	Cash held by officers	3
1,083	Bank current accounts	314
2,201	Investments in liquidity Money Market Funds	6,268
3,287	**Total cash and cash equivalents**	**6,585**

19. Trading Operations

The Authority runs two service areas as trading services. Details of those services are as follows:

	2018/19		2019/20	
	£000	£000	£000	£000
The Council currently operates three general produce markets on two car park sites in Sheringham and Cromer. They are provided to meet local demands and to promote tourism. The trading objective is to minimise the deficit relating to the service.	(57)		(45)	
	83		87	
		26		42
The Council lets a total of 15 industrial units and self-occupies 2 over three sites in Catfield, North Walsham and Fakenham. The Catfield and North Walsham sites offer starter units which were developed jointly with EEDA, to provide opportunities for local business start-ups and developments. The trading objective is to minimise the deficit relating to the service.	(132)		(145)	
	134		129	
		2		(16)
Net (surplus) / deficit on trading operations:		**28**		**26**

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (e.g. refuse collection), whilst others are support services to the Council's services to the public. The expenditure of these operations is allocated or recharged to the relevant service area within the CIES Cost of Services (Markets is within Community, Economic Development and Coast. The Industrial Units are within Finance & Assets).

The reduced deficit is due to lower income from market traders offset by higher rental income at the industrial units.

	2018/19	2019/20
	£000	£000
Net deficit/(surplus) on trading operations	28	26
Services to the public included in expenditure of continuing operations	(3)	(3)
Net deficit / (surplus) debited / (credited) to other operating expenditure	**25**	**23**

20. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Authority's external auditors:

	2018/19 Ernst Young £000	2019/20 Ernst Young £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	42	42
Additional fees in respect of the prior year audit	0	9
Fees payable for the certification of grant claims and returns for the year	15	12
Total	**57**	**63**

21. Members Allowances

The Authority paid the following amounts to Members of the Authority during the year. Full details can be obtained by writing to: Information Services, Holt Road, Cromer, Norfolk, NR27 9EN.

2018/19 £		2019/20 £
319,009	Allowances	297,417
27,591	Expenses	28,823
346,600		**326,240**

22. Officers' Remuneration

The following table sets out the remuneration paid to the Authority's senior officers. A senior officer is defined as being a statutory chief officer as defined in the Local Government and Housing Act (LGHA) 1989 section 2(6); a non-statutory Chief officer as defined in the LGHA 1989 section 2(7); or someone with responsibility for the management of the Authority, being able to direct or control its major activities, whether solely or collectively.

For the period 1st April 2019 to 31st March 2020 Job Title		Salary, Fees and Allowance £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Sub-total	Pension Contribution £	Total £
1st April 2019 to 31st March 2020								
Corporate Director and Head of Paid Service	2019/20	102,605	0	963	0	103,568	14,878	**118,446**
Corporate Director and Head of Paid Service - N Baker	2019/20	137,551	0	922	80,443	218,915	303,034	**521,949**
Section 151 Officer	2019/20	76,837	0	963	0	77,800	11,141	**88,941**
Monitoring Officer	2019/20	76,837	0	963	0	77,800	11,141	**88,941**
1st April 2018 to 31st March 2019								
Corporate Director and Head of Paid Service	2018/19	100,593	0	963	0	101,556	14,586	**116,142**
Corporate Director and Head of Paid Service	2018/19	100,593	0	963	0	101,556	14,586	**116,142**
Section 151 Officer	2018/19	72,963	0	963	0	73,926	10,580	**84,506**
Monitoring Officer	2018/19	72,963	0	963	0	73,926	11,738	**85,664**

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

2018/19		2019/20
Number of Employees	**Remuneration Band**	**Number of Employees**
5	£50,000 - £54,999	5
4	£55,000 - £59,999	3
0	£60,000 - £64,999	2

23. Exit Packages

The number of exit packages agreed with the total cost per band and total cost of the compulsory and other are set out in the table below.

	2018/19					2019/20			
	Compulsory Redundancies	Other Departures				Compulsory Redundancies	Other Departures		
Bandings	**Number of Employees**	**Number of Employees**	**Total Number of Employees**	**Total Amount £**		**Number of Employees**	**Number of Employees**	**Total Number of Employees**	**Total Amount £**
£0 to £20,000	0	1	1	13,718		0	4	4	30,375
£20,001 to £40,000	0	0	0	0		0	0	0	0
£40,001 to £60,000	0	0	0	0		0	0	0	0
£60,001 to £80,000	0	0	0	0		0	0	0	0
£80,001 to £100,000	0	0	0	0		0	0	0	0
£100,001 to £150,000	0	0	0	0		0	0	0	0
£150,001 to £200,000	0	0	0	0		0	0	0	0
£200,001 to £250,000	0	0	0	0		0	0	0	0
£250,001 to £300,000	0	0	0	0		0	0	0	0
£300,001 to £350,000	0	0	0	0		0	0	0	0
£350,001 to £400,000	0	0	0	0		0	1	1	388,919
	0	**1**	**1**	**13,718**		**0**	**5**	**5**	**419,293**

24. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post- employment schemes:

- The Local Government Pension Scheme, administered locally by Norfolk County Council - this was a funded defined benefit final salary scheme up to 31/03/2014 then replaced with a Career Average Revalued Earnings (CARE) scheme from the 01/04/2014, The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit final arrangement; under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post-employment benefits

The Authority recognises the cost of retirement benefits in the reported 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 post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme 2018/19	Local Government Pension Scheme 2019/20
Comprehensive Income and Expenditure Statement	**£000**	**£000**
Cost of Services:		
Current service cost	3,062	3,639
Past Service Costs loss	503	0
Financing and Investment Income and Expenditure:		
Interest cost	2,986	2,972
Expected return on scheme assets	(1,864)	(1,739)
Total post-employment benefit charged to the surplus/deficit on the provision of services	**4,687**	**4,872**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:		
Actuarial gains and (losses)	(7,279)	9,250
Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement	**2,592**	**(14,122)**
Movement in Reserves Statement:		
Reversal of net charges made to the surplus/deficit for the provision of services for post-employment benefits in accordance with the code	(4,687)	(4,872)
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contributions payable to scheme	**2,258**	**2,680**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2020 is a loss of £25.953m (£35.203m at 31 March 2019).

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Assets and liabilities in relation to post-employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities Local Government Pension Scheme	
	2018/19	2019/20
	£000	£000
Opening Balance at 1 April	110,282	123,246
Current service cost	3,062	3,639
Interest cost	2,986	2,972
Contributions by scheme participants	540	559
Actuarial (gains) and losses	9,219	(14,332)
	(3,097)	(3,298)
Unfunded Benefits paid	(249)	(254)
Past service costs	503	0
Closing Balance at 31 March	**123,246**	**112,532**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	Local Government Pension Scheme
	2018/19	2019/20
	£000	£000
Opening balance at 1 April	69,346	72,602
Expected rate of return	1,864	1,739
Actuarial gains	1,935	(5,082)
Employers contributions	2,014	2,426
Contributions by scheme participants	540	559
Contributions in respect of Unfunded Benefits	249	254
Benefits paid	(3,097)	(3,298)
Unfunded Benefits paid	(249)	(254)
Closing balance at 31 March	**72,602**	**68,946**

Fair Value of Employer Assets

Fair Value of Employer Assets	31 March 2019				31 March 2020			
	Quoted Prices in active markets £(000)	Quoted Prices not in active markets £(000)	Total £(000)	Percentage of Total Assets	Quoted Prices in active markets £(000)	Quoted Prices not in active markets £(000)	Total £(000)	Percentage of Total Assets
ASSET CATEGORY								
Equity Securities:								
Consumer	4,500.3	0.0	4,500.3	6%	2,544.2	0.0	2,544.2	4%
Manufacturing	3,717.9	0.0	3,717.9	5%	2,017.4	0.0	2,017.4	3%
Energy & Utilities	1,625.4	0.0	1,625.4	2%	615.2	0.0	615.2	1%
Financial Institutions	3,936.4	0.0	3,936.4	5%	1,724.6	0.0	1,724.6	3%
Health & Care	1,747.2	0.0	1,747.2	2%	1,593.7	0.0	1,593.7	2%
Information Technology	3,552.8	0.0	3,552.8	5%	2,119.0	0.0	2,119.0	3%
Other	2.5	0.0	2.5	0%	1.1	0.0	1.1	0%
Debt Securities:								
Corporate Bonds (Investment Grade)	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Corporate Bonds (Non-Investment Grade)	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
UK Government	832.0	0.0	832.0	1%	797.9	0.0	797.9	1%
Other	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Private Equity:								
All	0.0	4,482.3	4,482.3	6%	0.0	4,131.9	4,131.9	6%

Fair Value of Employer Assets (cont’d)

Fair Value of Employer Assets (cont'd)

	31 March 2019				31 March 2020			
	Quoted Prices in active markets £(000)	**Quoted Prices not in active markets £(000)**	**Total £(000)**	**Percentage of Total Assets**	**Quoted Prices in active markets £(000)**	**Quoted Prices not in active markets £(000)**	**Total £(000)**	**Percentage of Total Assets**
Real Estate:								
UK Property	0.0	7,186.6	7,186.6	10%	0.0	5,907.8	5,907.8	9%
Overseas Property	0.0	1,387.2	1,387.2	2%	0.0	1,352.8	1,352.8	2%
Investment Funds & Unit Trusts:								
Equities	12,492.7	0.0	12,492.7	17%	19,844.7	0.0	19,844.7	29%
Bonds	25,138.9	0.0	25,138.9	35%	22,657.8	0.0	22,657.8	33%
Infrastructure	0.0	0.0	0.0	0%	0.0	1,917.7	1,917.7	3%
Derivatives:								
Foreign Exchange	(20.0)	0.0	(20.0)	0%	0.0	(96.3)	(96.3)	0%
Other	207.2	0.0	207.2	0%	0.0	0.0	0.0	0%
Cash & Cash Equivalents								
All	0.0	1,812.6	1,812.6	2%	0.0	1,816.5	1,816.5	3%
TOTALS	**57,733**	**14,869**	**72,602**	**100%**	**53,916**	**15,030**	**68,946**	**100%**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £43.6m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2021 is £2.29m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2019.

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

	Local Government Pension Scheme 2018/19	Local Government Pension Scheme 2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1	21.7
Women	24.4	23.9
Longevity at 65 for future pensioners:		
Men	24.1	22.8
Women	26.4	25.5
Pension Increase Rate (CPI)	2.5%	1.9%
Rate of increase in salaries	2.8%	2.6%
Expected Return on Assets	2.8%	2.6%
Rate of discounting scheme liabilities	2.4%	2.3%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2019	31 March 2020
	%	%
Equities	50	50
Bonds	36	34
Property	10	13
Cash	4	3
	100	**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2019/20 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2020.

	2020	2019	2018	2017	2016
	%	%	%	%	%
Difference between the expected and actual return on assets	(7.4)	2.7	1.3	7.2	(0.7)
Experience gains and losses on liabilities	(2.0)	0.2	(0.1)	(1.2)	(1.8)

25. Related Parties

This disclosure note has been prepared using the Council's Register of Members' Declarations of interest in addition to a specific declaration obtained in respect of related party transactions from Members and Chief Officers.

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

Central Government

Central Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits). Grants received from Government departments are set out in the expenditure and income analysed by nature in note 7. Grant receipts outstanding at 31 March 2020 are shown in note 38.

Members & Officers

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in note 21. During 2019/20, works and services to the value of £12,035,500 were commissioned from companies in which 35 members had an interest. Contracts were entered into in full compliance with the Authority's standing orders.

The most significant total values for general expenditure were:

- £10,336,885.01 to Bacton Gas Terminal (Due to NNDC's Sandscaping scheme) in which five members have an interest.
- £298,273.00 linked to the Broads Internal Drainage Board in which seven members had an interest.
- £357,839.70 to NORSE in which one member had an interest.
- £165,967.95 to North Norfolk Sports Centres (grouped as one interest as the intertwine) in which four members had an interest.
- £104,457.11 to the RNLI in which one member had an interest.

In addition, the Authority paid grants totalling £328,823 to voluntary organisations in which 19 members had declared an interest. In all instances, the grants were made with proper consideration of declarations of interest. There were no material expenditure transactions involving Chief Officers.

The most significant total values for grant expenditure were:

- £125,935.00 to the Bacton Gas Terminal.
- £100,751.00 to the Norfolk Rivers Internal Drainage Board.

Income totalling £14,518,793.41 was received from entities in which 29 Members had an interest. There were no material expenditure transactions involving Chief Officers. There were no significant total values for income.

The most significant total values for income were:

- £14,384,152.00 from the Bacton Gas Terminal.

In all instances, the transactions were made with proper consideration of declarations of interest. The relevant persons linked to the above transactions did not take part in any discussion or decision relating to the expenditure/income. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

26. Leases

Authority as Lessee

Finance Leases

The Authority held no Finance Leases as at 31 March 2020.

Operating Leases

The Authority leases property, land, vehicles and items of equipment, including printing and telephony equipment, as part of a number of operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2019	31 March 2020
	£000	£000
Not later than one year	70	55
Later than one year and not later than five years	171	165
Later than five years	206	186
	448	**406**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these Leases was:

	31 March 2019	31 March 2020
	£000	£000
Minimum Lease Payments	85	76
Contingent Rents	68	62
	153	**137**

Authority as Lessor

Operating Leases

The Authority leases out properties under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2019	31 March 2020
	£000	£000
Not later than one year	(257)	(241)
Later than one year and not later than five years	(748)	(603)
Later than five years	(411)	(343)
	(1,417)	**(1,188)**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

27. Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2018/19	2019/20
	£000	£000
Rental income from investment property	19	64
Direct operating expenses arising from investment property	(95)	(125)
Net gain/(loss)	**(76)**	**(62)**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2018/19	2019/20
	£000	£000
Opening Balance	875	923
Additions:		
- Purchases	237	0
Net gains/losses from fair value adjustments	(189)	(92)
Transfers:		
- To/from property, plant and equipment	0	0
Closing Balance	**923**	**831**

The changes identified in the table above are as a result of the properties being revalued in year. No further transfers, additions or disposals have taken place.

Fair Value hierarchy

The Authority's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policies for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

The fair value of investment property has been measured using a market approach, which takes into account either direct or indirect observable inputs for the asset. These inputs took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

There has been no change in the valuation techniques used during the year for investment properties.

These assets have been revalued as at 31st March 2020, by Wilks Head & Eve.

28. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets would include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to software currently used by the Authority are identified below:

			Other Assets
5 years			All Software

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £400,712 charged to Revenue in 2019/20 (£76,457 in 2018/19) was charged to the following lines within the income statement; Planning Services (£47,062), Finance and Assets (£236,025), Customer Services (£105,194) and CLT / Corporate (£12,430).

The movement on intangible asset balances during the year is as follows:

	2018/19		2019/20	
	Other Assets	Total	Other Assets	Total
	£000	£000	£000	£000
Opening Balance:				
Gross carrying amounts	1,754	1,754	1,954	1,954
Accumulated amortisation	(1,305)	(1,305)	(1,382)	(1,382)
Net carrying amount at start of year	**449**	**449**	**573**	**573**
Additions:				
- Purchases	122	122	144	144
- Transfers in	78	78	521	521
Amortisation:				
- Amortisation for the period	(76)	(76)	(324)	(324)
- Transfers in	0	0	(77)	(77)
Closing Balance	**574**	**574**	**838**	**838**

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29. Impairment Losses

An impairment review was undertaken for the financial year 2019/20. The review identified that due to the type and use of properties, and taking into consideration their location with Norfolk and the Eastern region, it was not considered that any economic changes within the period would result in the assets being affected by economic impairment. As such the Authority has not recognised any impairment losses within the financial accounts for 2019/20 (£0 in 2018/19).

30. Property, Plant and Equipment

Movement on Balances

Movement in 2019/20:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
At 1 April 2019	38,380	13,972	16,891	2,138	233	7,057	78,672
Additions	446	774	0	0	0	25,147	26,367
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	(1,005)	0	0	0	0	0	(1,005)
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(1,219)	0	0	0	0	0	(1,219)
Derecognition - disposals	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	(577)	(577)
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	652	(298)	(282)	(49)	0	(612)	(589)
At 31 March 2020	**37,254**	**14,448**	**16,609**	**2,089**	**233**	**31,015**	**101,648**

Movement in 2019/20:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment:							
At 1 April 2019	2,485	10,171	10,734	107	31	0	23,527
Depreciation charge	727	779	508	19	0	0	2,033
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	(1,432)	0	0	0	0	0	(1,432)
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(367)	0	0	0	0	0	(367)
Derecognition - disposal	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Eliminated on reclassification to assets held for sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	15	(41)	(15)	(0)	0	0	(41)
At 31 March 2020	**1,427**	**10,907**	**11,228**	**126**	**31**	**0**	**23,718**
Net Book Value							
At 31 March 2020	**35,827**	**3,541**	**5,382**	**1,963**	**202**	**31,015**	**77,930**
At 31 March 2019	**35,895**	**3,802**	**6,157**	**2,031**	**202**	**7,057**	**55,145**

Comparative Movements in 2018/19:

Comparatives for 2018/19	**Other Land and Buildings**	**Vehicles, Plant and Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total Property Plant and Equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation:							
At 1 April 2018	38,078	13,557	16,891	2,138	228	3,512	74,405
Additions	526	416	0	0	0	3,625	4,567
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	272	0	0	0	0	0	272
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(498)	0	0	0	5	0	(493)
Derecognition - disposals	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	2	0	0	0	0	(80)	(79)
At 31 March 2019	**38,380**	**13,972**	**16,891**	**2,138**	**233**	**7,057**	**78,672**

Comparative Movements in 2018/19:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment:							
At 1 April 2018	1,892	9,149	10,232	87	31	0	21,392
Depreciation charge	696	1,022	499	21	0	0	2,238
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	(103)	0	0	0	0	0	(103)
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0	0
Derecognition - disposal	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Eliminated on reclassification to assets held for sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
At 31 March 2019	**2,485**	**10,171**	**10,734**	**107**	**31**	**0**	**23,527**
Net Book Value							
At 31 March 2019	**35,895**	**3,802**	**6,157**	**2,031**	**202**	**7,057**	**55,145**
At 31 March 2018	**36,186**	**4,409**	**6,660**	**2,052**	**197**	**3,512**	**53,013**

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Capital Commitments

The major commitments relate to the following Schemes:

	2018/19	2019/20
	£	£
Bacton to Walcott Coastal Management Scheme	500,000	0
North Norfolk Sports Hub	278,000	0
Splash Reprovision	0	9,020,980
Splash Gym Equipment	0	640,000
	778,000	9,660,980

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. During the intervening years reviews are conducted to ensure the carrying value of assets are not materially different from their fair values. Impairment reviews are also undertaken on the portfolio on an annual basis to ensure that the carrying value of assets is not overstated. For the 2019/20 accounts the programme of valuations have been carried out by Wilks Head & Eve. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset. Further details regarding the valuations are provided within the Statement of Accounting Policies which starts on page 10.

All revaluations have been undertaken as at 31st March 2020.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted many aspects of daily life and the global economy with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the valuation date, in the case of the assets valued for the 2019/20 accounts, there is a shortage of market evidence to compare to previous market evidence for comparison purposes, to inform opinions of value. The valuation of these assets are therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. For the avoidance of doubt, the inclusion of the ‘material valuation uncertainty’ declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that in the current extraordinary circumstances less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and, following review by the Council, does not indicate that the valuation of assets held on the Balance Sheet is materially misstated as at 31 March 2020.

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	443	14,448	16,609	1,904	0	31,015	**64,421**
Valued at fair value as at:							
31 March 2020	26,756	0	0	0	0	0	**26,756**
31 March 2019	1,392	0	0	0	8	0	**1,400**
31 March 2018	497	0	0	40	0	0	**537**
31 March 2017	795	0	0	144	0	0	**939**
31 March 2016	7,370	0	0	0	225	0	**7,596**
Total Cost or Valuation	**37,254**	**14,448**	**16,609**	**2,089**	**233**	**31,015**	**101,648**

31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2018/19	**2019/20**
	£000	**£000**
Opening Capital Financing Requirement	3,899	3,140
Capital Investment:		
Property, plant and equipment	4,377	26,291
Property, Plant and Equipment - embedded finance leases		
Investment properties	253	0
Intangible assets	296	218
Revenue expenditure funded from capital under statute	1,391	2,500
Long Term Debtor	0	
Sources of finance:		
Capital receipts	(3,480)	(2,339)
Government grants and other contributions	(1,301)	(23,447)
Sums set aside from revenue:		
- Direct Revenue Contributions	(1,537)	(2,656)
- Minimum Revenue Provision	(355)	0
Sums set aside from Capital Receipts:		
- in lieu of MRP	(404)	(269)
Closing Capital Financing Requirement	**3,140**	**3,437**
Explanations of movements in year		
Capital finance reversal following write out to revenue	0	567
Increase in underlying need to borrow (supported by government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by government financial assistance)	(0)	0
Capital receipts applied in lieu of MRP	(404)	(269)
Assets acquired under finance leases	(355)	0
(Decrease) in Capital Financing Requirement	**(759)**	**298**

32. Assets Held for Sale

During the financial year, no assets have been reclassified as Assets Held for sale. One asset previously classified as Held for Sale at 31st March 2020 is no longer being disposed of.

		2018/19		2019/20
		£000		£000
Balance Brought Forward		**894**		**719**
Assets Newly Classified as Held for Sale:				
Property, Plant and Equipment		0		0
Assets Sold		(192)		0
Other Movements		17		(7)
Balance Carried Forward		**719**		**712**

33. Receivables

Receivables represent the amounts owed to the Authority at 31 March 2020 and are analysed below. This figure is split between Long term -amounts not falling due within 1 year, and Short Term - amounts falling due within 1 year of the Balance Sheet date.

The Authority makes an allowance for outstanding amounts for which recovery of receivables is not anticipated (bad debt provision). Receivables are shown net of the bad debt provision within the Balance Sheet.

	Long Term		Short Term	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
Central government bodies	0	0	2,380	1,755
Other local authorities	0	0	337	265
NHS bodies	0	0	0	48
Other entities and individuals*	2,958	2,569	3,175	3,779
Sub Total	**2,958**	**2,569**	**5,892**	**5,847**
Less: Bad Debt Provision				
General Fund	0	0	(1,180)	(1,235)
Collection Fund	0	0	(167)	(226)
Sub Total	**0**	**0**	**(1,347)**	**(1,461)**
Total	**2,958**	**2,569**	**4,545**	**4,386**

*** Breakdown of Short Term Receivables - significant entries within the other entities and individuals category**

	31 March 2019	31 March 2020
	£	£
Insurance Contract Payment in Advance	174,552	337,633
Council Tax and Business Ratepayer Debtors	749,812	1,154,514
Housing Benefit Overpayments being recovered by invoice and deductions from ongoing benefit	1,255,137	1,126,501
Victory Houing Vat Sharing Agreement	21,272	0
Capital Contributions	182,382	0
Broadland Housing Association	134,615	269,230
Other smaller receivables	656,870	890,666
Total	**3,174,640**	**3,778,544**

34. Payables

Payables represent the amounts owed by the Authority at 31 March 2020.

	31 March 2019	31 March 2020
	£000	£000
Central government bodies	(3,958)	(5,670)
Other local authorities	(3,526)	(4,277)
Other entities and individuals*	(5,007)	(4,409)
Sub Total	**(12,491)**	**(14,356)**
Less: Capital Receipts in Advance		
Central government bodies	697	1,121
Other local authorities	87	51
Sub Total	**784**	**1,172**
Total	**(11,707)**	**(13,184)**

*** Breakdown of significant entries within the other entities and individuals category**

	31 March 2019	31 March 2020
	£	£
Waste and recycling contract payments	377,727	430,285
Rent Allowance payments to benefit claimants	1,767,311	388,554
Car Park Management Fee	0	198,640
Council Tax and Business Rate payer prepayments	391,786	306,631
Planning Developer Contributions Receipts in Advance	430,134	1,276,436
NNDC Employee Accumulated Absences provision	269,862	152,704
Capital Creditors	726,820	481,437
Other smaller	1,043,767	1,174,819
Total	**5,007,407**	**4,409,506**

35. Provisions

The Authority has set aside a provision for potential liabilities as a result of alternations to Business Rates rateable values. The total liability is shared in accordance the Business Rate Retention Scheme proportionate shares applicable for the Authority, Central Government and Norfolk County Council.

	Balance 1 April 2019	Additional Provisions Made in 2019/20	Amounts Used in 2019/20	Balance 31 March 2020
	£	£	£	£
NNDR Rating List Changes - Total Collection Fund	4,276,244	(2,162,137)	(511,781)	1,602,326
NNDC Share	1,710,498	(918,908)	(217,507)	680,989

The Authority has no other outstanding legal cases in progress or other potential liabilities that require provisions to be made.

36. Contingent Liabilities

At 31 March 2020, the Authority had the following material contingent liabilities:

(a) **Housing Stock Transfer** - As part of the legal agreements associated with the transfer of the housing stock to the Victory Housing Trust in 2006/07, the Authority provided a number of environmental and non-environmental warranties, guarantees and indemnities to the Trust and its Lenders.

The risks associated with these warranties and indemnities have been assessed following professional advice and where felt appropriate the Authority has, or is making, arrangements to transfer some of the potential risks. Specifically, insurance has been arranged in respect of the environmental warranties.

To the extent that claims have to be met some time in the future beyond those covered by the environmental warranty insurance and the pension bond, the Authority discloses a contingent liability.

(b) **Benefits** - There is a risk of potential claw back from the Department of Works and Pensions following the final audit and sign off the year end subsidy claim. To mitigate the impact of any claw back there is an earmarked reserve for which the balance stood at £897,959 at 31 March 2020.

(c) **NNDR Mandatory Relief -** The Authority has received a claim for mandatory Business Rates relief from a local NHS Trust on the basis of charitable status. No decision to grant relief to the Trust has yet been made and is subject to ongoing investigation. The view of the Authority is that the claim is unfounded. A court decision has supported the Council's position, although the NHS Trusts have now been given leave to appeal. The timing, probability and amount of any relief given are therefore uncertain at the current time.

37. Contingent Assets

In accordance with IAS 37 Provisions, Contingent Liabilities & Contingent Assets the Authority has identified the following contingent assets:

(a) **Freehold Reversions for Shared Equity Dwellings –** The Authority has acquired a share in the freehold reversions for shared equity dwellings. The Authority does not benefit from any ongoing rental income in relation to these properties, and will not realise the equity share unless the properties owners buy the Authority out of the agreement. As the value of these properties to the Authority is contingent upon this action the assets have not been recognised within the financial statements. The current market value of the properties is £5,033,011, with the Authority's share amounting to £1,419,486.

38. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure accounts in 2019/20.

		2018/19	2019/20
Credited to Taxation and Non Specific Grant Income		**£000**	**£000**
	Revenue Support Grant	(536)	0
	Business Rates	(5,211)	(7,240)
	New Homes Bonus	(1,150)	(1,211)
	Rural Services Delivery Grant	(484)	0
	Council Tax Family Annexe Discount	(29)	(33)
	Capital Grants and Contributions	(258)	(22,276)
	Total	**(7,667)**	**(30,761)**
Credited to Services			
	DWP - Rent Allowances	(24,466)	(21,814)
	DWP - Admin Subsidy	(387)	(463)
		(24,852)	**(22,277)**
	Arts Council England	(20)	(7)
	Cabinet Office	(52)	(408)
	Ministry of Housing Communities and Local Govt (MHCLG)	(1,577)	(1,621)
	Norfolk County Council	(599)	(223)
	Sport England	(14)	0
	Other Grants & Contributions	(121)	(91)
	Total	**(27,234)**	**(24,627)**
	Total Revenue Grants Received	**(34,901)**	**(55,388)**

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The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2019	31 March 2020
	£000	**£000**
Capital Grant Receipts in Advance		
Travellers Site	61	20
Disabled Facilities Grant	586	642
Bacton Sandscaping	51	460
Egmere	36	0
Cromer West Prom	50	50
Total	**784**	**1,172**

39. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

FINANCIAL INSTRUMENTS - BALANCES				
Long-term 31-Mar-19 £000	**Current 31-Mar-19 £000**	**Financial Liabilities**	**Long-term 31-Mar-20 £000**	**Current 31-Mar-20 £000**
		Loans at amortised cost:		
0	3,000	- Principal sum borrowed	0	5,000
0	1	- Accrued Interest	0	4
0	3,001	**Total Borrowing**	0	5,004
		Loans at amortised cost:		
0	0	- Bank overdraft	0	0
0	0	**Total Cash Overdrawn**	0	0
		Liabilities at amortised cost:		
0	3,458	- Trade payables	0	2,613
0	0	- Finance leases	0	0
0	3,458	**Included in Creditors**	0	2,613
0	6,459	**Total Financial Liabilities**	0	7,617

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Long-term 31-Mar-19 £000	Current 31-Mar-19 £000	Financial Assets	Long-term 31-Mar-20 £000	Current 31-Mar-20 £000
		At amortised cost:		
0	4,254	- Principal	0	0
0	13	- Accrued Interest	0	0
0	-1	- Loss Allowance	0	0
		At fair value through profit & loss:		
0	232	- Accrued Interest	0	77
33,371	0	- Fair Value	30,036	0
33,371	4,498	**Total Investments**	30,036	77
		At amortised cost:		
0	1,083	- Principal	0	0
		At fair value through profit & loss:		
0	2,201	- Fair Value	0	6,585
0	3,284	**Total Cash and Cash Equivalents**	0	6,585
		At amortised cost:		
0	674	- Trade receivables	14	2,040
2,958	135	- Loans made for service purposes	2,558	269
0	0	- Accrued Interest	0	0
0	(3)	- Loss Allowance	(3)	0
2,958	806	**Included in Debtors**	2,569	2,309
36,329	8,588	**Total Financial Assets**	32,605	8,971

The debtors and creditors lines on the Balance Sheet include £3,793,277 short term debtors and £11,732,330 short term creditors that do not meet the definition of a financial instrument as they are non-exchange transactions.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset against each other where the Authority has a legally enforceable right to offset and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet. The Authority had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

	2018/19				2019/20		
	Assets	**Liabilities**	**Net position on Balance Sheet**		**Assets**	**Liabilities**	**Net position on Balance Sheet**
	£000	£000	£000		£000	£000	£000
Financial Assets							
- Bank accounts in hand	615	(507)	108		1,478	(1,164)	314
Financial Liabilities							
- Bank overdrafts	507	(507)	0		1,164	(1,164)	0

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

		Financial Liabilities	Financial Assets		
	2018/19 Total	Amortised Cost	Amortised Cost	Fair Value through Profit & Loss	2019/20 Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	(24)	(39)	0	0	(39)
Losses from changes in fair value	(6)	0	0	0	0
Impairment losses	(7)	0	0	0	0
Interest payable and similar charges	**(37)**	**(39)**	**0**	**0**	**(39)**
Interest income	219		129	38	167
Dividend income	1,076		0	1,079	1,079
Gains from changes in fair value	371		0	0	0
Losses from changes in fair value	(106)		0	(3,311)	(3,311)
Impairment loss reversals	3		0	0	0
Interest and investment income	**1,563**	**0**	**129**	**(2,194)**	**(2,065)**
Net impact on surplus/deficit on provision of services	**1,526**	**(39)**	**129**	**(2,194)**	**(2,104)**
Impact on other comprehensive income	**0**	**0**	**0**	**0**	**0**
Net Gain/(Loss) for the year	**1,526**	**(39)**	**129**	**(2,194)**	**(2,104)**

Fair values of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020. The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Fair Value 31 March 2019 £000s		Fair Value Level	Balance Sheet 31 March 2020 £000s		Fair Value 31 March 2020 £000s
	Financial liabilities held at amortised cost:				
6,459	Liabilities for which fair value is not disclosed		7,617	*	
6,459	**Total Financial Liabilities**		**7,617**		
	Recorded on the balance sheet as:				
3,001	Short-term borrowing		5,004		
3,458	Short-term creditors		2,613		
6,459	**Total Financial Liabilities**		**7,617**		

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

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Fair Value 31 March 2019 £000		Fair Value Level	Balance Sheet 31 March 2020 £000	Fair Value 31 March 2020 £000
	Financial assets held at fair value:			
2,201	Money Market Funds	1	6,585	
33,604	Pooled Funds	1	30,036	
	Financial assets held at amortised cost:			
2,251	Covered Bonds	1	0	0
38,056	**Total**		36,621	
6,990	Assets for which fair value is not disclosed		4,944 *	
45,046	**Total Financial Assets**		**41,565**	
	Recorded on the balance sheet as:			
33,371	Long-term investments		30,036	
2,958	Long-term debtors		2,569	
4,498	Short-term investments		77	
943	Short-term debtors		2,309	
3,284	Cash and Cash Equivalents		6,585	
45,054	**Total Financial Assets**		**41,576**	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

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40. Nature and Extent of Risks arising from Financial Instruments

The Authority complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

To comply with the Treasury Management Code, the Authority approves a Treasury Management Strategy before the commencement of each financial year which sets out the parameters for the management of risks associated with Financial Instruments. The Authority also produces Treasury Management Practices specifying the practical arrangements to be followed to manage those risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with Central Government's Investment Guidance to Local Authorities. The guidance defines a prudent investment policy as having the two objectives of security (protecting the capital sum from loss) and then liquidity (keeping adequate funds readily available for expenditure when needed). The Authority's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

- credit risk - the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk - the possibility that unplanned financial loss might arise for the Authority as a result of changes in such measures as interest rates, market process etc.

Credit Risk- Treasury Investments

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

The security and liquidity of the funds invested are the primary objective of the Authority's treasury management activities. The Authority selects countries and the institutions within them as suitable counterparties for investment after analysis and careful monitoring of credit ratings and a range of economic indicators and financial information are taken into account.

The table below shows the credit criteria exposures of the Authority's investment portfolio by credit rating.

Credit Rating	Long Term	Short Term	Long Term	Short Term
	31 March 2019	31 March 2019	31 March 2020	31 March 2020
	£000	£000	£000	£000
AAA	4,497	2,201	4,446	6,268
AA+	0	0	0	0
AA	1,491	0	1,495	0
AA-	0	0	0	0
A+	0	0	0	0
A	0	0	0	0
A-	0	0	0	0
Unrated	0	2,007	0	0
Total	**5,988**	**4,208**	**5,941**	**6,268**
Credit Risk not applicable	27,359	0	24,116	0
Total Investments	**33,347**	**4,208**	**30,057**	**6,268**

Credit risk is not applicable to shareholdings and pooled funds where the Authority has no contractual right to receive any sum of money.

The Authority has no historical experience of counterparty default and the Authority does not anticipate any losses from default in relation to any of its current investments. No credit limits were exceeded in the financial year.

None of the above were identified as past due during the year.

Loss allowances on treasury investments have been calculated by reference to historic default data. A delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit impaired when awarded a “D” credit rating or equivalent. At 31st March 2020, £0 (2019 £656) of loss allowances related to treasury investments.

Credit Risk – Loans

The Authority’s has an exposure to credit risk through a loan to a housing association. This is collateralised by charges secured on residential property which are owned by the housing association. The value of the collateral is greater than 110% of the carrying value of the loan. The Authority assessed the credit quality of the housing association prior to advancing the loan and it was satisfactory. The Authority managed the credit risk inherent in its loans for service purposes in line with its published Investment Strategy.

Loss allowances on loans for service purposes have been calculated by reference to indicative interest rates adjusted for current economic conditions. They are determined to have suffered a significant increase in credit risk where the counterparty has dropped by two or more rating notches, and the new rating is below investment grade. They are determined to be credit impaired when receiving a “D” indicative rating.

Borrower	Exposure type	Balance Sheet 31/03/2020 £000	Risk Exposure 31/03/2020 £000	Balance Sheet 31/03/2019 £000	Risk Exposure 31/03/2019 £000
Broadland Housing Association	Loan at market rates	2,827	2,827	3,096	3,096
TOTAL		2,827	2,827	3,096	3,096

Credit Risk - Receivables

In addition to treasury investments, the Authority is exposed to credit risk from its customers. However the Authority has put in place appropriate debt recovery procedures to manage this risk and minimise any loss.

The age analysis of trade receivables which are past due date but are not impaired is shown below.

	31 March 2019 £000s	31 March 2020 £000s
Less than three Months	27	47
Three months to one year	30	27
More than one year	6	4
	63	**78**

A loss allowance of £75,911 has been made against debts which are past their due date. The factors the Authority consider in determining if a trade debt is impaired include the age of the debt; the default history of the debtor; the proportion of the original debt which is still outstanding and the recovery stage of the debt. The Authority’s maximum exposure to trade debts is £451,523.

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Authority has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Authority will be unable to raise finance to meet its commitments. The Authority does not currently have any long-term debt and therefore does not have any maturing liabilities for which funds would be required.

	2019/20			2018/19		
	Liabilities	Assets	Net Assets	Liabilities	Assets	Net Assets
Time to maturity (years)	£000	£000	£000	£000	£000	£000
Not over 1	(11,074)	8,971	(2,103)	(6,459)	8,725	2,266
Over 10	0	2,558	2,558	0	2,958	2,958
No fixed maturity	0	30,036	30,036	0	33,371	33,371
Total	(11,074)	41,565	30,491	(6,459)	45,054	38,595

Market risk

Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its investments and borrowing. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effect:

- Investments at variable rates – the interest income will rise.
- Investments at fixed rates – the fair value of the assets will fall.
- Borrowings at fixed rates – the fair value of the liabilities will fall
- Borrowings at variable rates – the interest expense will rise.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. The money markets and interest rate forecasts are monitored to adjust exposures to fixed and variable rates appropriately. For example, during periods of falling interest rates fixed rate investments may be made for longer periods to secure better returns.

If interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31/03/2020 £000	31/03/2019 £000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on vairable rate investments	34	37
Decrease in fair value of investments held at FVPL	(302)	(321)
Impact on the Surplus or Deficit on the Provision of Services	(268)	(284)
Decrease in fair value of invstments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	(268)	(284)
Decrease in fair value of loans and investments at amortised cost	0	(5)
Decrease in fair value of fixed rate borrowing	0	0

Price risk

The market prices of the Authority's bond investments and its units in pooled funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk. The Authority invests in funds with underlying assets in property, equity and bonds. A 1% rise in interest rise will reduce the fair value of pooled funds that invest in bonds by £302,125; a 5% fall in the price of equity would result in a £390,853 fall in fair value and a 5% fall in the price of property would result in a £340,184 fall. These changes would result in a charge to Other Comprehensive Income and Expenditure.

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Foreign Exchange Risk

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

41. Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31st March 2023, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

Our most recent year-end balances, as reported in these statements are as follows:

Date	General Fund	Earmarked reserves
31/03/20	£2.4m	£16.8m

Our expected General Fund (GF) and Earmarked Reserve position has a predicted balance of £2.164m and £15.414m as at 31 March 2023. This remains above our minimum level of GF balances as set by our Chief Finance Officer (CFO) of £2.1m.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing (other than to support the capital programme which is consistent to our plans and normal practice).

The key assumptions within this forecast included;

- Assumptions around spending levels;
- Assumptions around internally and locally driven income levels, such as car parking, planning fees and investment returns;
- A council tax increase of £4.95 for a Band D property

A Zero Based Budget (ABB) exercise has been undertaken for the 2022/23 financial year so all income and expenditure budgets have been fundamentally reviewed.

The Final Settlement figures for 2022/23 were announced on 7th February 2022 so all central government funding figures are now known.

We have considered a downside scenario where the key assumptions are tested and various alternative scenarios modelled and the above projections would not be significantly affected with both minimum levels of reserves and liquidity remaining through the same period. These forecasts can be found within the 2022/23 Cabinet budget papers which start on page 153 of the agenda.

On this basis, the Council have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

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2018/19		COLLECTION FUND		2019/20		
			Notes	Council Tax	Business Rates	Total
£000				£000	£000	£000
(1,063)		Opening Balance Surplus (-) / Deficit 1 April		(1,953)	(967)	(2,920)
		Income				
(71,381)		Council Tax	(4 & 5)	(74,672)		(74,672)
(29,099)		Business Rates	(2)		(28,998)	(28,998)
		Contributions to Previous Year Estimated Deficit				
(180)		- North Norfolk District Council				
(45)		- Norfolk County Council				
(225)		- Central Governement				
(100,930)		**Total Income**		**(74,672)**	**(28,998)**	**(103,670)**
		Expenditure				
		Precepts and Demands:	(3)			
7,941		- North Norfolk District Council (including Parish Councils)		8,434		8,434
52,703		- Norfolk County Council		55,336		55,336
9,130		- Office of the Police & Crime Commissioner for Norfolk		10,280		10,280
		Proportionate Shares:				
10,014		- North Norfolk District Council			10,896	10,896
2,504		- Norfolk County Council			8,332	8,332
12,518		- Central Government			6,410	6,410
		Disregarded Amounts:				
61		- Enterprise Zone Growth			44	44
624		- Renewable Energy			223	223
		Distribution of Previous Year Estimated Surplus:	(3)			
179		- North Norfolk District Council		197	442	639
1,162		- Norfolk County Council		1,310	110	1,420
202		- Office of the Police & Crime Commissioner for Norfolk		227		227
0		- Central Governement			552	552
252		Change in Allowance for Impairment	(7)	237	148	385
248		Allowance for Cost of Collection			253	253
(499)		Appeals Charged to Collection Fund			(512)	(512)
2,033		Change in Provision for Appeals			(2,162)	(2,162)
99,072		**Total Expenditure**		**76,021**	**24,736**	**100,757**
(1,858)		Movement in Collection Fund Balance During Year		1,349	(4,262)	(2,913)
(2,921)		**Closing Cumulative Surplus (-) / Deficit 31 March**	(6)	**(604)**	**(5,229)**	**(5,833)**

1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Billing Authority in relation to the collection from taxpayers of Council tax and National Non-Domestic Rates (NNDR) and its distribution to Local Government bodies and Central Government. The Collection Fund is consolidated with the other accounts of the billing authority for Balance Sheet purposes.

2. Income from Business Ratepayers

The Authority collects NNDR from ratepayers based on local rateable values provided by the Valuation Office Agency, multiplied by a uniform Business Rate in the £ set nationally by Central Government. The total rateable value for the District was £83,834,915 on 31 March 2020 (£81,871,509 on 31 March 2019). The national multipliers for 2019/20 were 49.1p for qualifying Small Businesses (48.0p in 2018/19), and the standard multiplier was set at 50.4p for all other businesses (49.3p in 2018/19).

The net income from Business Rate payers was £29,795,584 (£29,099,476 in 2018/19) after £1,280,558 of transitional protection payments due from Central Government. The transitional protection scheme provided protection to ratepayers from large changes in their bills following revaluations of their business by phasing in changes gradually. This meant that a billing authority collected more or less rates than would otherwise be the case, and Government Regulations make provision for adjusting payments to be made to or from billing authorities.

3. Precepts and Demands

The authorities that made a precept or demand on the Collection Fund are:

Net Payment 2018/19 £000		Precept / Demand £000	Collection Fund Surplus £000	Net Payment 2019/20 £000
8,121	North Norfolk District Council (including Parish Precepts)	8,434	198	8,632
53,865	Norfolk County Council	55,336	1,310	56,646
9,332	Office of the Police & Crime Commissioner for Norfolk	10,280	227	10,507
71,318	**Total**	**74,050**	**1,735**	**75,785**

4. The Council Tax Base for 2019/20 is as follows:

Therefore each £1 of Council Tax set was calculated to produce income of £40,621 (£39,844 in 2018/19).

Valuation Band	Number of Chargeable Dwellings Adjusted for Discounts		Equivalent Number of Band D Dwellings		Equivalent Number of Band D Dwellings Adjusted for Non-Collection	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
A	7,827	8,004	5,215	5,305	5,137	5,252
B	11,031	11,106	8,580	8,703	8,451	8,616
C	9,820	9,866	8,729	8,864	8,598	8,775
D	7,846	7,915	7,846	7,981	7,728	7,901
E	4,379	4,384	5,352	5,411	5,272	5,357
F	2,073	2,092	2,995	3,034	2,950	3,004
G	955	950	1,591	1,591	1,567	1,575
H	72	72	143	142	141	141
Total Tax Base	**44,003**	**44,389**	**40,451**	**41,031**	**39,844**	**40,621**

5. Band D Tax Rate

This Authority set a Council tax of £1,764.09 for a band D dwelling, (£1,695.69 in 2018/19), which consisted of £1,362.24 (£1,322.73 in 2018/19) for Norfolk County Council, £253.08 (£229.14 in 2018/19) for the Office of the Police & Crime Commissioner for Norfolk and £148.77 (£143.82 in 2018/19) for the District's requirements. Sums ranging from nil to £108.14 (nil to £110.78 in 2018/19) were charged in addition for parish and town council requirements.

The calculation of the District’s Council tax is made by dividing its demand on the Collection Fund by the equivalent number of Band D dwellings in the area (the Tax Base). An adjustment is made to the Tax Base to take into account the anticipated non-collection of amounts due.

Discounts are given for empty and other properties, in respect of students, disabled people, single occupiers and those in receipt of support under the Local Council Tax Support Scheme. Since 2004/05 the Authority has implemented the provisions of the Local Government Act 2003 and exercised its discretionary powers to reduce or eliminate discounts on certain empty properties and second homes. Further reforms in the Local Government Finance Act 2012 gave the Authority new flexibilities to vary Council tax on second homes and empty dwellings, and to apply a premium on empty properties.

6. Balances

The total balance is attributed as follows:

31 March 2019		Share of Balance	31 March 2020		
Total			Council Tax	Business Rates	Total
£			£	£	£
(609,132)		North Norfolk District Council	(68,813)	(2,226,044)	(2,294,857)
(1,570,875)		Norfolk County Council	(451,616)	(1,730,466)	(2,182,082)
(257,437)		Office of the Police & Crime Commissioner for Norfolk	(83,895)	0	(83,895)
(483,398)		Central Government	0	(1,273,183)	(1,273,183)
(2,920,842)		**Total**	**(604,324)**	**(5,229,693)**	**(5,834,017)**

7. Bad Debt Provision

The Collection Fund account provides for bad debts on arrears based on historical experience of non-payment and the age of debt.

Subject to Audit

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

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

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

Balance Sheet - The Authority's financial position at the year end. It summarises what the respective assets and liabilities are.

Business Rates - Business or National Non-Domestic Rates are collected from occupiers of business properties based upon a rateable value and a nationally set rate. They are collected by each authority and nationally determined proportionate shares are paid to the Government and Norfolk County Council with a share retained by the authority.

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

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

Capital Financing Requirement (CFR) - The Capital Financing Requirement represents the Authority’s underlying need to borrow for capital purposes.

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

Collection Fund - The account which contains all the transactions relating to community charge, council tax and business rates together with the payments to this Authority, Norfolk County Council and Norfolk Police Authority to meet their requirements.

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

Corporate and Democratic Core - Costs relating to the Authority’s status as a multi-functional, democratic organisation.

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

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

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

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

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

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

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

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

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

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

International Accounting Standard 19 (IAS 19) - The requirement for Local Authorities to include the forecast cost of future pensions in the accounts on a notional basis.

International Financial Reporting Standards (IFRS) – A set of international accounting standards stating how particular types of transactions and other events should be reported in Financial Statements. IFRS are issued by the International Accounting Standards Board.

Large Scale Voluntary Transfer (LSVT) - The process of transferring Council House stock from a local Authority to a Registered Social Landlord. North Norfolk District Council transferred its housing stock to North Norfolk Housing Trust in February 2006.

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

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

Liabilities - This shows what the Authority owes for borrowing, payables etc. at the Balance Sheet date.

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

National Non-Domestic Rate (NNDR) - National Non-Domestic Rate (NNDR) is set by the Government and collected by each authority and nationally determined proportionate shares are paid to the Government and Norfolk County Council with a share retained by the authority.

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

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

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

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

Prudential Code - Professional code of practice developed by CIPFA which came into effect from the 1 April 2004 to ensure Local Authorities Capital investment plans are affordable, prudent and sustainable. 'The code allows authorities to undertake borrowing to finance capital expenditure as long as they can demonstrate affordability. '

Receivables - Sums which at 31 March are owing to the Authority.

Reserves - Accumulated balances built up from excess of income over expenditure or sums that have been specifically identified for a particular purpose which are known as earmarked reserves.

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

Revenue Contribution to Capital (or Direct Revenue Financing) - Use of revenue resources to finance capital expenditure.

Revenue Expenditure - The day to day running expenses on the services provided.

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

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

Revenue Support Grant (RSG) - Grant paid by central government to aid Local Authority services in general as opposed to specific grants which may only be used for a specific purpose.

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

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

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

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

GLOSSARY OF ACRONYMS

CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
IAS	International Accounting Standards
ICT	Information Communication Technology
IFRS	International Financial Reporting Standard
LSVT	Large Scale Voluntary Transfer
MRP	Minimum Revenue Provision
NNDC	North Norfolk District Council
REFCUS	Revenue Expenditure Funded from Capital Under Statute
RSG	Revenue Support Grant
SERCOP	Service Reporting Code of Practice
SORP	Statement of Recommended Practice
TIC	Tourist Information Centre
UK GAAP	United Kingdom - Generally Accepted Accounting Principles

Draft Statement of Accounts

2019/2020

NORTH NORFOLK DISTRICT COUNCIL HOLT ROAD,
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NORTH NORFOLK DISTRICT COUNCIL
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22 March 2022

Mark Hodgson
Executive Director
Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Dear Mark,

North Norfolk District Council – 2019/20 financial year Request for a letter of representation

This letter of representation is provided in connection with our audit of the financial statements of North Norfolk District Council ("the Council") for the year ended 31 March 2020.

I recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of North Norfolk District Council as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

I understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, I make the following representations, which are true to the best of my knowledge and belief, having made such inquiries as I considered necessary for the purpose of appropriately informing yourselves:

A. Financial Statements and Financial Records

1. I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. I acknowledge as a member of management of the Council, my responsibility for the fair presentation of the council's financial statements. I believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. I have approved the council financial statements.

3. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As a member of management of the Council, I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. I have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. I believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by the auditors during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There are no unadjusted differences identified during the current audit and pertaining to the latest period presented.

6. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls

B. Non-compliance with law and regulations, including fraud

1. I acknowledge that I am responsible for determining that the Council's activities are conducted in accordance with laws and regulations and that I am responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. I have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
- Additional information that we have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to Covid-19 and the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. I have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 30 March 2022.

4. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.

6. I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

7. That from the date of my last management representation letter to you, through the date of this letter, I have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of my knowledge is reasonably likely to have occurred based on my investigation, including of reports submitted to me by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

5. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that I have given to third parties.

E. Subsequent Events

1. Other than described in Note 5 to the financial statements, there have been no events, including events related to Covid-19 and the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Accounting Estimates

1. I believe that the significant assumptions I have used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

   - I believe the measurement processes, including related assumptions and models, I have used in determining accounting estimates is appropriate and the application of these processes is consistent.

- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions I have used in making accounting estimates appropriately reflects the intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

1. I confirm that the financial statements reflect the operating segments reported internally to the Council.

H. Going Concern

1. The Council has prepared the financial statements on a going concern basis and that Note 41 to the financial statements discloses all of the matters of which you are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).

J. Reserves

1. I have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

K. Valuation of Property, Plant and Equipment Assets

1. I agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. I did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

2. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

3. I confirm that the significant assumptions used in making the valuation of assets appropriately reflect the intent and ability to carry out specific courses of action on behalf of the entity.

4. I confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

5. I confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.

6. I confirm that I have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. I confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

1. On the basis of the process established and having made appropriate enquiries, I am satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with my knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

2. I agree with the findings of the specialists that I have engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. I did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

4. I confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

5. I confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

6. I confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

M. Other information

1. I acknowledge my responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2019/20.

2. I confirm that the content contained within the other information is consistent with the financial statements.

N. Specific Representations

1. We do not require any specific representations in addition to those above.

I understand that this letter of representation needs to be appropriately signed by myself as Section 151 Officer and the Chair of the Governance, Risk and Audit (GRAC) Committee, following the Committee's decision to approve the accounts at the meeting held on 30 March 2022. The proposed audit opinion date is currently due to be 30 March 2022.

I hope that this is all in order Mark but if you require anything further please do not hesitate to contact me.

Yours sincerely,

Duncan Ellis
Head of Finance and Assets (S151 Officer)

North Norfolk District Council
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www.north-norfolk.gov.uk

Cllr John Rest
Chair, Governance, Risk and Audit Committee

North Norfolk District Council

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Annual Governance Statement 2019/20

1. SCOPE OF RESPONSIBILITY

1.1. North Norfolk District Council (NNDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently, effectively and equitably. NNDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2. In discharging this requirement, NNDC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3. NNDC has approved and adopted a Local Code of Corporate Governance, and this has been updated for the 2019/20 financial year based on the development of the new '*Delivering Good Governance in Local Government: Framework'* (CIPFA/Solace, 2016) ('the Framework') which was introduced in 2016/17. A copy of the Council's current Local Code can be accessed on our website here. This statement demonstrates how NNDC has complied with the Framework and also supports the requirement of the Accounts and Audit (England) Regulations 2015 in relation to the approval (Part 2 regulation 6) and publication (Part 3 regulation 10) of an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control and is reviewed annually or more frequently as required. In addition, NNDC's framework for delivering good Corporate Governance is embedded within its Constitution, policies and procedures.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1. The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to appropriate, cost-effective service delivery.

2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.

2.3. The governance framework has been in place at NNDC for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK – THE SEVEN CORE PRINCIPLES

3.1. The Council's governance framework is derived from the following core principles as per the new CIPFA/SOLACE 2016 Framework which is based upon the 7 core principles of the International Framework for Corporate Governance in the Public Sector as follows;

A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law;

B – Ensuring openness and comprehensive stakeholder engagement;

C – Defining outcomes in terms of sustainable economic, social and environmental benefits;

D – Determining the interventions necessary to optimise the achievement of the intended outcomes;

E – Developing the entity's capacity, including the capability of its leadership and the individuals within it;

F – Managing risks and performance through robust internal control and strong public financial management and;

G – Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.2. Revisions were required to the Council's Local Code of Corporate Governance in 2016/17 to ensure it reflected the changing context of the Council and that is was consistent with the principles and recommendations of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for English authorities. This Annual Governance Statement explains how the Council has complied with the terms of the new CIPFA/SOLACE Framework (2016) for the year ended 31 March 2020 and should be read in conjunction with the Council's updated Local Code of Corporate Governance (2019/20) which is attached to this document as Appendix 1 and sets out the framework and key principles, which are required to be complied with, to demonstrate effective governance.

3.3. The Local Code of Corporate Governance highlights how good governance supports the Council and demonstrates what we aim to achieve by following the seven core principles, along with the tools we use to support our compliance. It goes further to identify the behaviours and actions that can demonstrate our compliance with the code, how we put this into practice and the source documents, polices, procedures and frameworks that enable us to evidence compliance.

3.4. If there are any areas which require strengthening, these are highlighted within the Annual Governance Statement as part of the Action Plan within Section 5.

4. REVIEW OF EFFECTIVENESS

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

4.2. Reviews have taken place both during the year and at year end, and cover the following:

4.2.1. The Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action where appropriate while the Governance, Risk and Audit Committee (GRAC) consider ~~in relation to~~corporate risk and internal control issues.

4.2.2. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. In addition, the Constitution Working Party is in place to review the constitution and make recommendations to Full Council as appropriate.

4.2.3. The Council has a Scrutiny Committee which can establish ‘task and finish’ groups, to look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Cabinet. Scrutiny can “call-in” a decisions of the Cabinet which are yet to be implemented, to enable it to consider whether the decision is appropriate. In addition, the Scrutiny Committee can exercise its scrutiny role in respect of any Cabinet function, regardless of service area or functional responsibility, and will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing.

4.2.4. The Local Government and Public Involvement in Health Act 2007 include powers to enable Councillors to formally champion local issues where problems have arisen in their ward. North Norfolk has embedded the “Councillor Call for Action” which allows Councillors to ask for discussion at Overview and Scrutiny Committee on issues where other methods of resolution by the District Member have been exhausted.

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

4.2.6. The Council has now embedded the electronic procurement system (Delta) which will help improve the transparency of the Council’s procurement processes and further support the audit trail for decision making. The Procurement Strategy is due to be updated during the 2020/21 financial year and this will include any changes that may be required to the Council's Contract Standing Orders as appropriate.

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

4.2.8. The Standards and Conduct provisions of the Localism Act 2011 came into force on 1st July 2012. The authority has appointed an Independent Person pursuant to the Act and has decided to have a Standards Committee (which is now not mandatory).

4.2.9. The Governance, Risk and Audit Committee (GRAC) met five times during the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee received regular reports on, internal control and governance matters in accordance with its agreed work programme. During the year 16 (12 in 2018/19) internal audit assignments were completed delivered over 192 days (168 days in 2018/19), a reasonable audit opinion was given for the year overall. Of the audit reviews planned for the year 16 out of the 16 were completed as initially intended.

4.2.10. The Accounts and Audit Regulations 2015 require that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance". The conclusions of the internal audit enable an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control to be provided. In addition, Internal Audit can undertake fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. All significant weaknesses in the control environment identified by Internal Audit are reported to senior management and the GRAC. There have been no urgent (priority one) recommendations raised in the current financial year which is an extremely positive position to be in and also reflects last year's position. It is also important to note that substantial assurance (the highest level of assurance that can be achieved) was concluded in 4 out of 16 audits which represents 25% of the audits completed (6 out of 12 (50%) for 2018/19) covering the following areas:

- Coastal Management
- Accountancy Services
- Leisure
- Key Controls Assurance

4.2.11. Internal Audit also carry out regular reviews of the status of implementation of Internal Audit recommendations. There has been a slight increase in the number of recommendations (44) raised as the result of audit reviews compared to the previous year (40). At 31 March

2020 a total of 12 recommendations were overdue compared with only 1 as at March 2019. In relation to prior year recommendations 7 remain outstanding from 2018/19, 6 from 2017/18 and 1 dating back to 2010/11 in relation to Section 106 agreements.

4.2.12. It should also be noted that the internal audit contract consortium either met or exceeded all but two of its performance indicators for the year (10 out of 11 in 2018/19).

4.2.13. The Council's Strategic Leadership Team (SLT) requested that an assurance piece of work be conducted this year on the Council's Project Management Framework to ensure it complied with best practice and supported the Council's emerging Corporate Plan moving forwards. This position statement was delivered during 2019/20 and some of the learning from this review is incorporated into the action plan below.

4.2.14. The External Auditor's Annual Audit Letter is considered by the GRAC and SLT.

4.2.15. The Governance, Risk and Audit Committee (GRAC)and SLT monitor and also continually review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks. Risk training has been provided to all Members during the 2019/20 financial year and the Risk Management Framework and Policy was updated and approved by GRAC at their meeting June. The new policy includes consideration of the Council's risk appetite for the first time, the Risk Management audit was also completed during the year and received a 'reasonable' rating.

4.2.16. The Council continues to review its treasury management arrangements in line with best practice and in response to regular updates and advice from the Council's Treasury advisors, Arlingclose, who also provide training to both officers and Members on treasury management related issues.

4.2.17. Key officers complete an annual Self-Assessment Assurance Statement which identifies non-compliance in a number of areas including procedures, risk and control, financial management and procurement. Any significant areas of non-compliance will either be taken account of in service plans or if corporate included in the AGS action plan. In line with CIPFA best practice the process this year has been expanded to include asking managers to consider and comment on any significant issues which have been caused by the COVID-19 pandemic or of the impact has identified any areas of weakness in governance. There has been a significant increase in Delegated Decisions as a result of the crisis, particularly though the Gold reporting group as would be expected during a crisis situation, however there is a standing report on the Cabinet agenda to report on these instances. It will be important to move this decision making back to the traditional channels as part of the recovery process as soon as feasible to regularise the processes again. A COVID specific risk register has been developed and shared with Members and SLT and it is also covered on the Corporate Risk Register.

4.3. The year-end review of the governance and the control environment arrangements by SLT included:

4.3.1. Obtaining assurances from the Chief Executive and Heads of Service that key elements of the control framework were in place during the year in their departments.

4.3.2. The statement itself was considered and signed off by SLT and is supported by them as an accurate reflection of the governance arrangements in place for the year.

4.3.3. Obtaining assurances from other senior management, including the Monitoring Officer that internal control and corporate governance arrangements in these essential areas were in place throughout the year.

4.3.4. Reviewing any high level audit recommendations that remained outstanding at the year end and taking appropriate action if necessary (although as mentioned above none were issued for 2019/20).

4.3.5. Reviewing external inspection reports received by the Council during the year, the opinion of the Head of Internal Audit in her annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.

4.3.6. Reviewing the updated Local Code of Corporate Governance.

4.4. The GRAC received assurances from the Head of Internal Audit that standards of internal control, corporate governance arrangements and systems of risk management were all operating to an adequate standard, with a reasonable assurance being concluded.

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

4.6. Following the Council elections in May 2019 a comprehensive Member training and induction programme has been delivered. It will however be essential for the proper and efficient operation of the Council that appropriate priority is given ongoing and continued Member development, training and capability over the course of the next 3 years.

4.7. In terms of gaining assurance on risks associated with delivering services through third parties, the formal partnership known as Coastal Partnership East between NNDC, Great Yarmouth Borough Council and East Suffolk (Waveney and Suffolk Coastal District Council partnership) has now been in place for three years. This new approach is considered the best way for these Councils to address the challenges that are common to the whole coastline of Norfolk and Suffolk. By collaborating, rather than competing with one another for resources, we will be far better able to:

- Retain and recruit staff;
- Broaden the scope of works that we can undertake;
- Share experiences, lessons and new techniques;
- Prepare joint schemes and projects (achieving economies of scale) and;
- Explore new and innovative approaches to adaptation as well as coast protection.

4.7 Coastal Partnership East formed by bringing together the coastal management resources and expertise from North Norfolk District Council, Great Yarmouth Borough Council, Suffolk Coastal District Council and Waveney District Council. The Partnership works along the 220km of coastline across Norfolk and Suffolk. This new approach is seen an appropriate way of capitalising on our strengths and building resilience for the future.

4.8 A Section 113 Agreement was made between each authority which means that staff remain employed through their respective authorities and the management of each frontage remains with each Council, however, the shared resources of the Partnership are able to flex across local authority boundaries to enable all to benefit from a more resilient resource and skills base. The partnership is overseen by a Board comprising of relevant Member Portfolio holders/Committee Chairs which is supported by an Operational (senior) Officer Group, both of which meet on a quarterly basis.

4.9 The manager for Coastal Partnership East is included as part of the Council's annual Self Assurance process.

5. GOVERNANCE ISSUES

5.1. The Council was the subject of two police investigations relating to issues arising during the 2019/20 financial year as follows:

- Investigation undertaken by Cambridgeshire Constabulary in the period July 2020 –March 2021 in relation to a "whistle-blower" allegation into a breach of internal controls by members of the senior leadership team relating to a procurement matter in May 2019; and
- Investigation undertaken by Norfolk Constabulary in November / December 2019 into the loss of £1,000 of cash from the digital mailroom. Internal Audit investigations and additional reviews in respect of these issues have subsequently identified a number of areas for improvement.

5.2. These issues have been highlighted by the external auditors EY (Ernst & Young LLP) within their Audit Results Report and include a number of recommendations to improve governance arrangements. The District Council welcomes the commentary and supporting recommendations as to the corporate processes and governance arrangements operated during 2019/20. As a learning organisation, with an aim of continuous improvement, it should however be noted that the EY commentary refers to a specific period in time and the Council believes that action has already been taken to address each of the matters raised as recommendations.

5.3. Following from the review of the Annual Governance Statement for 2019/20 and the Self-Assessment Assurance Statements the following actions have been identified. There are still some Internal Audit recommendations not being implemented in accordance with the original timescales and this is an action that will continue to be monitored.

Action	Officer(s)	Target Date
All service plans need to be re-aligned to the new Corporate Plan and Delivery Plan for 2020/21 to ensure corporate objectives are met and delivered. The service planning timetable needs to be updated and communicated to the wider organisation to ensure updates are completed in a timely manner and can feed into the budget setting cycle	SLT/Operational Management Team (OMT)	31 October 2020
All performance targets need to be re-aligned where appropriate to the new Corporate Plan and Delivery Plan for 2020/21 to ensure corporate objectives are met and delivered. This should include consideration of any impacts of the COVID-19 pandemic and be recorded and monitored through the new InPhase system	SLT/Operational Management Team (OMT)	31 October 2020
Update the Performance Management Framework to reflect the new performance and service planning improvements	Policy & Performance Management Officer	31 October 2020
Undertake a review of the Corporate Plan and Delivery Plan priorities and objectives in light of the COVID-19 pandemic and the changed financial context	SLT/Cabinet	31 August 2020

Review Terms of Reference and operation of Employment and Appeals Committee based on learning and experience during 2019	Head of Human Resources	31 December 2020
The appraisal process should be reviewed to ensure that it remains fit for purpose for the organisation. This should be supported by an updated People Strategy	Head of Human Resources	31 August 2020
Review and update the Equality and Diversity Policy	To be confirmed	31 December 2020
Update corporate policies where required to reflect new management structure	Policy & Performance Management Officer	31 March 2021
Implementation of Internal Audit Recommendations	SLT	31 March 2021
Review and implement the requirements from the new CIPFA code of Financial Management	Head of Finance and Assets	31 March 2022 (required completion date for implementation)
Undertake team based training for SLT to develop the capabilities of the team and to enable us to respond successfully to changing legal and policy demands as well as economic, political and environmental changes	SLT/HR Manager	31 December 2020
Implement actions and recommendations from the various audit position statements undertaken during 2019/20 in respect of project management	SLT	31 December 2020
Review the Member Officer Protocol	Head of Legal	31 December 2020
Engage with Members on the new Member Code of Conduct currently being consulted upon	Head of Legal	31 December 2020
Update the current IT Strategy and combine with the Digital Strategy	Head of Business Transformation and IT	31 March 2021

6. CERTIFICATION

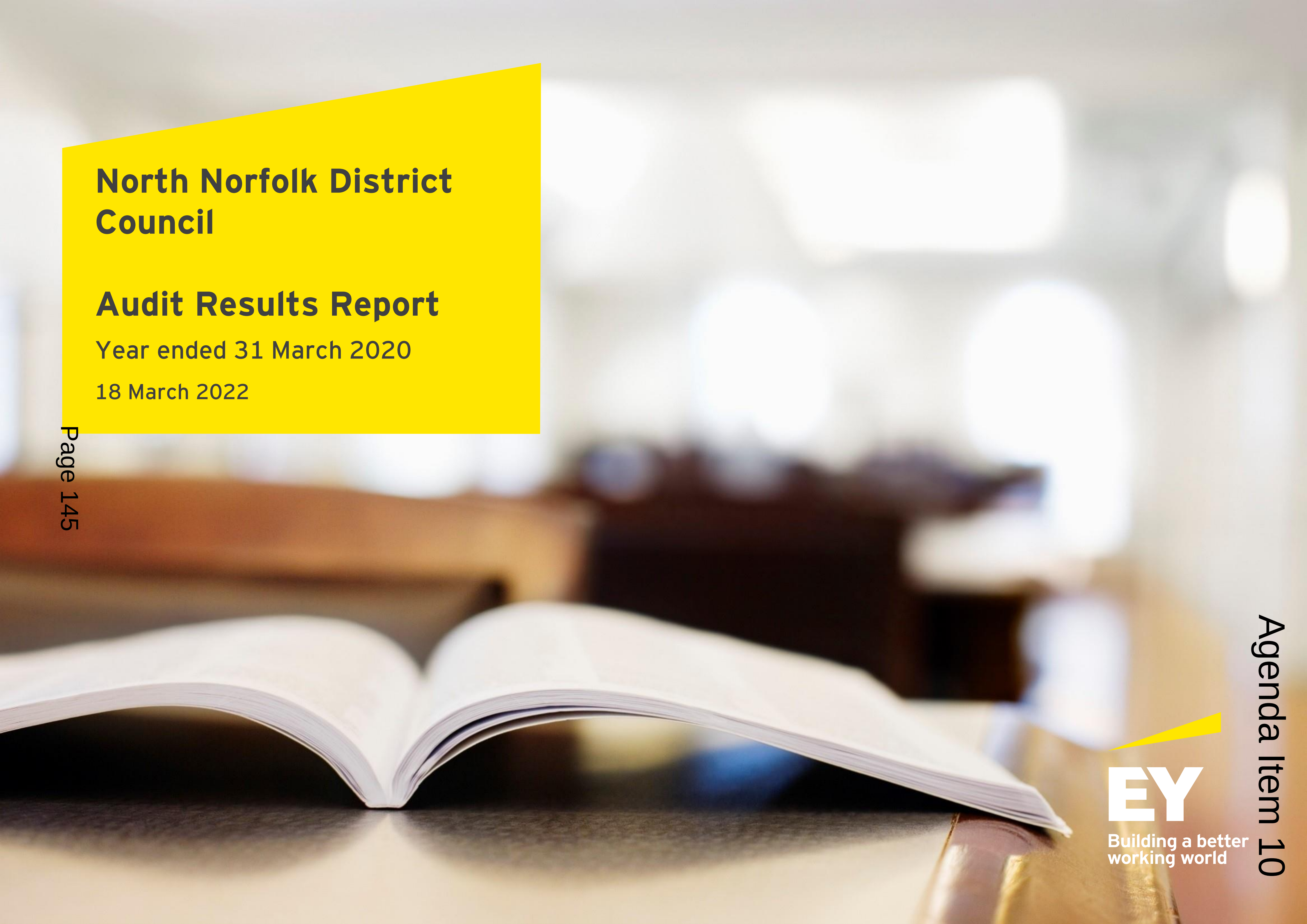
6.1. To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement.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

Leader of the Council:

Cllr Sarah Bütikofer

Chief Executive

Mr Steve Blatch



North Norfolk District Council

Audit Results Report

Year ended 31 March 2020

18 March 2022

Building a better working world

Governance, Risk and Audit Committee
North Norfolk District Council

18 March 2022

Dear Governance, Risk and Audit Committee Members

Audit Results Report – 2019/20

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Governance, Risk and Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of North Norfolk for 2019/20.

We have substantially completed our audit of North Norfolk for 2019/20.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form in section 3, before the accounts publication date. We also expect to issue a modified Value for Money opinion, following conclusion of our procedures in relation to the previously communicated significant risk, in the form of an 'except for' conclusion on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Governance, Risk and Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Governance, Risk and Audit Committee meeting on 30 March 2022.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) have issued a ‘Statement of responsibilities of auditors and audited bodies’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment (updated April 2018)’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature. This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Status of the audit

In our Audit Plan presented to the Governance, Risk and Audit Committee meeting on the 7 December 2021, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We have carried out our audit in accordance with this plan.

We have substantially completed our audit of North Norfolk's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until all our audit procedures are complete, further amendments may arise.

The following items relating to the completion of our audit procedures remain to be completed after the Governance, Risk and Audit Committee meeting and approval process:

Closing Procedures:

- Receipt of the Review of the final version of the financial statements;
- Completion of subsequent events review;
- Final Manager and Engagement Partner reviews – which may result in additional queries to officers; and
- Signed Management representation letter.

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

Adjusted Audit Differences

We have identified five audit differences which are to be adjusted for by management within the revised financial statements.

1. Intangible Assets - In respect of the capitalisation of costs for the 'Better Broadband for Norfolk' scheme of £1.000 million, which have been capitalised as Intangible Assets. This should be classified as REFCUS expenditure, as the Council does not own the relevant asset.

2. Asset under Construction – The fixed asset register included a new entry under 'Asset under construction' for expenditure of £0.170 million which relates to a Care Home which is owned by Norfolk County Council. This should be classified as REFCUS expenditure, as the Council does not own the relevant asset.

3. Property, Plant & Equipment - Two car park assets were erroneously included in the valuation schedule for the External Valuer, and valued at £0.489 million. These were then included in the total of Property, Plant and Equipment. However, the Council no longer own these assets and therefore the total asset value is overstated.

4. Property, Plant & Equipment - This relates to the valuation of Rocket House, which we have deemed to have used an inaccurate Gross Internal Area, causing an overvaluation of the asset of £0.427 million.

5. Business Rate Income - We have identified an adjustment in relation to Business Rates Income totalling £0.350 million, due to incorrect production of the NNDR 3 submission.

6. Capital Adjustment Account - We have also identified £0.567 million included as an adjustment to the Capital Adjustment Account, despite this relating to capital expenditure which had subsequently been derecognised. This is an adjustment between unusable and usable reserves only with no net impact on income or expenditure.

Disclosure adjustments

A small number of disclosure adjustments have also been identified and all are to be corrected in the final Statement of Accounts. This includes an adjustment to ensure the consistency of Note 22 (Officer Remuneration) and Note 23 (Exit Packages).

Unadjusted Audit Differences

At the time of writing this report, we do not have any unadjusted audit differences.

Executive Summary

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

Fraud risk: Misstatements due to fraud and error

- We have completed our work in response to this risk and have no matters to report in respect of misstatements due to fraud or error.

Fraud risk: Incorrect capitalisation of revenue expenditure

- Our work on this area is yet to be fully concluded, but we have no matters to raise to date.

Significant risk: Valuation of Land and Buildings

- We have identified two audit differences, relating to the inclusion of £0.489 million of car park assets in the balance sheet, despite these no longer being owned by the Council, and an overvaluation of the Rocket House asset of £0.427 million due to usage of an incorrect gross internal area.

Inherent risk: Pension liability valuation

- We have completed our work in response to this risk and have no matters to report in respect of the valuation of the Council's Pension Liability.

Inherent risk: Omission or understatement of Non-Domestic Rates (NDR) appeals provision

- We have completed our work in response to this risk and have no matters to report in respect of the omission or understatement of the NDR appeals provision.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Governance, Risk and Audit Committee.

Executive Summary

Control observations

During the audit, we identified significant deficiencies in internal control. These were highlighted during our procedures performed under our Value for Money Conclusion. For further details, see the Value for Money section below and Section 5 of this report, in relation to the Council maintaining of a sound system of internal control.

We have not identified any further control deficiencies during the course of our external audit procedures.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risk:

The Council was the subject of two police investigations relating to issues arising during the 2019/20 financial year as follows:

Investigation undertaken by Cambridgeshire Constabulary in the period July 2020 – March 2021 in relation to a "whistle-blower" allegation into a breach of internal controls by members of the senior leadership team relating to a procurement matter in May 2019; and

Investigation undertaken by Norfolk Constabulary in November / December 2019 into the loss of £1,000 of cash from the digital mailroom. Internal Audit investigations and additional reviews in respect of these issues have subsequently identified a number of areas for improvement.

Following conclusion of our procedures, we will be issuing a modified 'except for' opinion on the Value for Money Conclusion. We have also made a number of recommendations as a result of our work, the details of which are set out in Section 5 of this report.

We have no further matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Correspondence from the Public

We did not receive any items of correspondence from members of the public during the year. In January 2020, we received notification of a Whistleblowing allegation through the Public Interest Disclosure Act (1998). We have reported our findings in relation to this in Section 5 of this report.

We did not receive any formal objections to the financial statements from members of the public.

Executive Summary

Other reporting issues

Annual Governance Statement

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have the following matter to report as a result of this work. The Annual Governance Statement did not specifically conclude whether there were any governance issues within section 5 of the statement. Given our Value for Money reporting, we deem it appropriate for the Annual Governance Statement to be amended to specifically reference these findings.

Related Party Transactions

Our work on Related Party Transactions identified that a number of Members and Senior Officers had not returned Declaration of Interest forms as at 31 March 2020 as part of the annual process to identify related party transactions. We have performed alternative audit procedures to identify undisclosed or unidentified interests, which has not identified any issues with the Statement of Accounts:

- Searches on Companies House for interests held by Members and officers
- Read minutes of Council and Committees
- Requested and received up to date declarations of interests for all Members.

Whole of Government Accounts

We are not required to carry out any procedures on the Authority's Whole of Governance Accounts (WGA) submission as the Authority falls below the National Audit Office (NAO) threshold of £500 million, and the NAO has formally closed the submission window.

We have no other matters to report.

Independence

Please refer to Section 8 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement. One area susceptible to manipulation is the capitalisation of revenue expenditure on 'Property, Plant and Equipment' and 'Intangible Assets' given the extent of the Council's capital programme (see below).

What judgements are we focused on?

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We have considered the risk of management override and the areas of the financial statements that may be most susceptible to this risk.

What did we do?

- Identified fraud risks during the planning stages;
- Asked management about risks of fraud and the controls put in place to address those risks;
- Understood the oversight given by those charged with governance of management's processes over fraud;
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Determined an appropriate strategy to address those identified risks of fraud; and
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements and evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

- We have not identified any material weaknesses in controls or evidence of material management override in respect of financial reporting.
- We have not identified any instances of inappropriate judgements being applied.
- We have not identified any other transactions during our audit which appear unusual or outside the Authority's normal course of business.

Significant Risk

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment and Intangible Assets given the extent of the Council's capital programme (see above).

What judgements are we focused on?

We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts. We have focused on the Authority's judgement that an item is capital expenditure in nature.

What did we do?

- Obtained an analysis of capital additions in the year, reconciling to the Fixed Assets Register (FAR), and reviewed the descriptions to identify whether there are any potential items that could be revenue in nature;
- Performed sample testing on additions to Property, Plant and Equipment and Intangible Assets, ensuring that they have been correctly classified as capital and included at the correct value, to identify any revenue items that have been inappropriately capitalised; and
- Tested the appropriateness of journal entries recorded in the general ledger moving expenditure items from revenue codes to capital codes.

What are our conclusions?

- Our sample testing of REFCUS is complete with no issues identified.
- Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.
- Our sample testing of additions to Property, Plant and Equipment is complete with the following issues noted:

1. We note that the 'Better Broadband for Norfolk' scheme costs of £1.000 million was initially classified as an Intangible Asset when they should be properly classified as Revenue Expenditure Funded as Capital Under Statute (REFCUS).

2. We also note that the fixed asset register included a new entry under 'Asset under construction' for expenditure of £0.170 million which relates to a Care Home which is owned by Norfolk County Council. This should be classified as REFCUS expenditure, as the Council does not own the relevant asset.

Whilst this is an accounting error, our view is that we do not deem this to be as a result of fraudulent misreporting as REFCUS is also funded from capital so there is no significant benefit to the Council of including as an Intangible Asset or Asset under Construction. Management have agreed to correct these audit differences.

Significant Risk

Significant risk

Valuation of Land and Buildings

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances (£79.8 million) in the Council's accounts and are estimates which are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgmental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

For 2019/20 we have increased the risk associated with asset valuations due to issues identified in prior year testing in relation to unposted valuations and adjustments to impairment and depreciation and a change in valuer (Management's expert).

What judgements are we focused on?

We have considered the risk of incorrect valuation of land and buildings based on the detailed method, model and assumptions used by the Council's external property valuer, and the data they are provided.

What did we do?

- Considered the work performed by the Council's valuers (Wilks Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, assumptions about the impact of Covid-19);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- Considered circumstances that require the use of EY valuation specialists to review any material specialist assets and the underlying assumptions used; and
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Ensured that accounting entries have been correctly processed in the financial statements.

What are our conclusions?

We have identified two errors, firstly relating to the inclusion of £0.489 million of car park assets in the balance sheet, despite these no longer being owned by the Council.

The second relates to an an overvaluation of the Rocket House asset of £0.427 million due to usage of an incorrect gross internal area.

These have been adjusted for within the revised financial statements.

We have no other matters to report.

Significant Risk

Areas of Audit Focus

Other areas of audit focus

Pension Liability Valuation – Inherent Risk

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £43.6 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. For 2019/20 it is possible these entries will be subject to further volatility as a consequence of Covid-19.

Our approach has focused on:
- Liaising with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to North Norfolk District Council;
- Assessing the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Reviewing the impact of Covid-19 on the value of Pension Fund assets and considering whether there are any risks of material misstatement arising from this.

Given the timing of accounts production, the draft accounts reflected the findings of the Norfolk Pension Fund auditor following their audit of Norfolk Pension Fund, through the receipt of a revised IAS19 report from the Pension Fund actuary. As such the draft accounts reflect the Council's correct Pension Liability. We only identified minor disclosure differences to the Pension Liability note.

Omission or understatement of Non-Domestic Rates (NDR) Appeals Provision – Inherent Risk

We have identified the omission and incorrect valuation of the NDR appeals provisions as a separate inherent risk. The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated. The quantum of the provision has fluctuated over recent financial years.

In order to address this risk we will carry out a range of procedures including:
- Testing the calculation of the NDR provision to ensure all estimates and judgements are fully supported and are agreed to independent sources wherever possible. Where testing has been performed we applied a lower testing threshold to ensure the Appeals Provision is calculated on an appropriate basis and has been correctly valued; and
- Undertaking procedures such as review of minutes and enquiries of management and those charged with governance to gain assurance over the material completeness of the provision.

Based on the procedures performed, we have not identified any issues with the valuation of the NDR Appeals Provision.

Other areas of audit focus (continued)

Going Concern

There is presumption that the Authority will continue as a going concern. However, the current and future uncertainty over government funding and other sources of Authority revenue as a result of Covid-19 increases the need for the Authority to undertake a detailed going concern assessment to support its assertion. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we requested that management provide a documented consideration to support their assertion regarding the going concern basis. The going concern period should cover 12 months post the opinion signing date, so is to cover up to 31 March 2023, and consider the latest information available to the Council.

Our approach has focused on:

- Assessing the adequacy of disclosures required in 2019/20;
- Discussing with management the going concern assessment and challenging management's underlying assumptions;
- Considering the impact on our audit report, including completing any internal consultation requirements.

We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern.

Management have used the basis of their assessment to produce the disclosures included within the draft financial statements.

We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the Balance Sheet date.

03 Audit Report

DRAFT

Our proposed opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH NORFOLK DISTRICT COUNCIL

Opinion

We have audited the financial statements of North Norfolk District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement and the related notes 1 to 41,
- the Collection Fund and the related notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:
- give a true and fair view of the financial position of North Norfolk District Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Audit Report – continued

DRAFT

Our proposed opinion on the financial statements

Other information

The other information comprises the information included in the 'Statement of Accounts 2019/2020', other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

Basis for Qualified Conclusion

- Informed decision making
    - Maintaining a sound system of internal control

1. Procurement of a Capability Review arrangements

In January 2020, we received notification of a Whistleblowing allegation through the Public Interest Disclosure Act (1998). The whistleblowing allegation related to an issue that occurred in May 2019 – the 2019/20 financial year – and respective audit year.

The notified issue was that the Council's financial regulations were not complied with in respect of the procurement of a contract for a Capability Review in May 2019.

Our evidence came from a shadow investigation alongside Cambridgeshire Constabulary, supported by additional investigative audit procedures, and supplemented by a review of Internal Audit reviews and findings.

Audit Report – continued

Our proposed opinion on the financial statements

The key findings of the investigation were:

- no formal tender process was performed and no other quotes were obtained as required by the Council's financial regulations;
- the proper procurement exemption process was not followed in the procurement of the Capability Review;
- no formal contract was in place between the provider of the Capability Review and the Council; and
- two leading members of the incoming administration were central to the selection of the provider of the Capability Review which the Investigating Officer viewed as being inappropriate due to their role as Councillors; and
- the Council did not have an Employment and Appeals Committee in place at the commencement of the municipal year.

Not following the Council's stated internal control processes undermines the governance of the whole Council and has the potential to expose the Council to unnecessary risk or financial loss which could not be recovered.

This issue is evidence of a weakness in proper arrangements in how North Norfolk District Council maintain a sound system of internal control.

2. Corporate performance reporting and project management

There were no performance targets to report on at the beginning of the year as the corporate plan was not approved until November 2019. Performance reports are usually presented to Cabinet on a quarterly basis, however there were no such reports relating to 2019/20

Internal Audit work for 2019/20 identified a number of issues with project management including ineffective governance arrangements, lack of input from areas such as finance and legal into project appraisals and project objectives and milestones not being adequately defined or reported on.
This provides evidence of a significant weakness in proper arrangements for maintaining a sound system of internal control.

Our evidence came from a review of Committee reports and minutes and a review of Internal Audit reviews and findings.
Subsequent Internal Audit reviews of project management also identified weaknesses in project management and made a number of recommendations/suggested actions for improvement.

Weak internal control processes undermine the governance of the whole Council and has the potential to expose the Council to unnecessary risk or financial loss which could not be recovered.

This issue is evidence of a weakness in proper arrangements in how North Norfolk District Council maintain a sound system of internal control.

Qualified conclusion – Except For

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, North Norfolk District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Audit Report – continued

Our proposed opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the 'Statement of the Responsibilities' set out on pages 1 and 2, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Audit Report – continued

Our proposed opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether North Norfolk District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether North Norfolk District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, North Norfolk District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of North Norfolk District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of North Norfolk District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £0.056 million which have been corrected by management that were identified during the course of our audit:

1. Intangible Assets - In respect of the capitalisation of costs for the ‘Better Broadband for Norfolk’ scheme of £1.000 million, which have been capitalised as Intangible Assets. This should be classified as REFCUS expenditure, as the Council does not own the relevant asset.

2. Asset under Construction – The fixed asset register included a new entry under ‘Asset under construction’ for expenditure of £0.170 million which relates to a Care Home which is owned by Norfolk County Council. This should be classified as REFCUS expenditure, as the Council does not own the relevant asset.

3. Property, Plant & Equipment - £0.489 million of car park assets that have been included in the valuation schedule for the external valuer. These have then been included in the total of Property, Plant and Equipment however the Council no longer own these assets and therefore the total asset value is overstated.

4. Property, Plant & Equipment - This relates to the valuation of Rocket House, which used an inaccurate Gross Internal Area, causing an overvaluation of the asset of £0.427 million.

5. Capital Adjustment Account - £0.567 million of capital financing included within the Capital Adjustment Account in respect of capital expenditure which was later derecognised, which should therefore be adjusted to the Unapplied Capital Receipts Reserve

6. Business Rate Income - £0.349 million overstatement of Business Rate Income due to an issue in completion of the NNDR 3, identified through our reconciliation of the financial statements to the underlying business rates system. This has a knock on impact throughout the financial statements that is to be adjusted by the Council.

Disclosure differences

- Disclosure error in respect of a Senior Officer’s exit package, for which £0.308 million was not included in the Officer’s Remuneration table.

A number of other disclosure differences have been identified and raised to Management. All misstatements are to be adjusted. We do not deem any to be so significant as to merit reporting to you.

Audit Differences

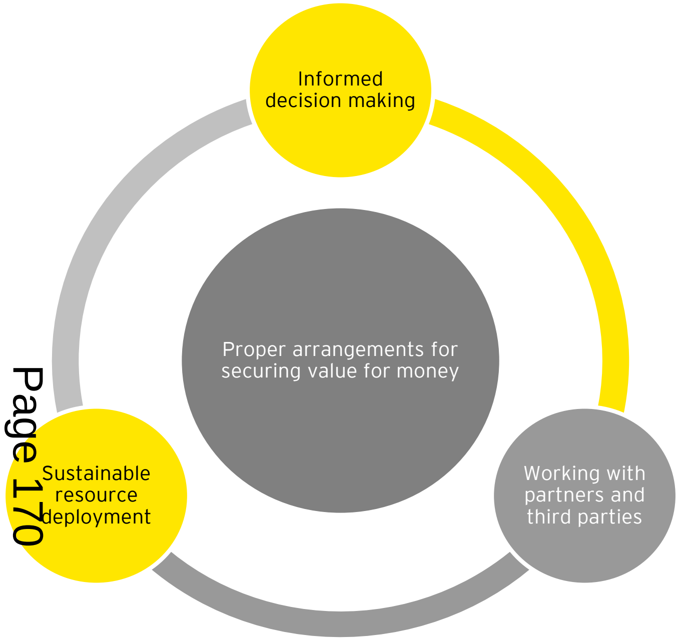
In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of Unadjusted differences

At the time of writing this report, there are no unadjusted audit differences.

05 Value for Money

Value for Money



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Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19.

This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 VFM arrangements conclusion.

Overall conclusion

We identified a significant risk in relation to the Council's arrangements. The tables on the following pages set out our detailed findings in response to the risks in our Audit Plan and any other significant weaknesses or issues we want to bring to your attention.

We therefore expect having the following matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources. This will take the form of an 'except for' conclusion of the Council's value for money arrangements.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Plan.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
The Council was the subject of two police investigations relating to issues arising during the 2019/20 financial year; as follows: ‣ Investigation undertaken by Cambridgeshire Constabulary in the period July 2020 – March 2021 in relation to a "whistle-blower" allegation into a breach of internal controls by members of the senior leadership team relating to a procurement matter in May 2019; and ‣ Investigation undertaken by Norfolk Constabulary in November / December 2019 into the loss of £1,000 of cash from the digital mailroom. Internal Audit investigations and additional reviews in respect of these issues have subsequently identified a number of areas for improvement. These issues highlight potential weaknesses with the non-compliance of internal policies and procedures and as such we are categorizing them as a significant risk.	Maintaining a sound system of internal control	In order to address this risk we have: ‣ Engaged EY Forensics to examine and review the 'whistle-blower' allegation alongside the Cambridgeshire Police investigation'; ‣ Reviewed the EY Forensics report and any governance issues identified, and the Council's response to those issues; ‣ Reviewed the findings of any Internal Audit reviews and considered the Internal Audit recommendations from these reviews and the status of the implementation of those recommendations; and ‣ Assess whether any additional audit procedures are required and performed them where relevant. Our findings are set out on the following pages.

Value for Money Risks

What are our findings?

Procurement of a Capability Review

Background

In January 2020, we received notification of a Whistleblowing allegation through the Public Interest Disclosure Act (1998). It is important to note that the same PIDA submission had already been made to Norfolk Police – as the primary Proscribed person.

The whistleblowing allegation related to an issue that occurred in May 2019 – the 2019/20 financial year – and respective audit year.

The allegation focussed on the tender process for the procurement of a Capability Review - a review of the corporate structure at the Council – and specifically the use of a tender waiver form for that process, that was alleged to have been back dated by two officers of the Council.

Norfolk Police were the primary proscribed person, but in June 2020 – Norfolk Police handed over the investigation responsibility to Cambridgeshire Police to maintain independence, given the collaborative working between Norfolk Police and the Council.

Cambridgeshire Police's investigation commenced in July 2020 and ran through August and into September 2020. Our EY Forensic team was deployed and were able to shadow that investigation through a Memorandum of Understanding.

The Police case was passed to the Crown Prosecution Service (CPS) on the 16 September 2020. The CPS concluded that it would not pursue a criminal prosecution. Formally, the Police case remained open until 19 March 2021, when it was closed.

The Issue

The crux of the issue is that the Council's financial regulations were not complied with in respect of the procurement of a Capability Review in May 2019.

Following the May 2019 elections, the incoming administration wanted to review the existing corporate management structure. The contracted Capability Review provider are known in the Local Government sector and were recommended by a member of the incoming administration for the review.

Value for Money Risks

What are our findings?

<u>The key findings of the investigation were:</u>

- no formal tender process was undertaken and no other quotes were obtained as required by the Council's financial regulations;
- the proper procurement exemption process was not followed in the procurement of a Capability Review;
- no formal contract was in place between the Capability Review provider and the Council; and
- two leading members of the incoming administration were central to the selection of the Capability Review provider which the Investigating Officer viewed as being inappropriate due to their role as Councillors.

There are some circumstances when it is not possible to follow the extant procurement policy, and in such cases a procurement exemption form is required, setting out the reasons that the policy could not be followed. The reasons given for not going through the procurement exemption process for the procurement of a Capability Review are not in line with the acceptable rational within the relevant Council guidance.

The procurement exemption form (PEF) was 'dated' 20 May 2019. However, an internal Council IT investigation identified that the Council proforma was downloaded and printed from the Council's system on the 9 October 2019. The completed PEF was handwritten and signed by two officers of the Council.

The Capability Review provider commenced work in late May 2019. There was no formal contract in place based on the Council's standard terms and conditions between the Council and the Capability Review provider.

Following the Police Investigation and review of the case file by the CPS, criminal proceedings were not pursued against the Council's two officers.

Value for Money Risks

What are our findings?

EY Forensics undertook a review of all PEF forms for 2018/19 and 2019/20. With the exception of the Capability review PEF, the critical factors listed in the PEFs appear to be in line with the Council's procurement exemption guidance. No other forms were handwritten as the Capability Review PEF has been. However, there is one PEF from 2018/19 that has not been signed by anyone – contrary to the approval process for such forms.

Internal Audit undertook a review of procurement and contract management arrangements as part of their annual audit plans for 2019/20 and 2020/21 and, in response to the issue outlined above, an additional review specifically of procurement exemptions granted in 2019/20 and up to the date of their review. These reviews raised many of the same significant weaknesses highlighted above, and a number of recommendations have been made to improve arrangements and ensure compliance with regulations and standing orders. These reviews and recommendations have been reported to the Council's Governance, Risk and Audit Committee

__Weaknesses in arrangements__

1. The rationale for following the Procurement Exemption policy was not in line with Council guidance.
2. The date that the Procurement Exemption Form was downloaded for use, and the date that it was signed by the two officers is different. The date it is 'signed' is significantly before the date the form itself was downloaded, suggesting that it was 'backdated', which is a clear override of the Council's procurement controls.
3. The Council's standard contract was not used for the engagement with the Capability Review provider. This exposes the Council to potential risk, given the standard terms and conditions of the Council did not form part of the contract.
4. The Council's process for completing and authorising PEF's was not followed on more than one occasion.

__Internal Council Investigation__

In the Autumn of 2019, the issue became known within the Council by Senior Officers, when a Freedom of Information (FoI) request was made. In responding to the request, it became apparent that there was a potential issue over the process in which the Capability Review contract was awarded. Some investigative work was undertaken, including a review by the Council's IT department.

Value for Money Risks

What are our findings?

Other considerations

As part of our wider audit responsibilities:

1. We have reviewed the contract from an accounting transaction perspective. The Council can contract with a consultancy firm for a review of this nature. The cost of the contract with the Capability Review provider at c£30,000 is not out of line with what we would expect to see for a review of this type. We are therefore satisfied that the transaction was not unlawful and was not so unreasonable in value that wider value for money or public interest reporting considerations are required.

2. We reviewed the Council's disciplinary procedures and identified that the Council did not have an Employment and Appeals Committee in place at the commencement of the municipal year, as required with appropriate membership, training and support.

The action required by North Norfolk District Council to address the weakness:

The Council's Internal Control environment, including financial regulations and standing orders need to be adhered to in full for each and every transaction.

This issue is evidence of a weakness in proper arrangements in how North Norfolk District Council maintain a sound system of internal control.

Recommendations

1. The Council should ensure that the recommendations made by Internal Audit with respect to procurement exemptions are completed in line with the agreed timeframe.
2. The Council should ensure that all Procurement Exemptions Forms are subject to robust review for adherence to Council policy.
3. All Procurement Exemption Form's should be summarised and reported to the Governance, Risk and Audit Committee on a regular reporting cycle.
4. The Council should establish a standing Employment and Appeals Committee, which is in place at the commencement of each municipal year.
5. The Membership of the Employment and Appeals Committee should be provided with appropriate training to allow them to fulfil their responsibilities in a timely manner.
6. Any Employment and Appeals Committee meeting should be formally recorded and those minutes agreed as an accurate record of the meeting.

Value for Money Risks

What are our findings?

Cash Loss from the Digital Mail Room

Background

We have also been made aware through Internal Audit and media coverage of a cash loss of £1,000 from the Council's digital mail room in October 2019.

Following a report to Internal Audit on 17 October 2019, an investigation was undertaken into the missing cash from the digital mail room. This investigation was unable to establish whether the cash had been lost or stolen.

This matter was subsequently reported to, and subject to an investigation by, Norfolk Constabulary, who concluded that there was insufficient evidence to continue with the investigation.

The Issue

Whilst the amount is clearly immaterial (in terms of the Council's financial statements) and covered by insurance, it is clear that the processes surrounding the Council's standard procedures have been undermined, which would suggest a weak control environment and financial control arrangements.

Both the investigations undertaken by Internal Audit and Norfolk Constabulary were inconclusive and unable to identify whether the cash was lost or stolen. The Internal Audit Report included 5 recommendations to strengthen cash handling procedures and prevent any reoccurrence of cash loss. A follow-up report to Governance, Risk and Audit Committee in August 2020 confirms that all recommendations have been implemented.

Conclusion

This issue does not form part of our 'except for' modified Value for Money Conclusion, as the impact of the weakness in arrangements are not deemed to be quantitatively significant and we recognise that the Internal Audit recommendations have been implemented in full.

Value for Money Risks

What are our findings?

Other Matters

Background

As part of our VFM work we undertake a number of standard procedures to inform our assessment of the Council's arrangements, including reviews of Committee reports and minutes, media and internal audit reports made during the year.

The Issue

Performance reports are usually presented to Cabinet on a quarterly basis, however there were no such reports during 2019/20.

Following Council elections and a change in administration in May 2019, the new Corporate Plan 2019 – 2023 was not approved until November 2019. With no Corporate Plan in place and no performance targets or measures to report on, there were no performance reports presented to Cabinet during the 2019/20 financial year.

Internal Audit's programme of work for 2019/20 included a review of project management which identified a number of issues including ineffective governance arrangements, lack of input from areas such as finance and legal into project appraisals and project objectives and milestones not being adequately defined or reported on. As a result of this, two individual projects were subsequently selected for further review, with further suggested actions for implementation. In 2020/21 internal audit undertook an additional review of the Cromer Sports Hub Project which resulted in a no assurance rating and six urgent recommendations being made due to inadequate project governance arrangements.

Weaknesses in arrangements

1. There were no performance reports presented to Cabinet during the 2019/20 financial year.
2. Inadequate governance arrangements were in place in relation to project management.

The action required by North Norfolk District Council to address the weakness:

The Council's Internal Control environment needs to be strengthened in relation to performance reporting and project management arrangements.

This issue is evidence of a weakness in proper arrangements in how North Norfolk District Council maintain a sound system of internal control.

Recommendation

1. The Council should ensure that the recommendations made by Internal Audit are implemented in line with the agreed timeframe.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements. Financial information in the Narrative Statement within the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have the following matter to report as a result of this work. The Annual Governance Statement did not specifically conclude whether there were any governance issues within Section 5 of the Statement. Given our Value for Money reporting, we deem it appropriate for the Annual Governance Statement be amended to specifically reference these findings.

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Whole of Government Accounts
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. We are not required to carry out any procedures on the Authority's Whole of Governance Accounts (WGA) submission, as the Authority falls below the National Audit Office (NAO) threshold, and the NAO has formally closed the submission window.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did consider the matters identified in our Value for Money work (Section 5) against this criteria. While the matters identified are clearly significant, the key issues were procedural in nature and as we have reported the issue, findings and recommendations within this Audit Results Report, and reported it to the Governance, Risk and Audit Committee in the public domain, we have, on balance, concluded that we are not minded to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. Whilst we have made a number of recommendations within this report, in relation to the Value for Money Conclusion (Section 5) we have not deemed these to be formal written recommendations under the Local Audit and Accountability Act 2014.

We did not identify any other issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no matters to report on the above.

Continued on next page.

Other reporting issues (continued)

Other matters

We have matters to report in relation to the following:

Related Party Transactions

Our work on Related Party Transactions identified that a number of Members and Senior Officers had not returned Declaration of Interest forms as at 31 March 2020 as part of the annual process to identify related party transactions.

We have performed alternative audit procedures to identify undisclosed or unidentified interests, which has not identified any issues with the Statement of Accounts:

- Searches on Companies House for interests held by members and officers
- Read minutes of Council and Committees
- Requested up to date declarations of interests for all members.

We note that one member declaration remains outstanding at the time of this report.

Recommendation: The Council must ensure that is has adequate processes in place to identify and record declarations of interest.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware, other than those raised and communicated within section 5 of this report as part of reaching our conclusion on Value for Money.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention/details of issues noted.

08 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 4 October 2021.

We complied with the FRC Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Governance, Audit and Risk Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Governance, Risk and Audit Committee on 30 March 2022.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid in respect of the audi year ended 31 March 2020. We confirm that we have not undertaken any non-audit work.

	Proposed Final Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£'s	£'s	£'s
Total Audit Fee – Code work	41,667	41,667	41,667
Variations to the 2018/19 scale fee	-	-	8,702
Changes in work required to address professional and regulatory requirements and scope associated with risk (See Note 1)	28,238	-	-
Revised Proposed Scale Fee	**69,905**	-	-
Additional procedures required in relation to the significant VFM risk, including engagement of EY Forensics (Note 2)	To be confirmed	-	-
Additional procedures in respect of Valuation of Land and Buildings Risk and in respect of Covid-19 financial reporting considerations (Note 2)	To be confirmed	-	-
Total Fees	**To be confirmed**	41,667	50,369
Housing Benefit Certification (Agreed upon Procedures)	**11,708**	**-**	13,800

All fees exclude VAT

Notes:

Note 1 - For 2019/20 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of the Council: £13,932
- Additional work to address increase in Regulatory standards: £13,020
- Client readiness and IT support for Data Analytics: £1,285

This revised scale fee has been discussed with management and is subject to review and determination by the PSAA Ltd.

Note 2 - As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to Covid-19, other additional audit risks and for the risks associated to our Value for Money arrangements work and investigations. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Audit Letter.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

https://www.ey.com/en_uk/about-us/transparency-report-2021

09 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Governance, Risk and Audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - October 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - October 2021
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process ▸ Findings and issues regarding the opening balance on initial audits	Audit Results Report – March 2022

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		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit Results Report – March 2022
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report – March 2022
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report – March 2022
Fraud	▸ Enquiries of the Governance, Audit and Risk committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Governance, Audit and Risk committee responsibility.	Audit Results Report – March 2022

Appendix A

Required communications	What is reported?	Our Reporting to you — When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority	Audit Results Report - March 2022
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan - October 2021 and Audit Results Report - March 2022

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report – March 2022
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report – March 2022
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – March 2022

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Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report – March 2022
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – March 2022
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – March 2022
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan – October 2021 Audit Results Report – March 2022

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Receipt of investment confirmations	Receive third party confirmations for 2 remaining investment balances	EY and management
Receipt of Management representation letter	Management to prepare and provide us with their representation letter for the 2020/21 audit	Management
Subsequent Events procedures	Extension of some audit procedures like review of minutes and consideration of unrecorded liabilities and provisions up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

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EY
Building a better working world

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INVESTOR IN PEOPLE

Duncan Ellis
Head of Finance and Assets
North Norfolk District Council
Council Offices
Holt Road
Cromer
Norfolk
NR27 9EN

9 March 2022

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Duncan,

North Norfolk District Council – 2019/20 financial year
Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of North Norfolk District Council ("the Authority") for the year ended 31 March 2020.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of the North Norfolk District Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

EY
Building a better working world

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. That you acknowledge as members of management of the Authority, your responsibility for the fair presentation of the Authority's financial statements. We believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the Authority financial statements.
3. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

   That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

   Or that there are no unadjusted audit differences to the financial statements.

Request for a Management Representation Letter

B. Non-compliance with law and regulations, including fraud

1. That you acknowledge that you are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. That you have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:

   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
- Additional information that we have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. That you have made available to us all minutes of the meetings of the Authority and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 30 March 2022.

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

6. That you have disclosed to us, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.

2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements (please specify the Note) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than the disclosure described in Note X (insert Note) to the Authority's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

Appendix C – Request for a Management Representation Letter (continued)

Request for a Management Representation Letter

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Authority.

H. Going Concern

1. That the Authority has prepared the financial statements on a going concern basis and that Note X (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet(s).

J. Reserves

1. You have properly recorded or disclosed in the Authority financial statements the useable and unusable reserves.

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Authority's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Authority's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority financial statements due to subsequent events.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Authority financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Authority financial statements due to subsequent events.

Request for a Management Representation Letter

M. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2019/2020.
2. You confirm that the content contained within the other information is consistent with the financial statements.

N. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

Accounting and regulatory update

Future accounting developments

Since the date of our last report to the Governance, Audit and Risk Committee, there have been a number of exposure drafts, discussion papers and other projects issues. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures
IFRS 16	The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2022. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2020/21.

Future auditing developments

Since the date of our last report to the Governance, Audit and Risk Committee, there have been changes to Auditing Standards which will impact future audits. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures
ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures	This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors. The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk.

Appendix D

Regulatory update

Since the date of our last report to the Audit Committee, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on North Norfolk District Council
Code of Audit Practice 2020	▸ The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21.	▸ The NAO have updated the Auditor Guidance Notes which sets out how the new Code of Audit Practice should be applied when carrying out value for money work. The most notable impact will be that our 2020/21 work will be reported as a Value for Money commentary, included in a new Annual Auditor's Report.
Going Concern - ISA (UK) 570 (Revised September 2019)	▸ The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020. ▸ This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.	▸ Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. ▸ Further updates will be provided when possible.
Independence	▸ The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and will be effective from 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to companies that are UK Public Interest Entities (PIEs) . This prohibition will also extend to any UK parent and apply to all worldwide subsidiaries. A narrow list of permitted services will continue to be allowed.	▸ We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019 which will be effective from 15 March 2020. Non-audit services which are in progress as at 15 March 2020 and are permitted under the existing ethical standard will be allowed to continue under the existing engagement terms until completed. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

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EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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REPORT TO GRAC – 30TH MARCH 2022

MANAGEMENT RESPONSE TO ISSUES RAISED WITHIN THE VALUE FOR MONEY SECTION OF THE ANNUAL AUDIT RESULTS REPORT 2019/20

1. This response has been prepared by Steve Blatch, Chief Executive.

2. Ernst and Young, in presenting their Annual Audit Results Report for the 2019/20 financial year, provide commentary within the Value for Money section of the report on three issues arising during that year which require a management response by the authority – these issues being – Procurement of a Capability Review; Cash Loss from the Digital Mail Room and Weaknesses in Performance Reporting.

3. The District Council welcomes the commentary and supporting recommendations as to the corporate processes and governance arrangements operated during 2019/20. As a learning organisation, with an aim of continuous improvement, the Council would comment that the EY commentary refers to a specific period in time and that it believes that action has already been taken to address each of the matters raised as recommendations as detailed in the comments provided below.

Procurement of a Capability Review

Concerns raised related to the commissioning of a Capability Review by the incoming administration following the Full Council elections in May 2019 and the extent to which the Council's Financial Regulations were followed in the award of the contract for this work.

EY commented that the Council could issue a contract for such work and that the cost of circa £30,000 was not unreasonable in terms of value for money or public interest such that the commissioning of consultants to carry out such a review was not unlawful. However, EY concluded that the award of the contract did not follow the Council's internal control procedures and has therefore made a number of recommendations as detailed below requiring that these issues are addressed by the authority moving forward.

Recommendations:-

1. That the Council should ensure that the recommendations made by Internal Audit with respect to procurement exemptions are completed within the agreed timeframe.

Response / Action taken:-

In response to concerns raised around the procurement of the Capability Review which came to light during 2020, the Council's Constitution Working Party and Governance, Risk and Audit Committee (GRAC) commissioned a review of Contract Standing Orders and Procurement Exemptions (NN2113) for the 19/20 and 20/21 financial years through the Internal Audit Partnership. This review was carried out in March 2021 and resulted in a Position Statement being issued in May 2021.

This review of Procurement Exemptions had followed earlier scheduled reviews of Procurement (NN/20/12) with Reasonable assurance conducted in January 2020 and reported to GRAC in June 2020 and a Procurement and Contract Management Position

Statement undertaken in November 2020 and issued in February 2021 to assess the Council's ability to manage contracts in place during the pandemic and subsequent recovery. This latter review was undertaken across all councils within the Norfolk Audit Partnership.

The review of Contract Standing Orders and Procurement Exemptions (NN2113) was reported to GRAC at its meeting of 15th June 2021 and to the Constitution Working Party at a meeting of 28th June 2021, with decisions taken to significantly strengthen the control and reporting environment subsequently agreed by Full Council at its meeting of 21st July 2021 (Minute 73 refers).

Recommendations made included updating the Contract Standing Orders within the Constitution, reviewing the information to be provided on the Council's Procurement Exemption Forms, drafting a clear procedure note for the completion of Procurement Exemption Forms, reviewing the number of signatories and process of signing off exemptions, retention of Procurement Exemption Forms in a single central record held by the Procurement Officer, and regular reporting of exemptions in a timely manner through Cabinet and GRAC on a quarterly basis for transparency rather than at year end.

All of these recommendations have been implemented.

2. **The Council should ensure that Procurement Exemption Forms are subject to robust review for adherence to Council policy.**

Response / Action taken:-

See comments made at Recommendation 1 above.

3. **All Procurement Exemption Forms should be summarised and reported to the Governance, Risk and Audit Committee on a regular reporting cycle.**

Response / Action taken:-

Recommendation implemented with Procurement Exemptions being regularly reported to GRAC as a Standing Item on agendas of all scheduled meetings of GRAC – even where there is a Nil return.

This is in addition to year end reporting on all Procurement Exemptions granted through the Monitoring Officers Annual Report.

4. **The Council should establish a standing Employment and Appeals Committee, which is in place at the commencement of each municipal year.**

Response / Action taken:-

This recommendation has been actioned.

A report outlining new Terms of Reference for the Employment and Appeals Committee was presented to and agreed by Full Council at its meeting of the 22nd September 2021 (Minute 94 refers). Whilst a Non Public Committee, in the interests of transparency the members of the Committee are detailed on the Council's website.

5. **The membership of the Employment and Appeals Committee should be provided with appropriate training to allow them to fulfil their responsibilities in a timely manner.**

Response / Action taken:-

Following agreement of the revised Terms of Reference for the Employment and Appeals Committee at the meeting of Full Council held on 22nd September 2021, 15 members were appointed to the Committee, either as formal members or substitutes, and training delivered for the membership on 3rd November 2021.

6. **Any Employment and Appeals Committee meeting should be formally recorded and those minutes agreed as an accurate record of the meeting.**

   Response / Action taken:-

   Arrangements for the conduct of Employment and Appeals Committee meetings have been reviewed by the HR Manager and Democratic Services Manager such that there is a clear understanding of process, separation of roles between advice to the Committee and presentation of any management cases in respect of disciplinary and grievance matters, and that any meetings are appropriately minuted and any agreed actions / recommendations implemented.

<u>Cash Loss from the Digital Mail Room</u>

No recommendations made – summary of issue and confirmation that the impact of the weaknesses in arrangements were not deemed to be quantitatively significant and that the actions recommended through an Internal Audit report and investigation commissioned by management at the time have been implemented in full.

<u>Weaknesses in Performance Reporting</u>

Concerns raised that there were no performance reports presented to Cabinet in the 2019/20 financial year and that there were inadequate governance arrangements in place in relation to project management at that time.

Recommendation:-

The Council should ensure that the recommendations made by Internal Audit are implemented within the agreed timeframe.

Response / Action taken:-

Following the Full Council elections in May 2019 the incoming administration agreed a new Corporate Plan for the period 2019 - 2023, which was adopted by Full Council at its meeting of the 20th November 2019. Thereafter a detailed Delivery Plan, with specific actions and measurable outcomes, was developed and agreed by Cabinet at its meeting of the 3rd February 2020.

This meant that there was minimal performance reporting during the 2019/20 civic year. This issue has been addressed since April 2020 with quarterly performance reports being presented to Cabinet and the Overview and Scrutiny Committee and reports being presented to Cabinet in November 2020 and November 2021 proposing revisions to the Delivery Plan objectives to reflect corporate capacity having to be directed to the COVID response and recovery.

Notwithstanding reduced delivery against Delivery Plan priorities and objectives during 2020 due to COVID, good progress has been made with regards headline Corporate Plan objectives during 2021. Progress made against Corporate Plan Delivery Plan objectives are also available at any time to members of the Council through them being able to access the Council's In-Phase performance management system. Members have also been supported through a workshop to access this information independently.

More recently, in the final quarter of 2021, members of the Overview and Scrutiny Committee asked for more comparative data to be provided comparing North Norfolk District Council's performance against other similar authorities, rather than performance reports reporting on progress against our own Corporate Plan objectives.

The quarterly performance management report presented to Cabinet and the Overview and Scrutiny Committee has therefore been amended to include details from the LG Inform reporting tool such that members can understand the Council's performance when benchmarked against similar authorities. It is therefore believed that the authority now has strong performance management tools and reporting systems in place such that the Council's performance can be measured and questioned by members through public reports.

Separate to regular performance reporting, the incoming administration raised concerns in the summer of 2019 about the robustness of the Council's project management, governance and reporting framework and commissioned an internal audit review of Project Management and Governance arrangements (NN20/01).

This made a number of recommendations with regards strengthening project governance and reporting for the authority to address moving forward. This report was undertaken in May/June 2019 and reported in August 2019 with actions being addressed through a restructuring of the Council's senior management structure during 2020. Progress in implementing the new procedures were delayed during 2020 due to the need to focus on the co-ordination of the Council's response to the COVID pandemic; however, revised project management and governance arrangements were proposed to GRAC at its meeting of the 8th December 2020 and to Cabinet at its meeting of 15th March 2021 for implementation from April 2021.

These arrangements have included the establishment of a Corporate Delivery Unit as an independent scrutineer function of project proposals, development of a new project management framework and critical path analysis to ensure projects dependent on external funding are fully funded, establishment of a Cabinet Working Party to receive regular progress reports on Major and Medium Sized Projects, and formal end of project evaluations. These arrangements have subsequently been the subject of a further Internal Audit Report in Quarter 1 2022 (reported to GRAC at its meeting of 8th March 2022) which has provided a Reasonable Assurance and notes the progress which has been made to address the recommendations made in the previous NN20/01 report.

It is therefore believed that the Council has taken the necessary steps to address the concerns raised with respect to weaknesses in performance reporting and project governance arrangements and can evidence the progress made.

GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2021/2022

Date	Topic	Lead Officer	Comments	Cycle
15th June 2021				
	Strategic and annual plans internal audit plan 2021/22	Internal Auditors – Faye Haywood		Annual
	Progress report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly
	Follow up on Internal Audit Recommendations	Internal Auditors – Faye Haywood	To include update on historical recommendations	Six Monthly
	Annual Report/ Opinion & Review of the Effectiveness of Internal Audit	Internal Auditors – Faye Haywood		Annual
13th July 2021	**Meeting Cancelled**			
28th Sept 2021				
	Procurement Exemptions Register	Monitoring Officer – Cara Jordan	To review Procurement Exemptions	Quarterly
	Monitoring Officer's Report	Monitoring Officer – Cara Jordan		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood	To review progress on active internal audit recommendations	Quarterly
	Follow Up Report on Internal Audit Recommendations	Internal Auditors – Faye Haywood	To follow-up outstanding audit recommendations	Quarterly
	Corporate Risk Register	Director for Resources – Duncan Ellis	To review the corporate risk register	Quarterly
	Draft Statement of Accounts 2020/21	Chief Technical Accountant – Lucy Hume	To review the draft statement of accounts	Annual
	Review of Council's Asset Register	Chief Technical Accountant – Lucy Hume	To review the number and value of Council assets	Committee Request
	Whistle Blowing Policy	Monitoring Officer – Cara Jordan	To review the updated Whistleblowing Policy	Tri-annual (June 2021)
	Annual Governance Statement 2020/21 & Local Code of Corporate Governance	Director for Resources – Duncan Ellis	To review and approve the AGS and Local Code of Corporate Governance	Annual
	GRAC Annual Report 2019-20 & 2020-21	Committee Officer – Matt Stembrowicz	To review the work of the Committee in the previous year	Annual
	LGO Annual Review Letter 2021	Chief Executive – Steve Blatch		Annual
	Draft Procurement Strategy	Director for Resources – Duncan Ellis	To review the draft Procurement Strategy	

GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2021/2022

Date	Topic	Lead Officer	Comments	Cycle
7th Dec 2021				
	EY Audit Plan 2019/20	External Auditors - EY		Annual
	Corporate Risk Register	Director for Resources – Duncan Ellis		Quarterly
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood	To review progress on internal audit recommendations	Quarterly
	Follow Up Report on Internal Audit Recommendations	Internal Auditors – Faye Haywood	To follow-up outstanding audit recommendations	Six Monthly
	Civil Contingencies Update	Resilience Manager – Alison Sayer		Annual
	Procurement Exemptions Register	Monitoring Officer – Cara Jordan	To review Procurement Exemptions	Quarterly
	PSAA Update	Chief Technical Accountant – Lucy Hume		
8th March 2022				
	Follow Up Report on Internal Audit Recommendations	Internal Auditors – Faye Haywood		Quarterly
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly
	Undertake self-assessment	Internal Auditors – Faye Haywood		Annual
	Strategic and Annual Audit Plans	Internal Auditors – Faye Haywood		Annual
	Corporate Risk Register	Director for Resources – Duncan Ellis	To review the corporate risk register	Quarterly
30th March	TBC			
	Audit Results Report 2019/20	External Auditors - EY		Annual
	Letter of Representation 2019/20	Director for Resources – Duncan Ellis		Annual
	Final Statement of Accounts	Chief Technical Accountant – Lucy Hume		Annual
June 2022				
	Annual Audit Letter 2019/20	External Auditors - EY		Annual
	Anti-money laundering policy	Internal Auditors – Faye Haywood		3 years – Due 2021
	Risk Management Framework	Director for Resources – Duncan Ellis	To review the Council's risk management framework	Annual

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 13

Document is Restricted

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