

# Governance, Risk and Audit Committee



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Date Not Specified

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Council Offices, Holt Road, Cromer, NR27 9EN** on **Thursday, 12 February 2026** at **2.00 pm**.

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: [democraticservices@north-norfolk.gov.uk](mailto:democraticservices@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:** Platten, Cllr S Bütikofer, Cllr C Cushing, Cllr A Fletcher, Cllr V Holliday, Cllr S Penfold, Cllr W Fredericks and Cllr L Shires

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

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## 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**

7 - 18

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on the 10<sup>th</sup> of December 2025

**7. 2024/25 EXTERNAL AUDIT OF THE FINANCIAL STATEMENTS**

19 - 80

To review the external audit of the financial statements for 2024/25.

**8. DRAFT STATEMENT OF ACCOUNTS 2024/2025**

81 - 184

To review the Draft Statement of Accounts for 2024/2025 and for the Committee to delegate authority for the Chair to sign.

<b>Updated Draft Financial Statements 2024/2025</b>	
<b>Executive Summary</b>	The draft Statement of Accounts 2024/25 was presented to the Committee on 9 September 2025. This report seeks approval of the audited Statement of Accounts, reflecting completion of the external audit.

<b>Options considered</b>	<p><b>Option 1 – Approve the Statement of Accounts (recommended)</b></p> <p>That delegated authority is given to the Chair of the Governance Risk and Audit Committee to approve the final audited Statement of Accounts for 2024/25, enabling statutory sign-off and publication.</p> <p><b>Option 2 – Do not approve the Statement of Accounts</b></p> <p>Would delay statutory approval and publication of the Statement of Accounts, and risk non compliance with the statutory backstop date for publication.</p>
<b>Consultation(s)</b>	Section 151 Officer
<b>Recommendations</b>	<p><b>Option 1 – Approve the Statement of Accounts</b></p> <p>That delegated authority is given to the Chair of the Governance Risk and Audit Committee to approve the final audited Statement of Accounts for 2024/25, enabling statutory sign-off and publication.</p> <p>.</p>
<b>Reasons for recommendations</b>	Approval of the Statement of Accounts enables statutory sign-off and publication and confirms the Committee's oversight of the audited financial statements for 2024/25.
<b>Background papers</b>	Draft Statement of Accounts 2024/25 presented to the Governance, Risk and Audit Committee on 9 September 2025.

## 9. ANNUAL GOVERNANCE STATEMENT

185 - 206

To review and accept the Annual Governance Statement and the Committee to delegate authority for the Chair to sign.

<b>Updated Annual Governance Statement 2024/2025</b>	
<b>Executive Summary</b>	The Annual Governance Statement was previously presented to the Committee in draft form on 9 September 2025. This report seeks approval of the updated Annual Governance Statement, reflecting the updated position.

<b>Options considered</b>	<p>Option 1 – Approve the Annual Governance Statement</p> <p>Approves the updated Annual Governance Statement for 2024/25, reflecting completion of the audit process and enabling statutory sign-off of the Statement of Accounts.</p> <p>Option 2 – Do not approve the Annual Governance Statement</p> <p>Would delay statutory approval and publication of the Annual Governance Statement and the Statement of Accounts.</p>
<b>Consultation(s)</b>	<p>Section 151 Officer</p> <p>Monitoring Officer</p> <p>Chief Executive</p>
<b>Recommendations</b>	<p>Option 1</p> <p>That the Committee approves the Annual Governance Statement for the year ended 31 March 2025, to be signed by the Chief Executive, and leader of the Council.</p>
<b>Reasons for recommendations</b>	<p>Approval of the Annual Governance Statement enables statutory sign-off and publication and confirms the Committee's oversight of the governance matters identified during the 2024/25 audit and the actions in place to address them.</p>
<b>Background papers</b>	<p>None</p>

## 10. TREASURY MANAGEMENT STRATEGY

207 - 246

To review the Annual TMS and recommend to Full Council for approval

<b>Treasury Management Strategy Report 2026/27</b>	
<b>Executive Summary</b>	<p>This report sets out the Council's Treasury Management Strategy for the year 2026/27. It sets out details of the Council's Treasury Management activities and presents a strategy for the prudent investment of the Council's resources. It also sets out the Council's approach to the deployment of capital resources in meeting the Council's overall aims and objectives.</p>



<b>Options considered</b>	No other options considered. It is a requirement that the Treasury Management Strategy report must be approved by full Council each year in advance of the new financial year to ensure the Council is compliant with the CIPFA Treasury Management, CIPFA Prudential Codes and guidance issued by the Ministry of Housing, Communities & Local Government (MHCLG).
<b>Consultation(s)</b>	Portfolio Holder Section 151 Officer  This report has been prepared with the assistance of Link Treasury Services, the Council's Treasury Management advisors.
<b>Recommendations</b>	To recommend to Full Council that the Treasury Management Strategy 2026/27 is approved.
<b>Reasons for recommendations</b>	Approval by Full Council demonstrates compliance with the Prudential Codes to ensure. <ul style="list-style-type: none"> <li>• A flexible investment strategy enabling the Council to respond to changing market conditions.</li> <li>• Ensure compliance with CIPFA and MHCLG guidance.</li> <li>• Confirming capital resources available for delivery of the Council's capital programme.</li> </ul> <p>It is a requirement that any proposed changes to the prudential indicators are approved by Full Council.</p>
<b>Background papers</b>	The Council's Treasury Management Strategy 2025/26.  CIPFA Prudential Code (Treasury Management in the Public Services: Code of Practice 2021 Edition).  CIPFA Prudential Code (Capital Finance in Local Authorities: Code of Practice 2021 Edition).

To monitor progress on items requiring action from the previous meeting, including progress on implementation of audit recommendations.

**12. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME 249 - 250**

To review the Governance, Risk & Audit Committee Work Programme.

**13. EXCLUSION OF THE PRESS AND PUBLIC**

To pass the following resolution, if necessary:

“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 \_ of Part I of Schedule 12A (as amended) to the Act.”

## 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](#).

<b>Subject</b>	<b>Description</b>
<b>Employment, office, trade, profession or vocation</b>	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
<b>Sponsorship</b>	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.
<b>Contracts</b>	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>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 —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
<b>Land and Property</b>	<p>Any beneficial interest in land which is within the area of the council.</p> <p>‘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.</p>
<b>Licenses</b>	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
<b>Corporate tenancies</b>	<p>Any tenancy where (to the councillor’s knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(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.</p>
<b>Securities</b>	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(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</p>

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





## GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 2 December 2025 at the Council Chamber - Council Offices at 2.00 pm

### Committee

#### Members Present:

Mr V Platten (IP)	Cllr S Bütikofer (Chair)
Cllr J Boyle	Cllr C Cushing
Cllr A Fletcher (Vice-Chairman)	Cllr V Holliday
	Cllr S Penfold

#### Members also attending:

#### Officers in Attendance:

Director of Service Delivery (DSD), Director for Resources for Communities (DRC), Assistant Director Legal and Governance, Monitoring Officer (MO), Head of Internal Audit (HIA), Democratic Services and Governance Officer (DSGO), Resilience Manager (RM) Corporate Programme and Project Manager (CPPM), External Auditor (EA)

#### 34 TO RECEIVE APOLOGIES FOR ABSENCE

None received.

#### 35 SUBSTITUTES

None.

#### 36 PUBLIC QUESTIONS

None received.

#### 37 ITEMS OF URGENT BUSINESS

None.

#### 38 DECLARATIONS OF INTEREST

None.

#### 39 MINUTES

The Chair asked for a title to be added to the item under Urgent Business to briefly explain its content.

Cllr Boyle proposed, and Cllr Fletcher seconded to approve the minutes which **was ACCEPETED** unanimously.

#### 40 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

Chair asked if the action under Minute No.7, in respect of property assessments, be chased and allocated correctly to the appropriate Officer. The DRC said the Assistant Director for Finance and Assets (ADFA) would report back within a month.

The DRC asked the HIA to clarify if there was going to be an internal audit work plan for scheduled maintenance and whether that would have an impact on the date of that report. The HIA confirmed there was, so the DRC advised they would keep the Committee updated if that internal audit was going to mean a delay in providing a full written update, to Minute No.7, within the agreed time.

The IP believed it would be helpful to add a column onto the list highlighting when the action was initiated, to give some context on how urgent any update needed to be provided within, as well as a column noting when the action was completed.

The HIA suggested the Committee should consider training on the Global Internal Audit Standard in the UK Public Sector which would include the second part of the Chartered Institute of Public Finance and Accountancy (CIPFA) self-assessment.

The Committee unanimously agreed to an audit training day on March the 24<sup>th</sup> 2026.

**ACTION: The Committee agreed**

- **That the ADFA would provide a full answer to the outstanding action on property assessments within a month of the meeting.**
- **The DSGO to add columns to the list for date action opened and closed**
- **Training would be organised for March 24<sup>th</sup>, 2026, to better understand the Global Internal Audit Standard in the UK Public Sector.**

**41 UPDATE ON THE 2024/2025 EXTERNAL AUDIT OF THE COUNCIL'S FINANCIAL STATEMENTS**

The EA gave a verbal update. He reminded the Committee that the report in June had raised 6 risks on the financial statements and one risk on the Value for Money conclusion (VFM). The EA explained that they had been working with the finance team to ensure they maximised the completion of planned procedures. The last time the Council received a full audit was for year 2021 due to delays in publishing accounts and new legislation that had been put in place. The final element of the audit for the 24/25 accounts had begun with a backstop date of the end of February 2026.

The Chair then invited questions from the Committee.

In response to a query from Cllr Penfold regarding what had happened to the Council's accounts between 2021 and 2024, the EA explained there was a backlog across the whole sector, not just in North Norfolk. The 2021 accounts were signed off in 2023. Last year was the first year EA could fully update before the first backstop. Accounts between 2021 and 2024, hit the first backstop before they had time to complete an audit and went straight to disclaim as they could not form an opinion on them. The year 2024/25 was the first year they were trying to build assurance on. In 2025/26 they would carry out a risk assessment to see where the gaps were.

The Chair was concerned how long disclaimed reports might go on before the Council could be in acceptable place for a full audit and asked for an assurance from the EA and the DRC that everything was being done to ensure the Council would be in that place as soon as possible. The DRC reiterated that the finance team and audit team were working closely to seek clarification as to when they needed to provide suitable evidence to be able to close an item off, they were doing so in sufficient time with all the correct information required. If that wasn't provided then auditors would move on to another section due to the small window they had to complete the audit. The DRC said the finance team was quite new with many officers never having been audited before, but they were doing as much as they could to support those officers through that process.

The DRC explained that the opening balances from April 2024 were not certain as they had not done all the required tests to verify them due to not completing an audit for the previous three years.

The EA agreed and said the optimum time for returning to a clean opinion was three years but would depend on how successful they were in completing the planned procedures they were currently working through. The EA was comfortable that they had the capacity and resources to get through that work. It was in the EA's opinion that a step forward would be to see a significant portion of the assurances, on the balance sheet significant accounts, turning green, as previously they were all red due to having to disclaim them.

Cllrs Holliday and Cushing asked if they could see the delay in concluding the audits within the corporate risk register or, if not, should they be adding one for the potential black hole in the Council's finances for the period of three years where no assurance was given. The EA said that he had seen some councils add it as a risk, but the Committee would need to think about what the risk was. As the external audit was the final check, all the internal procedures should give assurance that the final statement of accounts was correct. Otherwise, it would be a risk indicating a flaw in the Council's own internal procedures, and if that was the case, members would need to agree what would be done to mitigate that risk.

The Chair was concerned that the Committee could hinder the work of the audit team by adding in actions, such as additional checks and balances as that would delay getting the figures to the external auditors resulting in them running out of time to audit the accounts themselves.

Cllr Cushing felt that a risk could be added, and that the mitigation would be the work carried out by the auditors to audit the accounts and no delay would therefore be incurred. He felt that it was far more of a risk if they didn't add that onto the register when they knew there was a potential for a black hole being there.

The DRC sought to clarify If the black hole that Cllr Cushing was referring to, was an asset that was over-valued or a liability that was under-valued and explained that if this was the case then there were processes and financial controls set up to help mitigate that. Also, the EA would focus on the most material transactions and balances on the balance sheet to avoid that risk.

The IP was interested in knowing if the risk could potentially jeopardise the Council's relationship with Central Government or key stakeholders in which case the IP felt it should be on the risk register and the Council taking mitigating action. The EA said that they needed to do the 2024/25 accounts and then size up any scale of the potential risk but it was important to remember that when the draft accounts were

issued by the Council they were issued as being materially correct.

Cllr Penfold asked, with the fees being paid to the EA by the Council in mind, what, if any, processes were completed for those missing three years of accounts. The EA confirmed no audit was completed because the time was reduced up to the backstop date for those years. Certain procedures, such as value for money, were completed and had to be, along with one or two other procedures, to disclaim an audit; they also did limited procedures on the accounts, such as were they compliant with the disclosure checklist issued by The Chartered Institute of Public Finance and Accountancy (CIPFA), and that was reported. In terms of the fee being paid that was all determined, as to what was reasonable and fair, by the Procurement Services Agreement (PSA) for those years.

The Chair took a vote and asked for those in favour of a risk being added to the risk register, with 2 votes for and 4 against.

The DSD said the Council's Corporate Leadership Team (CLT) reviewed risks on the register regularly and they would consider forming a view internally, whether a risk needed to be added.

The Chair suggested they review again once the 2024/25 accounts had been reported back on and they bring both Committee and internal viewpoints together to discuss.

## **42 INTERNAL AUDIT PROGRESS & FOLLOW UP REPORT**

The HOIA introduced the report and explained there were 11 audits to complete, 3 of which had been finalised. She highlighted that there were 34 outstanding recommendations with 1 limited report in reference to licensing that had an urgent recommendation.

Cllr Fletcher asked about the urgent recommendation that was highlighted by the HOIA in reference to renewal of premises licenses and the large amount of money that hadn't been recouped. He was alarmed by the grace period allowed to businesses to settle the outstanding fees and the fact it appeared not to be tightly observed.

The DSD was aware that the Environmental Health (EH) team were working on those licenses and fees but did not have an up-to-date position at that time so offered to report back after the meeting. He explained EH now had a business manager in post looking at the processes to ensure not only the correct fees were charged for all licenses but that they were collected in a timely fashion.

It was felt by the Chair, that the guidance clearly stipulated that the Authority must suspend a license when it was not renewed on time and that the Council must enforce this on each occasion, when necessary, to be consistent. The MO clarified there was a system of debt recovery which would allow any outstanding fees to be chased that way. The MO also said that a period of grace to settle the outstanding fee, rather than immediately suspending the license was a pragmatic way of managing the situation but agreed that getting correspondence to those businesses impacted, outlining the consequences of non-payment of the fee, which could result in a potential suspension of the license, was important to do in good time.

The Chair said any grace period was open to misinterpretation and that the public may perceive that some businesses were given longer to renew before being

suspended when others were suspended immediately. The Chair added it was important that businesses knew where they stood and that the Council did not leave itself open to criticism for being perceived to show any bias.

Cllr Cushing asked why a manual system had not been put in place to avoid the number of outstanding fees being owed when the Council knew the automated service was going to be switched off. The DSD said the old automated system closing was not the choice of NNDC and although it could make representations to the software companies that ran them to add certain features, unless EH were to pay, at significant cost, to include them they could not dictate to that company what functionalities their software would be able to provide. The DSD assured Cllr Penfold, who believed that the procedures needed to be tightened to reflect what EH expectations were, i.e. when the fee was due and the consequences of not paying, that those procedures were now being put in place as part of the new EH Business Manager's focus before communicating that to businesses in good time.

It was suggested by the IP that he would expect to see quite tight budget management on the recovery of fees and there was a risk of a legal challenge should any license holder feel they were being treated differently to another, with regards to grace periods and penalties being enforced or not.

Cllr Boyle highlighted that figures in the report showed that work was being done to review who still owed money and those businesses being chased for fees in a process that was due to finish at the end of November 2025.

Feedback was offered by Cllr Holliday who felt more information of the progress being made earlier in the report would be helpful going forward, for example, what the urgent recommendations were and where within the report they could be found, as well as informing the Committee which items had been closed.

Cllr Holliday, referred to the 7 important recommendations around Artificial Intelligence (AI) and the item on the Section 106 (S106) which were of some interest to the Committee. The Chair said the piece around AI was an advisory audit, but it did have a due date of the end of January so was also interested to ask if that deadline was realistic. The DSD felt some reflection was needed on those recommendations as the use, and benefits, of AI was something the Council should be on top of. Updates for each service area were sought monthly and the DSD hoped that by the 31st of Jan those recommendations would have been closed or significant progress made to their completion.

Cllr Cushing asked if there was any benefit in discussing the risk of AI with other councils for shared learning and pooling resources with LGR in mind. The HOIA was aware that some were using AI in a similar way to North Norfolk and others were using it more readily, within a safe environment, and with training provided.

The DRC explained that the new S106 officer would be in role by the end of the year but would need some training to get up to speed. The DRC had discussed with the team leader any existing S106 grants the Council retained, that were close to expiring, so that an action plan was in place to mitigate the financial risk of repaying such grants.

It was pointed out by the IP that a number of the actions had the same responsible officer and felt it would be good practice to seek reassurance that the officer in those cases had sufficient capacity. The IP was also concerned about date slippage and suggested adding a column to the report showing what confidence the responsible

officer had in hitting their targets, for transparency purposes, so if the Committee, or other responsible bodies, felt it was critical they could act accordingly. The DSD explained that the responsible officer was more appropriate for those in post at Assistant Director level throughout rather than have multiple responsible persons across the organisation. Being the responsible officer didn't mean, therefore, you were responsible for doing the work itself in all those cases. CLT was concerned of the high volumes of work for those officers, when additionally working towards devolution and Local Government Reform (LGR). CLT asked for updates regularly and if there was going to be a slippage ensuring there was a justified reason as to why that was going to happen.

The HOIA said they worked with CLT in getting updates for the outstanding recommendations but felt that adding a percentage showing the officers confidence level was an option they could explore. The DSD agreed but said they had improved on getting to a point where officers didn't wait to be chased before actioning something for an audit and capacity levels had to be considered if then adding another update they needed to provide for the internal audit report. The DSD did say they already challenged those responsible officers to look at those deadlines, when they were agreed, to see if they were achievable and to have an open dialogue with the auditors. The CLT had tried to ensure that dates were not continuously moved but should they need to be, for justified reasons, then the new deadline was set with a high degree of confidence that the target should be met.

The Committee **noted** the report and approved the change to the Internal Audit Plan.

**ACTION: The Committee agreed the DSD should provide a written report within 1 month outlining**

- **The number of premises that still need to pay their fee and the value of the those licenses outstanding.**
- **The documentation associated with license renewals demonstrating the grace period has been removed.**
- **The processes in place when renewing a premises license, clearly showing that reminders are going out in a timely manner and the consequences of not paying the license fee are clearly communicated.**
- **To update the Licensing Policy by March 2026, reflecting those changes in procedure.**

#### **43 PROJECT MANAGEMENT FRAMEWORK PROVISION**

The Corporate Programme and Project Managers gave a short introduction to the Framework and said they believed that project governance was a key part to managing organisational risk. They explained that it was not a new framework but an existing one that had been refreshed and that their role was to ensure that projects across the organisation were delivered to the highest possible standard, consistently, with clear oversight and accountability. They still reported to CLT for final sign-off.

Cllr Cushing asked if the framework was based on Prince 2 principles. The CPPM said it was a hybrid as some service areas did things more agilely, but they did use

some of those principles associated with Prince 2 without being too heavy handed as it was important they had consistency in governance. The CPPM said, in response to a query from Cllr Cushing, the number of projects they had in progress was around 14 with a further 81 that had been proposed but not started.

The DRC explained that the Major Project Oversight Board, was not a delivery board, their role was to ensure that the governance process was working and to highlight any significant risks that weren't being mitigated or controlled and then escalated appropriately. They did not release finds of any kind that was the responsibility of Full Council.

The CPPM responded to a query from Cllr Penfold regarding how they evaluated a project, such as the North Walsham Heritage Action Zone, when working with partnering organisations who had different strategic objectives to the Council, saying they also had an external board where objectives would all be set out, and agreed, before the project was initiated.

In follow-up to observations made by the IP, the CPPM said they were already having regular meetings with those key departments that were likely to crossover into a project and as part of the proposal document they were pushing to have sign off from all the managers of the teams who would most likely be involved in an effort to raise awareness of the resource required and at what stage they were needed. They had implemented a log to capture what was done well and what they needed to improve upon throughout the course of a project that could then be fed into future ones. In light of LGR, they were developing an internal project management working group which they were looking to expand across other local authorities to discover any best working practices that could be shared.

The CPPM agreed with the Chair that it was important to review a project 12 months after completion to evaluate did it deliver and if not, why not, and this was already part of the existing framework but again they were working with teams to identify what benefits they were looking to see from that project down the line.

It was asked by the Chair at what point, if any, did the Project Management Team engage with Members. The CPPM felt that portfolio holders for those project areas should be reporting back to Cabinet or Full Council, but the Chair stipulated that with her experience the projects that often failed were those with no proper project proposals and they had no Councillor oversight. The CPPM said that would happen and they were refreshing the framework to ensure it did.

Cllr Cushing felt that in his experience every project had a sponsor who was ultimately responsible, and held accountable, for its delivery but also for the fulfilment of any associated benefits. If that sponsor in the Council's case was a staff member of the CLT they should in turn report back to a Cabinet Member as those projects were instigated as part of policy and he suggested that if that thread was not there already, they should consider adding it in. The CPPM agreed that this was a good point to start that process of engaging with Members through the various respective council committees.

The DSD suggested that a report, or an update could be submitted, via the DRC, as Chair of the Major Project Oversight Board, to the Governance, Risk and Audit Committee to open that avenue of dialogue going forward.

**ACTION: The Committee agreed a summary report should be provided by the CPPM for the DRC to present, as necessary, going forward.**

#### 44 PERFORMANCE AND PRODUCTIVITY OVERSIGHT BOARD (PPOB)

The DSD summarised what the PPOB did and explained that it focused on improving work around many areas to ensure the Council was moving in the right direction. A lot of recommendations did come in at the end of November so there had been a slight rise in the most recent report for that reason. The DSD highlighted the positive change around the complaint's procedure, particularly from the local government ombudsman, as they had previously found against the Council on a couple of occasions. The Council had now made changes to the complaints process and policy which meant that stage 1 and stage 2 complaints were more in line with Local Government and Social Care Ombudsman guidance (LGSCO). In the previous year, November 2024 – November 2025 the Ombudsman had a similar number of complaints referred to them, but they had decided not to investigate any of them which he believed was a significant compliment for the Council complaints process.

It was noted by the Chair that the Council was part of a trial to which the DSD expanded on stating that the LGSCO do engage with several authorities to consider how they were going to update their code of practice on complaint handling. The Council had very positively engaged on the last couple of occasions that policy had been updated. As such, the timeline with which officers must respond to complaints had changed in line with the code which will be trialled up until April 1st, 2026, when the code would officially be adopted.

Cllr Holliday asked about the Corporate Plan and Action Plan and how the RAG (Red Amber Green) rating was determined as 80% were green. The DSD explained that it was not the job of the oversight board to grade but what they looked at was whether the report had been done and was the narrative relevant to the piece of work. The rating was for the responsible officers to establish.

It was pointed out by Cllr Boyle that in July 2024 there were 127 policies outstanding and now in November 2025 it had been reduced to 40 which was a massive amount of work to get through and should be applauded, to which the Chair agreed. The DSD said that figure would go up again as policies were constantly being reviewed but many were just in need of being refreshed, or updated, rather than completely rewritten to see if they were still relevant so did not take a lot of work.

The DSD paid special thanks to his Executive Assistant (EA), for the time and effort she put in to simplify a complicated system and did a lot of that work in chasing and updating and he was very grateful for her determination and commitment.

The Chair and Committee wished to pass on their thanks to the DSD's EA.

The Committee **noted** the work that the PPOB has undertaken over the last 12 months and the progress that had been made on various issues.

#### 45 CIVIL CONTINGENCIES UPDATE

The RM introduced the update and reported it was a record year for number of events coming through Safety the Advisory Group and that caused some concern for the RM as they knew they were likely to see more coming in when the Terrorism Protection of Premises Act 2025, known as Martyn's Law, came into effect against a backdrop of LGR and constrained budgets and there was no additional funding available from the regulator for safety advisory groups despite the associated additional administration costs.



Cllr Holliday had a concern about field fires and fire risk as she had spoken to the local fire prevention officer and discovered what they were doing in Dorset but there was not any support in Norfolk on fire prevention or readiness. The RM responded to a further query from Cllr Holliday on whether the communication breakdown risk should be raised as there had been a recent incident where an internet cable was cut by mistake cutting off commercial business for 3 weeks. The RM explained that the Norfolk Resilience Forum routinely went through all the risks that they separate from the Central Government ones but could not recall seeing one specifically around Communications but offered to report back on when that was due to be renewed and if it isn't on the list, they could consider adding it. The RM said she would also go back to her contact with regards the field fire risk as, due to climate change, it was sadly more likely to happen again. Also, still classed by the Environment Agency as being in a dry spell, one down from drought, so another hot summer next year and that would increase the risk further still.

The DSD explained that he was the chair of the Norfolk Resilience Forum (NRF) and they did consider communication risks, and multiple others, such as widespread outages through the telephone system and the RM would be interested to hear of the businesses that were affected as part of Business Continuity. The DSD did also say that the NRF encouraged businesses to take that responsibility for themselves, as many didn't use the normal wired IT systems and used satellite related internet so did have options open to them to protect from outages or have alternate provision.

Chair was very grateful for the updates provided by the Civil Contingencies team keeping Members well informed when incidents did occur. The Chair was also very sad to hear that the flood wardens in Wells-Next-The-Sea were stepping down and paid tribute to all their hard work over many years.

The Committee **noted** the report and the council's contributions to the Norfolk Resilience Forum and the response to incidents.

Cllr Penfold left the meeting.

## **46 CORPORATE RISK REGISTER**

The IP offered to write in with suggestions that he had observed if that was helpful to the Committee. The Chair agreed and the DSD was grateful for any assistance in improving what they were doing.

Cllr Holliday asked about capacity around the IT Manager and if the Council was paying sufficient attention to that. The DRC agreed that it was a valid concern as IT systems integration would be one of the biggest challenges of LGR putting even more pressure on the IT team. As officers were nominated to liaise with partners on the LGR processes, CLT was liaising with those teams in offering assistance to backfill those posts of those nominated as they were very concerned about officer resilience and were supporting them due to fear of burnout in the lead up to vesting day and that was something worth considering as part of the risk register.

The DSD said he would be happy to ask the lead officer to revisit the risk of housing delivery targets after a concern was raised by Cllr Cushing in relation to the sign off of the local plan with the risk of the government imposing their target of 932 new homes a year but the DSD did explain that the risk was not a subjective assessment but based on a calculation within the system and that risk may change over time but would not want to change the rating based on something that might happen.

The Committee discussed the risks that were being proposed to be removed from the register. The DSD agreed with Cllr Holliday that, in reference to risk CR029, it should reflect the corporate risk associated with specific activity and should be identified where appropriate. The DSD also reassured Cllr Cushing on risk CR038 stating that there was a separate risk register for that project and that remains in place.

It was felt by the IP that a solution could be to provide a clearer explanation as to the reasons why the risks were being requested to be removed as part of the report. The DSD was happy to take this point onboard.

The Committee **Agreed** for the IP to write in with suggestions. This will be shared with the Committee and the CLT upon receipt by the DSGO.

The Committee **noted** the report and **agreed** to remove specific risks from the register:

- CR 009 – Poor Procurement
- CR 029 – Poor Reputation of the Council in the Community
- CR 038 - Fakenham Leisure and Sports Hub (FLASH) – threat to building within funding window
- CR 040 - Management Information System – failure to complete development and maintain when in use

The HOIA left the meeting.

#### **47 RISK MANAGEMENT FRAMEWORK**

The DRC explained that this item was on the agenda for reference as it was the Policy that was adopted 12 months ago and there were no proposed changes.

**Action:** It was suggested by Cllr Holliday that the Risk Register is placed earlier on the agenda to allow for sufficient time and questions to be made. The Committee agreed and the Chair felt after the External and Internal audits would be more appropriate. The DSGO will action this suggestion beginning at the next meeting.

The Committee **reviewed and noted** the Risk Management Policy and Framework.

#### **48 PROCUREMENT EXEMPTIONS REGISTER**

The Committee **noted** that there were two procurement exemptions to report but there were no questions.

#### **49 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME**

The Committee **agreed** that there were sufficient items on the work programme going forward and that would be added to in time.

#### **50 UPDATE ON THE LETTER TO THE NATIONAL AUDIT OFFICE (NAO)**

The Chair introduced this item regarding the cost of delivering LGR and if that was a good use of public money. The Chair felt that perhaps the NAO should be proactively seeking to investigate rather than be reactively looking back after the

process had been completed. The Chair proposed drafting a new letter that would be sent to the Committee before being sent to the NAO.

It was suggested by the IP that any final letter the Committee agreed upon may also have some other target audiences, with which the Chair was open to should the IP feed those suggestions back.

The Committee **agreed** for the Chair to write a response to the NAO letter, from the Committee, and this would be shared, and agreed upon, accordingly before being sent.

## **51 EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 4.35 pm.

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Chairman

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# North Norfolk District Council

Audit results report

Year ended 31 March 2025

**4 February 2026**



The better the question. The better the answer. The better the world works.



Shape the future  
with confidence



Governance, Risk and Audit Committee  
North Norfolk District Council  
Council Offices  
Holt Road  
Cromer  
NR27 9EN

4 February 2026

Dear Governance, Risk and Audit Committee Members

**2024/25 Audit results report**

We attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Governance, Risk and Audit Committee. We will update the Governance, Risk and Audit Committee at its meeting scheduled for 12 February 2026 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on North Norfolk District Council accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Governance, Risk and Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Governance, Risk and Audit Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw Governance, Risk and Audit Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

This report is intended solely for the information and use of the Governance, Risk and Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Governance, Risk and Audit Committee meeting on 12 February 2026.

The [EY UK 2025 Transparency Report | EY - UK](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

David Riglar  
Partner, For and on behalf of Ernst & Young LLP  
Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The 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 and further guidance (updated July 2021)” issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance, Risk and Audit Committee and management of North Norfolk District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance, Risk and Audit Committee and management of North Norfolk District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance, Risk and Audit Committee and management of North Norfolk District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

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# Executive Summary – Context for the audit

## Context for the audit - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- lack of capacity within the local authority financial accounting profession;
- increased complexity of reporting requirements within the sector;
- lack of capacity within audit firms with public sector experience; and
- increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG has worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases :

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2024/25 financial statements is 27 February 2026.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 15/02/2025 Audit Completion Report we issued a disclaimer of opinion on the Council's 2021/2022, 2022/23 and 2023/24 financial statements under these arrangements to reset and recover local government audit.

We concluded that the Council had been unable to publish its statement of accounts for the years 2021/2022, 2022/23 and 2023/24 by the target dates required by the Accounts and Audit Regulations 2015. We therefore did not undertake all of our planned procedures on the 2023/24 financial statements and have not been able to start rebuilding assurance ahead of the planned backstop date of 27 February 2026.

EY's Head of UK Government and Public Sector Audit wrote to the Section 151 officer at the Council on 3 June 2025 to set out our current approach to Phase 2. In line with the Government's requirement to deliver audits to an earlier timetable in future years, and considering our available resource, we phased a large proportion of our audits to be finalised prior to 31 December 2025, with a smaller proportion extending through to February 2026. At the same time, we needed to remain mindful of the expectations on us to safeguard the timeliness of the audits in other priority sectors where we audit public funds - central government, the NHS and higher education. In respect of the delivery of 2024/25 audits, as in 2023/24, we therefore prioritised those audits that we considered to meet the following criteria:

- high-quality draft unaudited financial statements published by 1 July 2025;
- evidence that the relevant finance teams can effectively and efficiently support the audit process; and
- high-quality audit evidence and supporting information that is delivered in accordance with our agreed timetable and in advance of the commencement of the audit.

We have further considered the weaknesses in the Council's arrangements for external financial reporting that led us to reprioritise the audit as part of our Value for Money work and raised related recommendations for improvement. See Section 03 for further details.

Appendix A sets out the current position of North Norfolk District Council in rebuilding to return to a position of full assurance on its financial statements. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

# Executive Summary – Context for the audit

## Scope update

In our Audit Planning Report presented at the 3 June 2025 Governance, Risk and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.450 million (Audit Planning Report – £1.500 million). This results in updated performance materiality, at 50% of overall materiality, of £0.725 million, and an updated threshold for reporting misstatements of £0.072 million.

## Value for Money

In our Audit Planning Report dated 25 April 2025, we reported that we had not completed our value for money (VFM) risk assessment but identified one risk of significant weaknesses in arrangements. This concerned the Council's financial reporting arrangements as this was reported as a significant weakness in 2023/24. Having updated and completed the planned risk assessment procedures we did not identify any further risks of significant weaknesses.

We have completed our detailed VFM work and identified one significant weakness concerning the Council's financial reporting arrangements. We conclude that this risk represents a significant weaknesses in the Council's underlying arrangements. We therefore anticipate that we will have 'Other matters' to report by exception within our Audit Report.

See Section 03 of the report for further details.

## Status of the audit

We are currently concluding our audit work in respect of the Council's financial statements audit. The audit commenced on the 17 November 2025.

There were areas of the audit that we were unable to conclude because the working papers and requested evidence were not provided in line with the agreed timetable and were generally not to the expected standard.

We have communicated these areas throughout the report, in our summary of assurances Appendix B, and list below the areas of the audit that we were unable to conclude:

- Balance Sheet -Short-Term Debtors (including bad debt provisions);
- Balance Sheet – Short Term Creditors;
- Balance Sheet – Short-Term Provisions;
- Comprehensive Income & Expenditure Statement – Taxation and Non Specific Grant Income;
- Comprehensive Income & Expenditure Statement – Government Grants and Contributions;
- Comprehensive Income & Expenditure Statement – Fees, Charges and Other Service Income;
- Comprehensive Income & Expenditure Statement -Other Service Expenditure and Support Service Recharges;
- Cash Flow Statement;

# Executive Summary (cont'd)

## Status of the audit (cont'd)

- Collection Fund;
- Other disclosures – Financial Instruments;
- Other disclosures – Contingent Assets and Liabilities;
- Narrative Report;
- Going Concern.

Details of each outstanding item including the actions required to resolve them is summarised below:

- Balance Sheet – PPE Valuations – follow-up queries outstanding with Management;
- Balance Sheet – IFRS 16 – Leases – we are yet to complete work in this area;
- Balance Sheet – Capital Grants Receipts in Advance (CGRIA) – we are yet to complete work in this area;
- Balance Sheet – Reserves – we are yet to complete work in this area;
- Comprehensive Income & Expenditure Statement – Employee Benefits (Payroll costs) – we are yet to complete work in this area;
- GL System Change – we are yet to complete work in this area;
- Journals Testing – we are yet to complete work in this area;
- Whole of Government Accounts – we are yet to commence work in this area.

Closing procedures:

- Subsequent events review;
- Agreement of the final set of financial statements;
- Receipt of signed management representation letter; and
- Manager and Engagement Partner reviews.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Statement of Accounts which could influence our final audit opinion.

# Executive Summary (cont'd)

## Audit differences

- At the date of this report, we have not identified any unadjusted audit differences which require reporting to the Governance, Risk and Audit Committee.
- Management have corrected misstatements amounting to £0.188 million in current assets; £13.886 million in non-current assets; £0.775 million in current liabilities; £4.768 million in non-current liabilities; £16,506 million in reserves; and £1.561 million in operating expenditure.
- We have identified several disclosure differences which Management are planning to correct in the revised financial statements for authorisation. Please see section 05 for further details.

# Executive Summary (cont'd)

## Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Risk	Status of our work
Misstatements due to fraud or error	<p>Our work on journals testing is still in progress, and we have no matters that we would like to raise at the time of writing this report.</p> <p>During our work performed to date, we have not identified any significant unusual transactions or evidence of management bias in estimates.</p> <p>We note, however, that there is currently no formalised procedure for the review and approval of journal entries prior to posting to the general ledger. This control observation is detailed in Section 06 of this report.</p>
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	<p>Our sample testing on PPE additions and REFCUS did not identify any significant unusual transactions or evidence of inappropriate capitalisation of revenue expenditure.</p> <p>Further, our data analytics procedures did not identify any movements from expenditure to capital outside of the normal course of business.</p>
Pension Valuation	<p>We have completed our work in this area and have identified misstatements to report:</p> <p>Total factual misstatement of £17.144 million due to the change of net pension closing position as liability of £4.768 million as compared to the net asset position of £12.376 million in the initial draft of accounts. The misstatement was due to the impact of the asset ceiling on the valuation of the Pension Liability that is now considered in the updated Valuer's report.</p>
Valuation of Land & Buildings (Including Investment Property)	<p>Our work on PPE valuations testing is still in progress.</p> <p>We would like to bring the following matters to your attention:</p> <ul style="list-style-type: none"> <li>It was identified that land valued at £0.319 million had been incorrectly classified as assets held for sale. This has now been corrected and the land reclassified under Property, Plant &amp; Equipment (Land &amp; Building). However, the Council is currently unable to ascertain when this land was last revalued and therefore cannot confirm whether a revaluation is necessary as of 31 March 2025, in accordance with the Council's five-year rolling programme.</li> <li>Fakenham Community Centre was valued using the existing use value (EUV) methodology rather than the depreciated replacement cost (DRC) approach. The asset is valued at £0.128 million as at 31 March 2025. As an incorrect valuation methodology has been applied, we are unable to determine if the reported asset value as of 31 March 2025 is free from material misstatement.</li> </ul>

# Executive Summary (cont'd)

## Areas of audit focus (cont'd)

Risk	Status of our work
General Ledger System Change	Our work on the testing the General Ledger System change is ongoing. During our work performed to date, we have no matters to bring to the attention of the Governance, Risk and Audit Committee.
IFRS 16 Implementation	Our work on the testing the IFRS16 - Leases is ongoing. During our work performed to date, we have no matters to bring to the attention of the Governance, Risk and Audit Committee.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than 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 (cont'd)

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

The Council falls below the £2 billion threshold for audit procedures within the NAO group instructions. We will confirm this position within the Assurance Statement to the NAO at the point of issuing our Audit Report. However, we cannot issue our Audit Certificate until the NAO has confirmed no further procedure are required.

## Control observations

We have adopted a fully substantive audit approach, so have not tested the operation of controls at the Council.

However, we have identified control findings which we would like to bring to your attention, please see Section 06 of this report for further information.

## Independence

Please refer to Section 08 for our update on Independence.

# Executive Summary (cont'd)

## Factors impacting the execution of the audit

Management, and the Governance, Risk and Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. We do however recognise there has been significant change in the finance function at the Council and the consequential loss of corporate knowledge and experience in the financial closedown process.

The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures. Where we have been unable to undertake all planned procedures, this is likely to extend the timetable to recover assurance on the Council's financial statements. See Appendices A and B for further details.

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Requires improvement			The financial statements were not published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations. The delay was due to staff changes in the finance team and the need for the Council to prioritise finalising the Council's outturn figures. In addition, the Council built in extra time to review the draft accounts for accuracy and compliance with the CIPFA Code of Practice. The required Notice of Delay was issued and the accounts were subsequently published on 18 July 2025.	N/A
Quality and completeness of the draft financial statements	Requires improvement			There are a number of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements, that should have been detected through internal quality review prior to publication.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			Initial working papers were submitted in line with the agreed timetable; however, as the audit progressed, subsequent working papers and responses to follow-up queries were not consistently provided by the set deadlines. These delays impacted the audit team's ability to complete planned procedures within the expected audit window.	Regular discussions were held with the finance team to agree the additional supporting information required. This led to additional delays to the audit progress whilst the finance team prepared the working papers. We were unable to complete all planned procedures.
Quality of working papers and supporting evidence	Ineffective			Working papers and supporting evidence were generally not to the expected standard in the first instance.	We will work with the finance team to help improve the quality of working papers and supporting evidence for the 2025/26 audit.



# Executive Summary (cont'd)

## Factors impacting the execution of the audit (cont'd)

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness and quality of evidence supporting key accounting estimates	Ineffective			We have experienced delays in the receipt of management specialist report for pensions. Initial working papers to support other estimates in the Statement of Accounts such as PPE Valuations and NDR Appeals Provision were provided as per our agreed project plan, however did not meet expected standard which resulted to follow-up queries, clarification and requests.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			<p>The Council's section 151 Officer left the Council just after the 2023/24 audit finished. The Council engaged a new section 151 Officer just before the year-end audit was due to start.</p> <p>The officer responsible for the Collection Fund also left the Council.</p> <p>The loss of knowledge and finance team capacity contributed to delays during the audit.</p>	N/A
Volume and value of identified misstatements and disclosure amendments	Ineffective			As of the date of this report, a large number of material misstatements were detected as a result of our work which will be corrected by management.	See Section 05 for details of corrected misstatements and disclosure misstatements.



# 02 Areas of Audit Focus

# Areas of Audit Focus

## Significant risk

### Presumptive risk of management override of controls

△ Fraud Risk

#### What is the risk, and the key judgements and estimates?

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.

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Identified fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Gained an understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- ▶ Considered whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- ▶ Assessed the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Undertook procedures to identify significant unusual transactions.
- ▶ Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

#### What else did we do?

Evaluated whether additional audit procedures were necessary beyond those listed above and concluded that procedures under 'Inappropriate capitalisation of revenue expenditure' were required (see following page).

#### What are our conclusions?


We are yet to complete work in this area. During our work performed to date, we have not identified any significant unusual transactions or evidence of management bias in estimates.

We have not yet concluded this area of work and will provide an update to the Committee, accordingly. We note, however, that there is currently no formalised procedure for the review and approval of journal entries prior to posting to the general ledger. This control observation is detailed in Section 06 of this report.

# Areas of Audit Focus (continued)

## Significant Risk

**Misstatements due to fraud or error - Inappropriate capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS)**

 Fraud Risk

### What is the risk, and the key judgements and estimates?

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.

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE)/Investment Property (IP) additions and/or REFCUS in the financial statements.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Tested Property, Plant and Equipment (PPE)/Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Considered whether any development or other related costs that have been capitalised are reasonable to capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Tested REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- ▶ Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.
- ▶ Journal testing - we used our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised. This includes seeking to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.
- ▶ Carried out a review of capital budget monitoring and outturn reports to identify any unusual trends or significant under/overspends

### What are our conclusions?

In 2024/25 the Council recorded £21.474 million of capital additions across PPE. There was an additional £3.898 million of REFCUS expenditure.

Our samples testing on PPE additions and REFCUS did not identify any significant unusual transactions or evidence of inappropriate capitalisation of revenue expenditure.

Further, our data analytics procedures did not identify any movements from expenditure to capital outside of the normal course of business.

# Areas of Audit Focus (continued)

## Risk of Material Misstatement (Inherent Risk)

### Pension Valuation

#### What is the risk, and the key judgements and estimates?

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 the Council.

The Council's pension fund balance is a material estimated balance, and the Code requires that this balance be disclosed on the Council's balance sheet. As of 31 March 2025, this totalled a net pension asset of £12.376 million, comprising the present value of defined benefit obligation (£92.753 million) and the fair value of plan assets (£105.129 million).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What are our conclusions?

We have completed our work in this area and have the following misstatement to report:

Total factual misstatement of £17.144 million due to the change of net pension closing position as liability of £4.768 million as compared to the net asset position of £12.376 million in the initial draft of accounts. The misstatement was due to the impact of the asset ceiling on the valuation of the Pension Liability that is now considered in the updated Valuer's report.

We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have followed up on relevant points and have not identified issues.

Our procedures to determine our own estimate for the Council's pension liability found that the liability calculated by the actuary fell within our reasonable range.

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Liaised with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Council;
- ▶ Assessed whether pension asset has been recognised in accordance with IAS 19 and IFRIC 14 and our understanding of the Local Government Pension Scheme;
- ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) 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 by considering any relevant reviews by the EY actuarial team;
- ▶ Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model;
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

# Areas of Audit Focus (continued)

## Risk of Material Misstatement (Inherent Risk)

### Valuation of Land & Buildings (including Investment Property)

#### What is the risk, and the key judgements and estimates?

The fair value of other land and buildings (£57.327 million as at 31st March 2025) and Investment Properties (IP) (£1.138 million as at 31st March 2025) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting.

The Council's IP and surplus property is subject to annual revaluation, while its operational PPE is valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.

#### What are our conclusions?

We are yet to complete the work in this area, however we have issues to report:

- It was identified that land valued at £0.319 million had been incorrectly classified as assets held for sale. This has now been corrected and the land reclassified under Property, Plant & Equipment (Land & Building). However, the Council is currently unable to ascertain when this land was last revalued and therefore cannot confirm whether a revaluation is necessary as of 31 March 2025, in accordance with the Council's five-year rolling programme.
- Fakenham Community Centre was valued using the existing use value (EUV) methodology rather than the depreciated replacement cost (DRC) approach. The asset is valued at £0.128 million as at 31 March 2025. As an incorrect valuation methodology has been applied, we are unable to determine if the reported asset value as of 31 March 2025 is free from material misstatement. While a rental market may exist for these assets, we are of the view that the Council's primary motivation for entering into lease agreements with third-party tenants is largely driven by the need to ensure the continued provision of related services, rather than by the economic return generated from property rentals.

We have not yet concluded this area of work and will provide an update to the Committee, accordingly.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Sampled testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- ▶ 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 and annually for IP. We also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- ▶ Reviewed assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated.
- ▶ Considered changes to useful economic lives as a result of the most recent valuation.
- ▶ Tested accounting entries have been correctly processed in the financial statements.

# Areas of Audit Focus (continued)

## Significant Risk of Material Misstatement (Inherent Risk)

### General Ledger system change

#### What is the risk, and the key judgements and estimates?

The Council implemented a new main finance system during late 2022/23.

Advanced Business Solutions efinancials was changed to Civica Financials in December 2022.

The finance system contains the financial data that forms the basis of the accounting records and entries used to create the Council's Statement of Accounts.

We have assessed the risk is most likely to occur through the inaccurate or incomplete migration of client data between the old and new system resulting in materially incorrect records and entries in the financial statements.

#### Our response to the key areas of challenge and professional judgement

As the system has now been operational for over two years, we:

- Reviewed the Council's internal validation checks alongside any other accuracy and completeness checks performed over the data migration.
- Obtained and considered the latest Internal Audit Report review of the system upgrade and data migration process to identify if there were exceptions that we should consider in our approach.
- Performed our own further reconciliation checks over the data transferred to obtain assurances as to the completeness and accuracy of the data transfer, where deemed necessary.

#### What are our conclusions?

We are yet to complete the work in this area. We will provide an update to the Committee, accordingly.

# Areas of Audit Focus (continued)

## Risk of Material Misstatement (Inherent Risk)

### IFRS 16 Implementation

#### What is the risk, and the key judgements and estimates?

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.

IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g. RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

Based on our prior year work the Council had made some progress in collecting the information necessary to implement IFRS 16 and determine the impact on its financial statements. Therefore, we have assessed this as inherent risk.

#### Our response to the key areas of challenge and professional judgement

- ▶ Gained an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- ▶ Reviewed the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- ▶ Reviewed management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- ▶ Gained assurance over the right of use asset included in the 2024/25 financial statements
- ▶ Sample tested leases to ensure that transition arrangements have been correctly applied.
- ▶ Considered the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.

#### What are our conclusions?

Our work on IFRS 16 - Leases Implementation is still in progress, and we have no matters that we would like to raise at the time of writing this report.

We will provide an update to the Committee, accordingly.





# 03 Value for Money

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# Value for Money

## The Authority's responsibility for Value for Money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment and status of our work

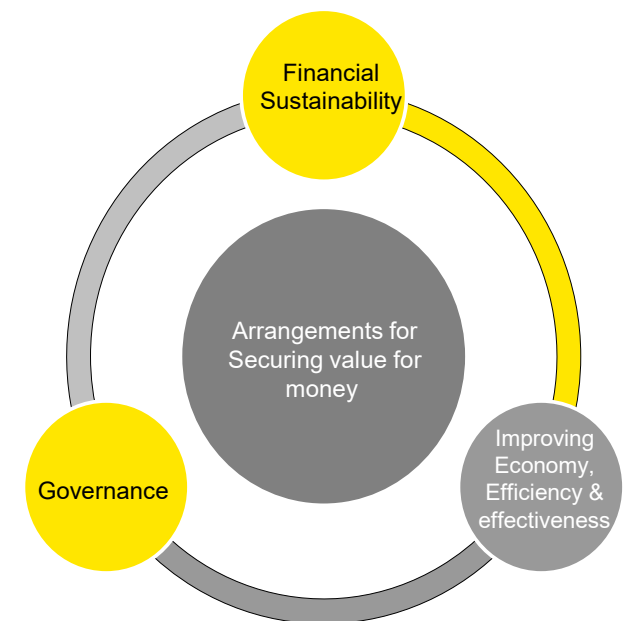
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council arrangements against three reporting criteria:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We have completed our detailed VFM work and identified one significant weakness, as documented on the next page.



# Corporate Governance (cont'd)

## Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
We have identified weaknesses in the Council's arrangements to effectively support an audit of its financial statements and the Council's ability to published their unaudited accounts by the statutory deadline.	<p>Governance: How the Council ensures that it makes informed decisions and properly manages its risks</p> <p>How the body support its statutory financial reporting requirements</p>	<p>Our approach focused on assessment of:</p> <ul style="list-style-type: none"><li>▪ timeliness of the draft financial statements</li><li>▪ quality and completeness of the draft financial statements</li><li>▪ delivery of working papers in accordance with agreed client assistance schedule</li><li>▪ the quality of working papers and supporting evidence</li><li>▪ timeliness and quality of evidence supporting key accounting estimates</li><li>▪ availability of finance team and personnel to support the audit in accordance with agreed project plan</li><li>▪ volume and value of identified misstatements and disclosure amendments</li><li>▪ Council's consideration of internal audit recommendations and progress on the action plan to developed to address findings</li></ul>

## Findings

We reported a significant weakness in our Completion Report for the financial years ended 31 March 2022, 31 March 2023, and 31 March 2024 as the Council was unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. As reported to the Governance, Risk and Audit Committee, the delays were caused by staff shortages and the need to prioritise closing the budget gap. This, alongside Internal Audit findings concerning non-compliance with key financial controls, demonstrated the consequence of not having a fully resourced Finance Team to be able to provide services needed by the Council.

The Council have taken action to increase the capacity in the Finance team. For 2024/25, the Council was unable to published their unaudited accounts by the statutory deadline of 30 June 2025. They did however correctly publish a notice of delay explaining the reasons and expected publication date. The delay was due to staff changes in the finance team and the need for the Council to prioritise finalising the Council's outturn figures. In addition, the Council built in extra time to review the draft accounts for accuracy and compliance with the Cipfa Code of Practice. The required Notice of Delay was issued and the accounts were subsequently published on 18 July 2025.

Working papers and supporting evidence were not provided in line with the agreed timetable and did not meet the expected quality requirements. This is due to ongoing resourcing difficulties faced by the Council, historic delays in the 2021/22, 2022/23 and 2023/24 financial statements which have impacted the timeliness and quality of its statement of accounts preparation. See pages 12 and 13, and appendices A and B for further details.



# 04 Audit Report

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# Audit Report

## Draft audit report

## Our draft opinion on the financial statements

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

#### Disclaimer of Opinion

We were engaged to audit the financial statements of North Norfolk District Council ('the Council') for the year ended 31 March 2025. The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement
- the related notes 1 to 41 including material accounting policy information and including the Expenditure and Funding Analysis.
- 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 2024/25.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ("the Regulations") which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to the disclaimers of opinion on the financial statements in the prior years, delays in receiving draft financial statements and delays in receiving associated audit evidence and inability to support the audit in advance of the backstop date, we have not been able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2025.

Therefore, we are disclaiming our opinion on the financial statements.

The audits of the financial statements for the years ended 31 March 2022, 31 March 2023 and 31 March 2024 for North Norfolk District Council were not completed for the reasons set out in the disclaimers of opinion on those financial statements dated 10 December 2024 and 26 February 2025.

# Audit Report (cont'd)

## Our draft opinion on the financial statements (continued)

### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception.

### Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We report to you, if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in relation to the specified reporting criteria of the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2025.

### Significant weaknesses in arrangements

#### In relation to governance

#### Our judgement on the nature of the weaknesses identified:

The Council did not publish its statement of accounts by 30 June 2025 as required by the Accounts and Audit Regulations 2015. The unaudited statements were published on 18 July 2025.

Working papers and supporting evidence were not provided in line with the agreed timetable and did not meet the expected quality requirements.

This is due to ongoing resourcing difficulties faced by the Council, historic delays in the 2021/22, 2022/23 and 2023/24 financial statements which have impacted the timeliness and quality of its statement of accounts preparation.

#### The evidence on which our view is based:

Our audit procedures performed in relation to the draft 2024/25 Statement of Accounts.

# Audit Report (cont'd)

## Our draft opinion on the financial statements (continued)

### The impact on the Council:

Failure to improve the Council's processes to report good quality financial information will impact its ability to meet statutory financial reporting deadlines and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

### The action the body needs to take to address the weakness:

The Council should strengthen its approach to preparing financial statements and supporting the audit process. The Finance Team should:

- Ensure a thorough understanding of the requirements of the Local Government accounting framework and the CIPFA Code of Practice,
- Maintain knowledge of the Council's financial operations to support accurate reporting,
- Maintain sufficient capacity of skilled finance professionals with the necessary skills and training to produce high-quality financial statements together high-quality supporting audit working papers; and
- Provide timely and effective support throughout the audit cycle.

The issue above is evidence of weaknesses in proper arrangements for governance, including ensuring the Council has effective processes and systems in place to support its statutory financial reporting requirements.

### Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 13, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Council 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 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Council'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 Council either intends to cease operations, or has 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 responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

# Audit Report (cont'd)

## Our draft opinion on the financial statements (continued)

We are independent of the Council 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 Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### *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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether North Norfolk District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2025.

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 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 (as amended) to satisfy ourselves that the Authority has made 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 cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of North Norfolk District Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) 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 (as amended) and for no other purpose, as set out in paragraph 85 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Riglar (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Cambridge  
Date





# 05 Audit Differences

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# 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 date of this report, we have not identified any unadjusted audit differences which require reporting to the Governance, Risk and Audit Committee.

## Summary of adjusted differences

### Adjusted Audit Differences

We highlight the following misstatements greater than £0.072 million which have been corrected by Management that were identified during our audit:

#### Factual Misstatement:

- Balance Sheet – Net Pension Asset/Liability and Pensions Reserve:** Total factual misstatement of £17.144 million due to the change of net pension closing position as liability of £4.768 million as compared to the net asset position of £12.376 million in the initial draft of accounts. The misstatement was due to the impact of the asset ceiling on the valuation of the Pension Liability that is now considered in the updated Valuer's report.
- Balance Sheet – Long term Investments and Pooled Fund Adjustment Account:** £0.638 million understatement of the long-term investment balance was identified based on confirmation replies for the fair value of investments. The variance arose because the ledger movements for two pooled fund disposals, along with an interest accrual adjustment, were not fully reflected in the 2023/24 year-end rollover. As a result, balance sheet codes to recognize fair value movements did not align with the final 2024/25 investment schedule.
- **Balance Sheet – Cash and Cash Equivalents and Debtors:** The year-end cash reconciliation exercise identified £1.784 million of receipts recorded in the cash book but not reflected in the General Ledger at 31 March 2025. As the correcting journals were not posted, Cash (Direct Credits bank) is understated by £1.784 million, while Cash (Money Market Funds) and Debtors are overstated by £1.24 million and £0.545 million respectively.
- **Balance Sheet – Property, Plant and Equipment and Creditors:** Our PPE additions testing identified two assets, totalling £0.690 million, that were ready for use in 2023/24 but were incorrectly recognised in 2024/25, leading to an overstatement of PPE additions in 2024/25.
- **Balance Sheet – Property, Plant and Equipment and Accruals:** Our PPE additions testing identified a £0.085 million PPE additions overstatement and Accruals understatement arising from the current-year capitalisation of expenditure that had already been accrued in the prior year, with no corresponding reversal of the prior-year accrual.
- **Balance Sheet – Property, Plant and Equipment and Debtors:** An overstatement of £0.131 million was identified within PPE additions, arising from the capitalisation of expenditure not attributable to any existing asset. The costs related to planned infrastructure works; however, no asset was ultimately constructed.
- **Balance Sheet – Property, Plant and Equipment and CIES - Expenditure:** We identified two audit differences relating to funding received from Norfolk CC for the Fakenham roundabout project. As the resulting asset is owned and controlled by Norfolk CC, it should not have been recorded as a fixed asset by NNDC.
  - This resulted in a £0.681 million overstatement of PPE additions due to the capitalisation of grant income without linking it to any specific asset;
  - and a further £0.880 million arising from an erroneous journal posted to correct a miscoding error, without sufficient evidence to support the adjustment.

# Audit Differences (cont'd)

## Summary of adjusted differences (continued)

### Reclassification Misstatement:

- **Balance Sheet - PPE and Assets held for sale:** £0.319 million misclassification relating to partly sold assets that remained incorrectly classified as Assets Held for Sale. As the Council no longer intends to dispose of the remaining portion of these assets, they no longer meet the criteria for classification as held for sale and should have been reclassified back to PPE. This resulted in an overstatement of Assets Held for Sale and a corresponding understatement of PPE.
- **Balance Sheet - PPE and Assets under Construction (AUC):** £0.146 million misclassification of an asset incorrectly retained as Assets Under Construction (AUC) at year-end, despite the fact that the work had been completed and the asset was ready for use in FY24/25. As the recognition criteria for AUC were no longer met, the asset should have been reclassified to PPE. This resulted in an understatement of PPE and an overstatement of AUC at 31 March 2025.

### Disclosure Misstatements

We have identified several disclosure differences which Management are planning to correct in the revised financial statements for authorisation. Please see slide 35 for further details.

## Summary of Adjusted Disclosure differences

We also identified several disclosure misstatements, all of which we expect management to correct. The most significant are summarised below:

#### 1. Note 1 - Accounting Policy on Depreciation

We identified an inconsistency between the policy disclosed applying a 20-year useful life to infrastructure assets and the 50-year useful life applied to a specific infrastructure asset on initial recognition. Management has agreed to update the note to ensure consistency.

#### 2. Note 24 - Defined Benefit Pension Schemes and Related Areas of the Financial Statements

The impact of the £17.872 million asset ceiling needs to be reflected throughout the accounts and related notes. This adjustment includes amending the CIES Net Actuarial Gains/(Losses) on pension assets and liabilities from £15.013 million to £2.131 million to align with the revised IAS 19 report. An additional disclosure is also required in the IAS 19 note to reflect the implications of the Virgin Media Limited v NTL Pension Trustees II Limited case.

# Audit Differences (cont'd)

## Summary of adjusted differences (continued)

Corrected misstatements 31 March 2025 (Currency £'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI (Equity) Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non- current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
<b>Factual differences:</b>						
1. Net Pension Asset/Liability - Change in the net pension closing position due to the impact of the asset ceiling in the updated Actuary Report						
Pensions Reserve	12,376					
Net Pension Asset				(12,376)		
Net Pension Liability						(4,768)
Pensions Reserve	4,768					
2. Long-term Investments - Understatement of long-term investment balance based on confirmation replies for fair value of investments						
Long-term investments				638		
Pooled Fund Revaluation Reserve	(638)					
3. Cash and Cash Equivalents - Understatement of cash and cash equivalents balance due to unrecorded cash in bank reconciling item for cash receipts that are already received by the Council in the March 2025 Direct Credits bank statement but was not yet recorded in the General Ledger in 31 March 2025. We are waiting for the details from the Council to confirm the accounts impacted by this adjustment.						
Cash and Cash Equivalents - NNDC Direct Credits bank			1,784			
Cash and Cash Equivalents - Money Market Funds			(1,240)			
Short - term Debtors			(544)			
4. Property, Plant and Equipment (PPE) - Misstatements arising from errors in key items, which relate to 2023/24 additions rather than 2024/25						
Payables					690	
PPE				(690)		

# Audit Differences (cont'd)

## Summary of adjusted differences (continued)

Corrected misstatements 31 March 2025 (Currency £'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI (Equity) Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non- current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
<b>Factual differences:</b>						
5. PPE - Overstatement due to capitalizing, in the current year, the same capital expenditure that had already been accrued in the prior year, without reversing the prior-year accrual.						
Accruals						85
PPE				(85)		
6. Capitalisation of expenses not linked to an existing asset due to expenditure being made with the intention of building infrastructure, but no actual building being constructed.						
Debtors/Prepayments			131			
PPE				(131)		
7. Audit difference of £681,462 arising from the capitalisation of grant income from NCC without directly attributing costs to any specific items of PPE						
Other Operating Expenditure		681				
PPE				(681)		
8. Difference of £880,000 relating to an erroneous journal to correct a miscoding error without sufficient evidence of the miscoded entry which the sample entry is correcting.						
Other Operating Expenditure		880				
PPE				(880)		

# Audit Differences (cont'd)

## Summary of adjusted differences (continued)

Corrected misstatements 31 March 2025 (Currency £'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI (Equity) Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non- current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Reclassification misstatements:						
1. Misclassification of assets held for sale - partly disposed land assets. We noted that the Assets Held for Sale (AHFS) balance as at 31 March 2025 remained unchanged from the prior year. This was due to a miscommunication on the intent and that the land assets had been partly sold previously, and management no longer intends to sell the remaining portion. As a result, the assets do not meet the criteria for classification as AHFS, which require that the sale of the asset be highly probable within 12 months of reclassification.						
PPE-Land				319		
Assets held for sale			(319)			
2. Misclassification of AUC - the asset was classified as AUC at YE, despite completion of work in FY24/25, as the final payment was not made until FY25/26. However, the asset should have already been reclassified to PPE - Building when work was completed and ready for use, regardless of when payment was made.						
Assets under Construction				(146)		
PPE- Building				146		
Total corrected misstatements	16,506	1,561	(188)	(13,886)	775	(4,768)



# Assessment of Control Environment

# Assessment of Control Environment

## Financial controls




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. 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.

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.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2024-25 audit (including IT controls).

	High	Moderate	Low	Total
Open at 1 April 2024	1	0	0	1
Closed during FY2024-25	0	0	0	0
New points raised in FY2024-25	2	2	0	4
<b>Total open points as at 31 March 2025</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>5</b>

### Key:

-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
-  Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
-  Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.



# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
<b>Draft Financial Statements and Working Paper Quality</b> <p>The audit identified significant weaknesses in the preparation of draft financial statements and the quality of supporting working papers. Capacity constraints and loss of organisational knowledge within the Finance Team led to delays, incomplete or insufficiently supported evidence, and responses that did not address audit queries.</p> <p>Working papers did not consistently meet required standards, and complex accounting areas lacked reference to the CIPFA Code or relevant accounting standards. These issues hindered audit progress and contributed to areas where assurance could not be obtained.</p>				<p>The Council should strengthen its financial reporting processes by enhancing team capacity, improving technical competency in local government accounting and CIPFA requirements, and providing targeted training on complex areas such as judgments and estimates. Robust processes should be implemented to ensure high-quality, well-referenced working papers and timely, complete responses to audit queries. Adherence to agreed turnaround times, clear escalation routes, and continued regular communication between Finance and the audit team will be essential to support efficient audit delivery.</p>	
<b>Lack of Formal Grants Register</b> <p>The absence of a structured and comprehensive register increases the risk of incomplete or inaccurate accounting for grants, including failure to track grant conditions, utilisation, and potential liabilities arising from unspent or repayable amounts.</p>				<p>The Council should establish and maintain a formal Grants Register that records key information for each grant, including grant terms, opening balances, income received, and amounts utilised during the period. The register should clearly document any associated grant conditions, assess whether unutilised balances may be subject to repayment, and determine whether remaining balances should be classified as short-term or long-term. Implementing such a register will support accurate financial reporting, compliance with grant requirements, and improved monitoring of funding.</p>	

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
<b>Errors within Cash and Cash Equivalents and Long-term Investments</b> <p>The year-end cash reconciliation correctly identified £1.784 million received in the cash book but not recorded in the General Ledger as at 31 March 2025; however, the necessary correcting journal entries were not posted. In addition, a £0.638 million variance was noted between the General Ledger and externally confirmed long-term investment balances, arising from unrecorded pooled fund disposal movements and a minor interest accrual not carried forward in the 2023/24 year-end rollover.</p>				<p>We recommend that the Council should ensure that all year-end cash reconciliation adjustments, including amounts received but not recorded in the General Ledger, are promptly posted through appropriate journal entries. The Council should also strengthen controls to confirm that all investment transactions and year-end adjustments are accurately recorded and reviewed as part of the rollover process to prevent misstatements in long-term investment balances.</p>	
<b>Errors within Property, Plant and Equipment (PPE)</b> <p>Our review of PPE has revealed several audit adjustments and disclosure errors. Some of which include:</p> <ul style="list-style-type: none"> <li>• Unsupported impairment: PPE addition immediately impaired to £0, without sufficient evidence</li> <li>• Incorrect period of recognition: capital additions were recorded in wrong period</li> <li>• Inappropriate capitalisation:               <ul style="list-style-type: none"> <li>- prepayment wrongly included in PPE and</li> <li>- capitalisation without evidence that capitalisation criteria were met.</li> </ul> </li> <li>• Delayed asset reclassification: A completed asset remained recorded as "asset under construction" at the year end.</li> <li>• Incorrect classification &amp; valuation uncertainty - land incorrectly classified as "assets held for sale" and no evidence of last valuation date or compliance with the five-year revaluation cycle.</li> <li>• Incorrect valuation methodology: asset was valued using EUV instead of DRC, creating risk of valuation error.</li> </ul> <p>These issues increases risk of material misstatements in the PPE balances.</p>				<p><b>Strengthen impairment processes:</b> Ensure all impairments are supported by clear evidence, documented rationale, and consistent methodology.</p> <p><b>Improve cut-off controls:</b> Reinforce procedures to ensure capital additions are recorded in the correct financial year.</p> <p><b>Enhance capitalisation controls:</b> Apply the capitalisation policy consistently, use year-end checklists, and conduct periodic reviews of capital expenditure.</p> <p><b>Timely asset reclassification:</b> Regularly reconcile project completion records with the asset register.</p> <p><b>Maintain valuation compliance:</b> Keep a central log of valuation dates and regularly validate "held for sale" classifications against Code requirements.</p> <p><b>Robustly challenge valuation reports:</b> Review assumptions, methods, and valuation movements, ensuring all agreed values are accurately reflected in the asset register.</p>	

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
<p><b>Lack of independent review and authorization of journal entries</b></p> <p>The Council's current procedures allow journals to be prepared and posted by the same officer within the accountancy section, with no requirement for independent review or authorization prior to posting. User IDs in Civica show the preparer and approver as the same individual, indicating an absence of segregation of duties. While Management applies a risk-based approach and relies on restricted access, reconciliations, and budget monitoring and system access controls, the absence of an independent pre-posting review increases the risk of inappropriate or erroneous journals being processed without timely detection.</p>				<p>The Council should introduce an independent review and approval control for all journal entries. This should include clear segregation of duties, documented evidence of review, and restricted system permissions to prevent self-approval. Strengthening this control will enhance assurance over the accuracy and validity of journals and mitigate the risk of management override.</p>	



# 07

## Other Reporting Issues

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# 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 North Norfolk District Council Statement of Accounts 2024/25 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.

Financial information in the North Norfolk District Council Statement of Accounts 2024/25 and published with the financial statements was consistent with the audited financial statements.

We have completed the work on the Annual Governance Statement with no matters to report.

## Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

The Council falls below the £2 billion threshold for audit procedures within the NAO group instructions. We will confirm this position within the Assurance Statement to the NAO at the point of issuing our Audit Report. However, we cannot issue our Audit Certificate until the NAO has confirmed no further procedure are required.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We have given serious consideration to the need to issue Statutory Recommendations under Schedule 7, given our assessment of the Council's financial reporting (Page 12-13) and the significant weakness we are reporting for Quality of the draft 2024/25 financial statements under our Value for Money responsibilities (Page 22).

We have concluded that we will not issue Statutory Recommendations under Schedule 7 at this point, or that we need to issue a report in the public interest.

However, if we are not satisfied with the pace and substance of improvements in addressing our Recommendation 1 (Page 39) as part of the 2025/26 audit, we would be minded to issue Statutory Recommendations at that point, given the recurring inability to prepare robust financial statements and support the audit process.



# 08

## Independence

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# Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, 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 our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

## Relationships

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular, the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	2024/25	2023/24
	£	£
Total Fee – Code Work	164,407	74,796
Other – determined by PSAA	TBC (Note 1)	-
<b>Total fees</b>	<b>TBC</b>	<b>74,796</b>

All fees exclude VAT

(1) We propose to submit a scale fee variation to PSAA for 2024/25 work covering the additional work performed on areas not reflected within the scale fee, including the implementation of IFRS16, and additional work to address identified risks and/or issues, as well as quality and preparation issues with the draft financial statements and supporting working papers.



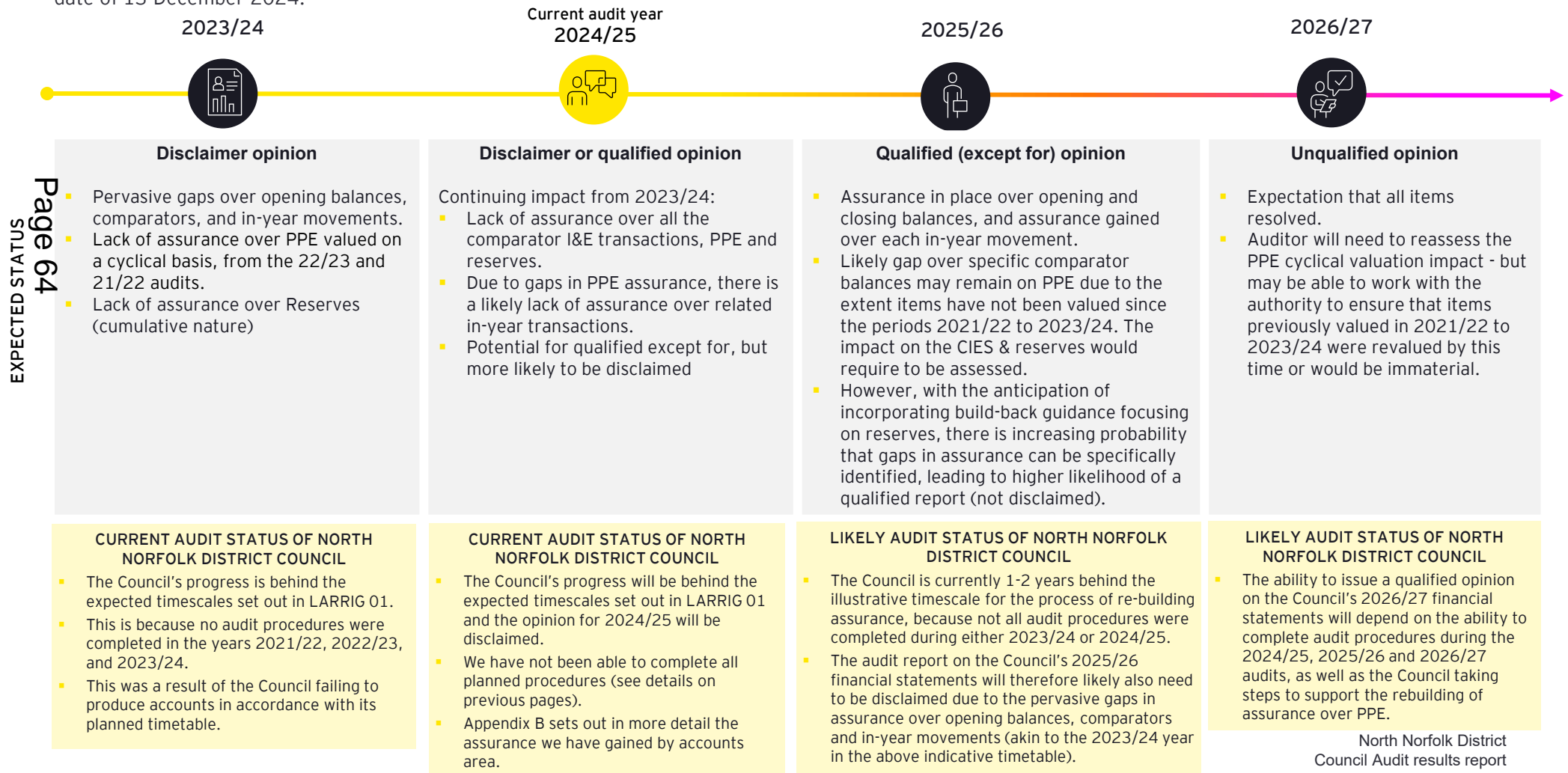


# 09 Appendices

# Appendix A – Progress to full assurance

## Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



# Appendix B – Updated summary of assurances

## Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	None	Partial	Our PPE procedures on additions and valuations is in progress. We agreed additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2024/25 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets; however, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025. See Section 05 of this report for audit adjustments identified.
Investment Property	None	Partial	Our Investment property valuations is in progress. We audited the valuation of a sample of assets revalued in 2024/25. However, until we are able to rebuild assurance over the additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025.
Long-Term Investments	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. See Section 05 of this report for audit adjustments identified.
Long-Term Debtors	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short-Term Debtors (including bad debts provisions)	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Cash and Cash Equivalents	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. See Section 05 of this report for audit adjustments identified.
Short-Term Borrowing	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

# Appendix B – Updated summary of assurances (cont'd)

## Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Short-Term Creditors	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Capitals Grants Receipts in Advance	None		We are yet to complete the work in this area.
Short-Term Provisions	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Legal Government Pension Scheme	None	Partial	Further, we are unable to complete our planned testing on legal expenditure and contracts testing as satisfactory working papers were not available and there were delays in providing subsequent requests.
Loans	None		We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. However, we do not have assurance over the opening balance position at 1 April 2024, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Reserves	None		We are yet to complete the work in this area.
REFCUS	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Taxation & Non-Specific Grant Income	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Grant Income	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Employee Benefits (Payroll costs)	None		We are yet to complete the work in this area.
Housing Benefit expenditure	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

# Appendix B – Updated summary of assurances (cont'd)

## Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Other income and expenditure (including support service recharges)	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Interest and Investment Income	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Other Operating Expenditure - Parish Precepts and Internal Drainage Broads Levies	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash Flow Statement	None	None	We have not completed our planned testing on Cash Flow Statement in 2024/25 as the Council was unable provide sufficient evidence in a timely manner for related areas that flow into the Cash Flow Statement such as Debtors, Creditors and we have prioritised maximum assurance across the accounts.
Collection Fund	None	None	We have not completed our planned testing on the Collection Fund in 2024/25 as the Council was unable provide sufficient evidence in a timely manner and we have prioritised maximum assurance across the accounts.
Other Disclosures	None	Partial	We have completed our planned audit procedures for all other disclosures except for the following: <ul style="list-style-type: none"> <li>Contingent assets and liabilities, going concern and narrative report as the Council was unable provide satisfactory working papers during the allocated audit window,</li> <li>Financial Instruments as the related accounts covered by the disclosure such as short-term debtors and creditors did not have sufficient timely evidence.</li> </ul>
Annual Governance Statement	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the Annual Governance Statement for the 2024/25 reporting period.
Journals	None	Partial	Our testing on Journals in 2024/25 is in progress. However, the Council was unable provide sufficient evidence in a timely manner for the areas covered in Journals work such as Debtors, Creditors, Other Income and Expenditure, Grants and we have prioritised maximum assurance across the accounts.  We also noted that there is currently no formalised procedure for the review and approval of journal entries prior to posting to the general ledger. This control observation is detailed in Section 06 of this report.

# Appendix C – Required communications with those charged with governance

## Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. 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.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: <ul style="list-style-type: none"><li>▪ The planned scope and timing of the audit</li><li>▪ Any limitations on the planned work to be undertaken</li><li>▪ The planned use of internal audit</li><li>▪ The significant risks identified</li></ul> When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan - 3 June 2025 - Governance, Risk and Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"><li>▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li><li>▪ Significant difficulties, if any, encountered during the audit</li><li>▪ Significant matters, if any, arising from the audit that were discussed with management</li><li>▪ Written representations that we are seeking</li><li>▪ Expected modifications to the audit report</li><li>▪ Other matters if any, significant to the oversight of the financial reporting process</li></ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee

# Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Misstatements	<ul style="list-style-type: none"> <li>Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>The effect of uncorrected misstatements related to prior periods</li> <li>A request that any uncorrected misstatement be corrected</li> <li>Material misstatements corrected by management</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Fraud	<ul style="list-style-type: none"> <li>Enquiries of the Governance, Risk and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>Any other matters related to fraud, relevant to Governance, Risk and Audit Committee responsibility.</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee

# Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▪ Non-disclosure by management</li> <li>▪ Inappropriate authorisation and approval of transactions</li> <li>▪ Disagreement over disclosures</li> <li>▪ Non-compliance with laws and regulations</li> <li>▪ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▪ The principal threats</li> <li>▪ Safeguards adopted and their effectiveness</li> <li>▪ An overall assessment of threats and safeguards</li> <li>▪ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 3 June 2025 - Governance, Risk and Audit Committee</p> <p>Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee</p>



# Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>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</li> <li>Enquiry of the Governance, Risk and 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 Governance, Risk and Audit Committee may be aware of</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
System of quality management	<ul style="list-style-type: none"> <li>How the system of quality management (SQM) supports the consistent performance of a quality audit</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee

# Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee

# Appendix D – Outstanding matters

## 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
Balance Sheet - PPE and Investment Property Valuations	We are awaiting responses to follow-up queries	Management and EY
Capitals Grants Receipts in Advance	We are yet to complete work in this area	Management and EY
Leases	We are yet to complete work in this area	Management and EY
Reserves	We are yet to complete work in this area	Management and EY
Comprehensive Income & Expenditure Statement - Employee Benefits (payroll costs)	We are yet to complete work in this area	Management and EY
Journals testing	We are yet to complete work in this area	Management and EY
Final Manager and Engagement Partner reviews	Review of the working papers	Management and EY
Final financial statements	Review of the final version of the financial statements	Management and EY
Management representation letter	Receipt of signed management representation letter	Management and Governance, Risk and Audit Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	Management and EY
Agreement of the final set of financial statements	Review of the final set of financial set of financial statements	Management and EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the proposed Audit Report (opinion) is included in Section 04.

# Appendix E – Regulatory update

## The English Devolution and Community Empowerment Bill – Audit Measures

### Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

### Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Governance, Risk and Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

# Appendix F – Management representation letter

## Draft Management representation letter

[To be prepared on the entity's letterhead]

[Date]

David Riglar  
Ernst & Young  
One Cambridge Square  
Cambridge  
CB4 0AE

This letter of representations is provided in connection with your audit of the financial statements of North Norfolk District Council ("the Council") for the year ended 31 March 2025. We 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 2025 and of its income and expenditure and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you 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, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, income and expense and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the financial statements is appropriately described in the financial statements.
4. As members of management of the Council, we 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 2024/25 that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you 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.
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

# Appendix F – Management representation letter (cont'd)

## Draft Management representation letter

### B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We 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. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
  - Involving financial improprieties
  - 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 business, its ability to continue in business, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - 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. We 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;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect in the financial statements.
4. We have made available to you all minutes of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the date of this letter.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we 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.

# Appendix F – Management representation letter (cont'd)

## Draft Management representation letter

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6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
7. We 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 non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us 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 effect on financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

### 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.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Notes 35 and 36 to the financial statements all guarantees that we have given to third parties.

4. No other claims in connection with litigation have been or are expected to be received.

### E. Going Concern

Note 41 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

Other than described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report, the Annual Governance Statement, Glossary of Terms and Glossary of Acronyms.
2. We confirm that the Annual Governance Statement for 2024/25 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2024/25 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.
3. We confirm that the content contained within the other information is consistent with the financial statements.

# Appendix F – Management representation letter (cont'd)

## Draft Management representation letter

### I. Climate-related matters

We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered including the impact resulting from the commitments made by the Council and reflected in the financial statements.

### J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, 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.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

### K. Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the value of the Council's share of the pension fund assets and liabilities, Property, Plant and Equipment and Investment Property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records.

We 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 we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### L. Estimates

- Pensions Asset/Liability
  - Property, Plant and Equipment - valuations, impairments and depreciation
  - Investment Property - valuations and impairments
1. We confirm that the significant judgments made in making the fair value of PPE, Investment properties, and pension fund asset and liabilities have taken into account all relevant of which we are aware.
  2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the above accounting estimates.
  3. We confirm that the significant assumptions used in making the above accounting estimates appropriately reflect our intent and ability to carry out our statutory services on behalf of the entity.
  4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
  5. We confirm that appropriate specialized skills or expertise has been applied in making the land and building valuation and pension scheme liability accounting estimates.
  6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.



# Appendix F – Management representation letter (cont'd)

## Draft Management representation letter

### M. Retirement benefits

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

### N. Reserves

We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### O. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

*Yours faithfully,*

\_\_\_\_\_  
(Director of Resources & Section 151 Officer)

\_\_\_\_\_  
(Chair of the Governance, Risk and Audit Committee)

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<b>Updated Draft Financial Statements 2024/2025</b>	
<b>Executive Summary</b>	The draft Statement of Accounts 2024/25 was presented to the Committee on 9 September 2025. This report seeks approval of the audited Statement of Accounts, reflecting completion of the external audit.
<b>Options considered</b>	<p><b>Option 1 – Approve the Statement of Accounts (recommended)</b></p> <p>That delegated authority is given to the Chair of the Governance Risk and Audit Committee to approve the final audited Statement of Accounts for 2024/25, enabling statutory sign-off and publication.</p> <p><b>Option 2 – Do not approve the Statement of Accounts</b></p> <p>Would delay statutory approval and publication of the Statement of Accounts, and risk non compliance with the statutory backstop date for publication.</p>
<b>Consultation(s)</b>	Section 151 Officer
<b>Recommendations</b>	<p><b>Option 1 – Approve the Statement of Accounts</b></p> <p>That delegated authority is given to the Chair of the Governance Risk and Audit Committee to approve the final audited Statement of Accounts for 2024/25, enabling statutory sign-off and publication.</p> <p>.</p>
<b>Reasons for recommendations</b>	Approval of the Statement of Accounts enables statutory sign-off and publication and confirms the Committee's oversight of the audited financial statements for 2024/25.
<b>Background papers</b>	Draft Statement of Accounts 2024/25 presented to the Governance, Risk and Audit Committee on 9 September 2025.

<b>Wards affected</b>	None
<b>Cabinet member(s)</b>	Portfolio Holder for Finance, Estates & Property Services
<b>Contact Officer</b>	Daniel King, Assistant Director Finance & Assets

<b>Links to key documents:</b>	
Corporate Plan:	A strong, responsible and accountable Council
Medium Term Financial Strategy (MTFS)	Linked to the MTFS through the requirement for robust financial governance and statutory financial reporting.
Council Policies & Strategies	Local Code of Corporate Governance

<b>Corporate Governance:</b>	
Is this a key decision	No
Has the public interest test been applied	N/A
Details of any previous decision(s) on this matter	9 September 2025

## **1. Purpose of the report**

- 1.1. To present the updated draft audited Statement of Accounts 2024/25 to the Governance, Risk and Audit Committee for the approval of the delegated authority for the Chair to sign the final Statement of Accounts.

## **2. Introduction & Background.**

- 2.1. The Statement of Accounts sets out the Council's financial performance and position for the year ended 31 March 2025 and is prepared in accordance with statutory requirements and the CIPFA Code of Practice on Local Authority Accounting. The draft Statement of Accounts was previously presented to the Committee on 9 September 2025. This report presents the final audited accounts, reflecting completion of the external audit and consideration of matters arising.

## **3. Proposals and Options**

- 3.1. The Committee is asked to consider and approve the audited Statement of Accounts 2024/25. The accounts reflect the outcome of the external audit, including audit adjustments and disclosures, and approval will enable statutory sign-off and publication.
- 3.2. Option 1 – Approve the Statement of Accounts. That delegated authority is given to the Chair of the Governance Risk and Audit Committee to approve the final audited Statement of Accounts for 2024/25, enabling statutory sign-off and publication.
- 3.3. Option 2 – Do not approve the Statement of Accounts. Would delay statutory approval and publication of the Statement of Accounts, and risk no compliance with the statutory backstop date for publication.

## **4. Corporate Priorities**

- 4.1. Approval of the Statement of Accounts supports the Council's Corporate Plan priority of being a strong, responsible and accountable Council, and contributes to effective financial management and transparency.

## 5. Financial and Resource Implications

- 5.1. None immediately as a result of approval of the Statement of Accounts.
- 5.2. Should the Statement of Accounts not be signed, and the statutory backstop not met, there may be additional costs incurred as a result of additional external assurance work required.

### Comments from the S151 Officer:

***This is a statutory report required for the approval of the Statement of Accounts***

## 6. Legal Implications

- 6.1. No legal implications as a direct result of the approval of the Statement of Accounts

### Comments from the Monitoring Officer

***The Monitoring Officer (or member of the Legal team on behalf of the MO) will complete this section. They will outline any legal advice provided.***

## 7. Risks

- 7.1. Approval of the Statement of Accounts supports transparency and accountability. Failure to approve the accounts would delay statutory sign-off and publication and could result in non-compliance with statutory deadlines.

## 8. Net Zero Target

- 8.1. The approval of the Statement of Accounts is a statutory governance and reporting matter and has no direct impact on the Council's Net Zero 2030 Strategy or Climate Action Plan.

## 9. Equality, Diversity & Inclusion

- 9.1. The approval of the Statement of Accounts is a statutory governance and reporting matter and does not give rise to any direct equality, diversity or inclusion impacts. The Council has had due regard to its duties under the Equality Act 2010. An equality impact assessment is not required.

## 10. Community Safety issues

- 10.1. The approval of the Statement of Accounts has no direct impact on community safety.

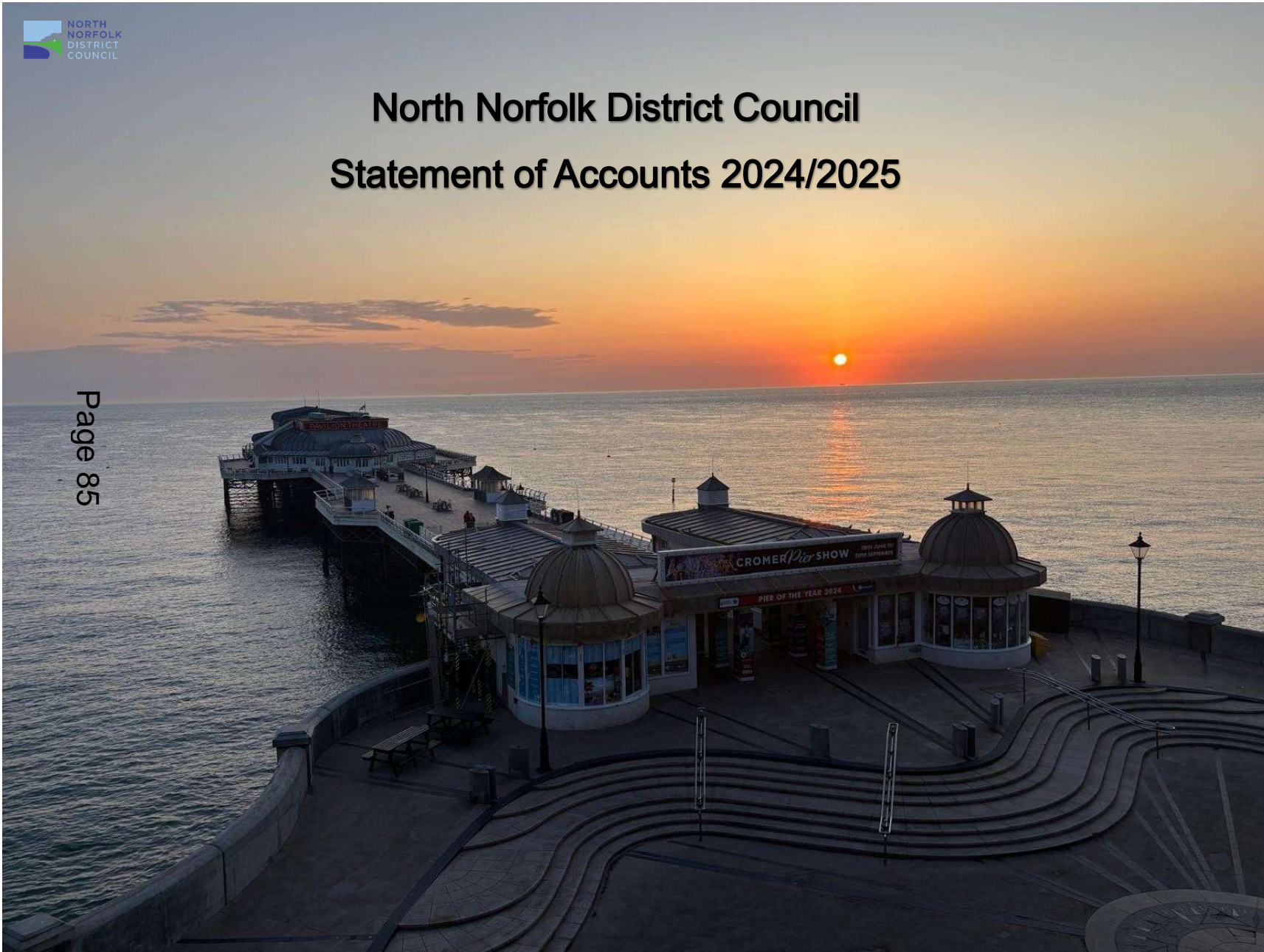
## Conclusion and Recommendations

Option 1 – Approve the Statement of Accounts. That delegated authority is given to the Chair of the Governance Risk and Audit Committee to approve the final audited Statement of Accounts for 2024/25, enabling statutory sign-off and publication.

# North Norfolk District Council

## Statement of Accounts 2024/2025

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### 1. Introduction

- 1.1 The Statement of Accounts for 2024/25 on the following pages sets out the Council's income and expenditure for the year, and its financial position at 31 March 2025. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, which in turn is underpinned by International Financial Reporting Standards. It comprises core and supplementary statements.
- 1.2 This narrative statement aims to provide the reader with information about the Council, its main objectives, strategies and the principle risks it faces and to provide a commentary on how the Council has used its resources to the 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 be found on Pages 21 – 37.

### 2. Statements included within the Accounts

- 2.1 The accounts consist of the following main statements:

- **Expenditure and Funding Analysis** – The Expenditure and Funding Analysis (EFA) is a note to the financial statements. However, it is positioned with the core statements as it provides a link from the portfolio-based analysis of the revenue outturn presented in the Narrative Report to the analysis within the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The EFA shows how the funding available to the Council for the year (i.e. Government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.
- **Comprehensive Income and Expenditure Statement** – 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. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.
- **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council 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.
- **Balance Sheet** – this statement shows the value, as at the balance sheet date, of the assets and liabilities recognised by the Council. It sets out the financial position of the Council 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 Council's year-end financial position.

- **Cash Flow Statement** – this 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 Council 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 Council are funded by taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.
- **Collection Fund** – As a billing authority the Council 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 Council from council tax and NNDR and how this has been distributed to Central Government; the major precepting bodies of Norfolk County Council (NCC), 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** – 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*

- 3.2 North Norfolk District consists of 962 km<sup>2</sup> of beautiful countryside and 73km of coastline. The district is characterised by its strong environmental and cultural heritage. Key towns such as Cromer, Sheringham, Holt, Wells-next-the-Sea, North Walsham, and Fakenham act as economic and service hubs for the wider rural communities. Tourism plays a vital role in the local economy, drawn by the district's beaches, wildlife reserves, and attractive built heritage. The district's rural character is defined by its 121 parishes, numerous villages, and consistently low crime rate, making North Norfolk one of the most attractive and safe places to live in the UK.

- 3.3 North Norfolk's population is estimated to have grown from 105,600 in 2019 to approximately 109,000 by 2025. The latest forecasting shows that North Norfolk's population is expected to grow to approximately 118,000 by 2043. A large proportion of residents live in one of the market towns, with the remainder residing in rural village homes. This trend underscores gradual demographic expansion, with implications for local service planning, housing demand, and transport infrastructure to meet the needs of a subtly growing community.
- 3.4 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***

- 3.5 The Council's Corporate Plan covering 2023 – 2027, along with a supporting delivery plan. The Delivery Plan shows what the Council will do to meet the needs and aspirations of residents and businesses as established within the Corporate Plan.

The Corporate Plan can be located: [north-norfolk.gov.uk/media/9394/corporate-plan-2023-to-2027.pdf](http://north-norfolk.gov.uk/media/9394/corporate-plan-2023-to-2027.pdf)

The 2023 – 2027 Plan sets out the Council's priorities which are:

- Our Greener Future
- Developing Our Communities
- Meeting Our Local Housing Need
- Investing In Our Local Economy and Infrastructure
- A Strong, Responsible and Accountable Council

#### **4. Governance**

- 4.1 The Annual Governance Statement (AGS) is a statutory document which explains the processes and procedures in place to enable the Council to carry out its functions effectively, this is supported by the Council'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 Council's website.

## 5. Risks and opportunities

- 5.1 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, which have also resulted in single year settlements in recent years. A multi-year settlement has been lobbied for by the sector to provide greater certainty over future funding streams.
- 5.2 Local Authority funding from business rates is open to risks around funding fluctuations due to increases and decreases in the rateable values of non-domestic properties and successful alterations of lists and appeals against the rateable values. The Valuation Office Agency, 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.
- 5.3 The Council currently holds £16.9m in reserves, which is a decrease in reserves compared to the prior year, some of these reserves could be made available to support service budgets in the short to medium term. Use of reserves does not represent a sustainable funding mechanism for the longer term as these are one-off resources.
- 5.4 The Council's Corporate Risk Register, which details the significant risks the Council faces (including financial risks), is published on its website.

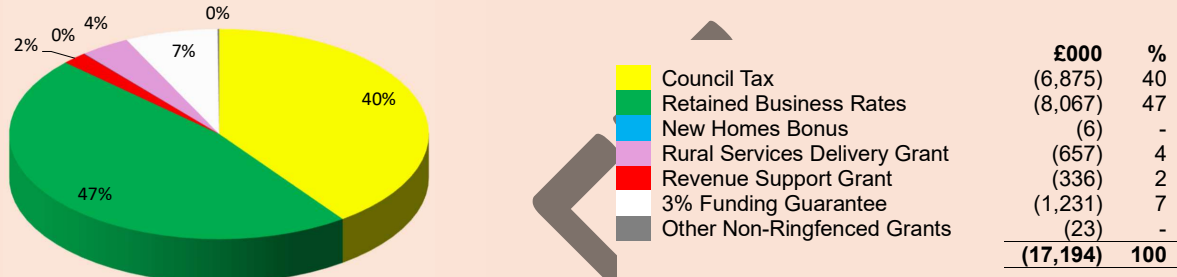
## Financial Performance

- 6.1 The Council reports on its performance against its Corporate Objectives quarterly. The report covering the 2024-25 financial year can be found on the Council's website.

## Revenue Activity

- 6.2 The following chart provides an overview of the resources available to the Council 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 around 13% of the net funding is from external sources, i.e. New Homes Bonus and other non-ringfenced grants, the balance of 87% comes 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 below.

### Revenue Financing 2024/25



The financial performance of the Council 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 reported to Cabinet on 7th July 2025.

2024/25 Subjective Analysis	2024/25 Budget £000	2024/25 Outturn £000	Variance £000	%
Employee Costs	16,618	14,969	(1,649)	(10)
Premises	4,064	3,924	(139)	(3)
Transport Related Expenditure	284	278	(5)	(2)
Supplies & Services	14,515	13,721	(794)	(6)
Transfer Payments	18,715	19,460	745	4
Capital Financing Costs	3,724	2,963	(761)	(20)
Income	(34,247)	(36,358)	(2,111)	6
<b>Total cost of services</b>	<b>23,672</b>	<b>18,957</b>	<b>(4,715)</b>	<b>(22)</b>

- 6.4 Transfers to and from reserves in the year are made in line with the Council'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 recommended for approval as part of the outturn report where there is no annual budget provision in 2025/26.
- 6.5 The 2024/25 outturn report covers the final budget monitoring 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. The reasons for some of the more significant movements included in the summary above in percentage terms are as follows:
- **Employee Costs** - The majority of the variance in employee costs, totalling £1,649k, is attributed to savings arising from vacant posts alongside adjustments in current service costs for the Local Government Pension Scheme. This adjustment represents the difference between the Council's cash contributions to the Pension Fund during the year and the value of pensions accrued during the same period, as determined by the actuary. These additional costs are reversed out under net operating expenditure, resulting in no impact on the revenue outturn position. However, the increase is reflected in long-term liabilities on the Balance Sheet.
  - **Premises** – The underspend in premises included an underspend of £211k relating to maintenance costs, offset by an overspend in Grounds & Maintenance of £28k, and an overspend in Premises Running Costs of £43k.
  - **Transport** – Small underspend of £5k is due net differences between fewer mileage claim expenses than budgeted for, offset by additional expense in relation to the electric pooled vehicle fleet.
  - **Supplies and Services** – The overall underspend is attributed to several key factors: a net underspend of £59k on Equipment Purchases & Materials; a £7k underspend on Clothing, Uniform & Laundry; a net overspend on Printing & Stationery of £154k; an increase income relating to Fees & Services of £1,026k. There was a net underspend of £86k relating to Communications & Computing; a net underspend of £17k relating to Subscriptions & Allowances; an overspend of £3k relating to Insurance; an overspend of £323k relating to Grants & Subscriptions; a net underspend of £80k relating to Other Supplies & Services.
  - **Transfer Payments** - The overspend relates to the total of amount of housing benefits paid out in 2024/25 being higher than anticipated. However, this is offset by a reduction in Subsidy received from the Department for works and Pensions (DWP).
  - **Capital Financing Costs** – The current General Fund position excludes the final capital adjustments; these do not have an impact on the Council's final outturn revenue position.
  - **Income** – The favourable variance of £2,111k is primarily due to various underspends. Key contributors include: Other Grants & Reimbursements in which an additional £1,080k was received during the year. An additional £1,052k was received in relation to Customer & Client Receipts. The remaining movements are due to small offsetting movements in government grants £302k adverse variance, Interest which had a favourable variance of £10k, and internal charges which had a favourable variance of £270k.

**Business Rates Retention**

- 6.6 The Collection Fund Account can be found, along with the associated notes, on pages 87 to 90.
- 6.7 The Council has been a member in a business rates pool for the 2024/25 financial year alongside other surrounding district councils and Norfolk County Council. Being in the Pool allows growth in the business rates collected in Norfolk to be retained locally, rather than being passed to central government. The retained growth amount is paid over in the form of a levy payment to Norfolk County Council as the lead Council for the Pool.
- 6.8 The Council can retain all the income it receives from renewable energy schemes, provided it granted planning permission for the scheme. When completing the NNDR1 each year the Council must include the amount it anticipates it will receive. Any variation will be carried forward to the following year.
- 6.9 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.

**Treasury Management and Economic Climate**

- 7.1 The amount of surplus cash available for investment during 2024/25 was continuously lower than anticipated in the original budget. The average interest rate earned on investments was also lower than forecasted. This was largely due to the Bank of England's Monetary Policy Committee (MPC) having reduced the base rate from its 2023 highs in response to signs of easing inflation and economic stagnation. As a result, the net returns from the Council's Money Market Fund investments, used to manage day-to-day cash flow, were below the anticipated levels.
- 7.2 The economic climate during 2024/25 continued to reflect uncertainty on whether rates would increase or fall. Rates were influenced by subdued domestic growth, persistent cost-of-living pressures, and ongoing global volatility, including geopolitical tensions and supply chain challenges. These factors contributed to downward pressure on investment yields. Overall, the Council achieved investment income of £1.387 million for the year, representing an adverse variance of £0.478 million against the set budget of £1.865 million.
- 7.3 The Council holds one outstanding loan of £5 million from the Public Works Loan Board (PWLb) as at 31 March 2025. This loan was originally drawn down on 27 March 2024 for a 13 month term and matured on 28 April 2025. It was taken to support short-term cash flow requirements and to provide flexibility in the Council's capital financing arrangements. Aside from the PWLB loan, the Council utilised temporary short-term borrowing during the year to manage cash flow timing differences, all of which was repaid within the financial year.

## THE NARRATIVE STATEMENT

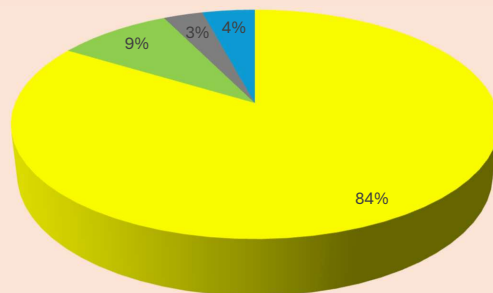
### 8. Capital

8.1 Capital expenditure in the year amounted to £25.7m (£13.6m in 2023/24). The areas where expenditure was incurred are shown in the table below. More detail can be found in the 2024/25 outturn report.

Capital Activity Summary 2024/25 Outturn	2024/25 Budget £000	2024/25 Outturn £000	Variance	
			£000	%
Our Greener Future	22,355	17,475	(4,880)	(22)
Developing Our Communities	6,285	1,606	(4,679)	(74)
Meeting our Housing Need	5,031	3,089	(1,942)	(39)
Investing in Our Local Economy & Infrastructure	5,544	3,308	(2,236)	(40)
A Strong, Responsible & Accountable Council	414	224	(190)	(46)
	<b>39,629</b>	<b>25,702</b>	<b>(13,927)</b>	<b>(35)</b>

The financing of the capital programme is shown in the chart below.

**Capital Financing 2024/25**



Grants	21,507	84
Other reserves	2,319	9
Internal Borrowing	805	3
Capital Receipts	1,071	4
	<b>25,702</b>	<b>100</b>



**9. Reserves and Balances**

- 9.1 The Council has a General Fund which is the statutory fund into which all the Council's receipts are required to be paid and out of which all Council's liabilities are to be met, except where there are statutory rules that must be applied. The recommended minimum General Fund balance is currently £2.1m. The balance was £2.7m at 31 March 2025.
- 9.2 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 assess the optimum level of general reserve. This is informed by a risk assessment of the budget that considers the context within which the budget has been established along with the financial risks facing the Council. 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.
- 9.3 In addition to the general reserve the Council holds 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 in Note 9. There are earmarked reserves that have balances, yet the timing of the use of the reserve is yet to be agreed.

## 10. Outlook

10.1 Looking ahead beyond 31 March 2025, the Council faces a complex mix of demographic shifts, economic dependencies, funding constraints, and government-driven structural change. Some of the more significant and current risks that continue to face the Council are as follows:

- Funding - Funding arrangements for district councils beyond 31 March 2025 remain subject to change. The Government has confirmed a one-year settlement for 2025/26, continuing the recent pattern of short-term financial planning horizons. However, significant reform is anticipated from 2026/27, with the expected implementation of the Fair Funding Review. This review aims to update the formulas used to assess local authority needs and resources, potentially redistributing funding across the sector. It is also expected to include a reset of business rates baselines and the consolidation of existing grants into a reformed core settlement. While these changes may bring greater clarity and multi-year certainty in future, they also present financial risk and potential volatility for district councils. The Council will continue to monitor developments closely and ensure that its medium-term financial strategy remains flexible and responsive.
- New Homes Bonus (NHB) – The Council continues to receive 'legacy' payments under the current NHB scheme, and funding has been included in the 2025/26 budget. However, the scheme is expected to be phased out from 2026/27, and no clear replacement funding mechanism has been announced by the Government to date. The Council will continue to monitor developments closely and reflect any confirmed changes in future financial planning.
- Savings/income – the delivery of savings built into budget projections and income from demand led services i.e. planning, parking fees;
- Economy – Looking beyond 31 March 2025, the UK economy is expected to remain in a period of subdued growth, with the effects of previous interest rate increases continuing to influence economic activity. Forecasts suggest only gradual improvement in GDP growth over the medium term, while inflation is anticipated to return closer to the Bank of England's target during 2025/26. However, uncertainties remain due to global economic pressures, geopolitical tensions, and potential volatility in energy markets. These factors may continue to affect local government funding, service demand, and investment plans. The Council will keep these developments under review to ensure financial resilience and adaptability in its medium-term planning.
- Inflation – The Consumer Price Index (CPI) has experienced a significant easing from its peak. It declined from 3.2% in March 2024, down to 2.6% in March 2025, before edging up to 3.5% in April 2025 and then falling back to 3.4% in May 2025. The consumer price environment is now notably closer to the Bank of England's 2% target, easing cost pressures. However, with the current rate still above target and showing month-to-month fluctuation, the financial outlook remains cautiously optimistic - a further gradual easing is anticipated, contingent on stable external conditions and prudent monetary policy.
- Investment returns – The elevated Bank of England base rate, which remained at 5.25% throughout much of 2024–25, has continued to support a favourable environment for investment income on the Council's cash balances. The Council maintains a prudent and risk-aware approach,

## THE NARRATIVE STATEMENT

guided by professional advice from its treasury management advisors. This ensures that investment decisions are grounded in sound principles, enabling a cautious but not complacent strategy aimed at protecting capital while maximising secure opportunities for return.

- Housing benefit subsidy – As a significant budget year on year this presents a risk in terms of the accuracy of the claims and subsidy recovered. This is mitigated by an earmarked reserve that the Council maintains;
- Pay – the budget has been updated to reflect the pay review undertaken by the National Joint Council (NJC) along with annual increments.
- Temporary accommodation – The Council is unable to fully recover from central government the costs relating to the housing benefit subsidy relating to temporary accommodation. The Council is currently acquiring local properties to use directly to help manage the cost of this provision. This cost is increasing year on year and placing a pressure on our budgets. we will continue to monitor the situation, however as a demand led service this is outside of the Council's control.

10.2 The Council does however have a number of work streams in place to help address these risks and also has a healthy reserve position to support in the short to medium term.

10.3 The disclosures required for the financial year ending 31 March 2025 in relation to the Council's pension scheme are detailed in Note 24 and show a Net Pension Asset of £12.4m as at 31 March 2025 (Net Liability of £3.4m at 31 March 2024). The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Council 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.

### 11. Further Information

11.1 For further information about these accounts please contact the finance team at [accountancy@north-norfolk.gov.uk](mailto:accountancy@north-norfolk.gov.uk).

**Statement of Responsibilities****The Council's Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, 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 has been approved by myself, Councillor Sarah Bütikofer, Chair of the Governance, Risk and Audit Committee on **To Be Confirmed**. Delegated authority for the Chair of the Committee to sign the Accounts in consultation with the Section 151 Officer was given at its meeting on **To Be Confirmed**.

Signed on Behalf of North Norfolk District Council

**The Chief Finance Officer's Responsibilities**

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

In preparing this Statement of Accounts, the 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 Council at the reporting date and of its expenditure and income for the year ended 31 March 2025.

Dated: XX February 2026

Don McCallum CPFA, Section 151 Officer

## EXPENDITURE AND FUNDING ANALYSIS

### 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 Comprehensive Income and Expenditure Statement (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.

	Net Expenditure Chargeable to the General Fund	Adjustments Between Funding & Accounting Basis	Net Expenditure in the CIES	Net Expenditure Chargeable to the General Fund	Adjustments Between Funding & Accounting Basis	Net Expenditure in the CIES
	2024/25			2023/24		
	£000	£000	£000	£000	£000	£000
Corporate leadership/Executive support	499	(119)	380	567	(40)	527
Communities	8,986	(96)	8,890	10,459	676	11,135
Place and Climate Change	4,111	1,054	5,165	5,741	890	6,631
Resources	5,084	782	5,866	5,141	(86)	5,055
	<b>18,680</b>	<b>1,621</b>	<b>20,301</b>	<b>21,908</b>	<b>1,440</b>	<b>23,348</b>
Other Income and Expenditure	(17,712)	(19,027)	(36,739)	(18,500)	(5,505)	(24,003)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>968</b>	<b>(17,406)</b>	<b>(16,438)</b>	<b>3,408</b>	<b>(4,065)</b>	<b>(655)</b>
<b>Opening General Fund Balances</b>	<b>17,841</b>			<b>21,249</b>		
<b>Surplus/(Deficit) in year</b>	<b>(968)</b>			<b>(3,408)</b>		
<b>Closing General Fund Balances</b>	<b>16,873</b>			<b>17,841</b>		

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### 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.

		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		2024/25			2023/24		
	Note	£000	£000	£000	£000	£000	£000
Corporate Leadership/Executive Support		4,008	(3,628)	380	2,545	(2,018)	527
Communities		19,995	(11,105)	8,890	22,174	(11,039)	11,135
Place and Climate Change		9,374	(4,209)	5,165	9,623	(2,991)	6,631
Resources		37,219	(31,353)	4,966	36,782	(31,727)	5,055
<b>Cost of Services</b>		<b>70,596</b>	<b>(50,295)</b>	<b>20,301</b>	<b>71,124</b>	<b>(47,775)</b>	<b>23,349</b>
Other Operating Expenditure	10			2,928			2,237
Financing and Investment Income and Expenditure	11			(869)			(565)
Taxation and Non-Specific Grant Income	12			(38,799)			(25,675)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>7</b>			<b>(16,438)</b>			<b>(655)</b>
(Surplus)/Deficit on revaluation of PPE Assets	14(a)			5,947			(12,773)
Financial Assets	14(b)			(777)			367
Actuarial (Gains)/Losses on Pension Assets/Liabilities	14(d)			2,131			(8,397)
<b>Other Comprehensive Income and Expenditure</b>				<b>7,301</b>			<b>(20,803)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(9,137)</b>			<b>(21,458)</b>

## MOVEMENT IN RESERVES STATEMENT

### Movement in Reserves Statement (MIRS)

		General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2023</b>		<b>3,112</b>	<b>18,138</b>	<b>5,301</b>	<b>-</b>	<b>26,553</b>	<b>49,916*</b>	<b>76,469*</b>
<b><u>Movement in Reserves during 2023/24</u></b>								
Total Comprehensive Income and Expenditure		655	-		-	655	20,803	21,458
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	(4,065)	-	(2,489)*	-	(6,555)	6,555	-
Transfer (to)/from Earmarked Reserves	9	2,519	(2,519)		-	-	-	-
Increase/(decrease) in 2023/24		(891)	(2,519)	(2,489)*	-	(5,900)	27,358	21,458
<b>Balance at 31 March 2024</b>		<b>2,221</b>	<b>15,619*</b>	<b>2,812*</b>	<b>-</b>	<b>20,654</b>	<b>77,277*</b>	<b>97,930</b>
<b><u>Movement in Reserves during 2024/25</u></b>								
Total Comprehensive Income and Expenditure		16,438	-	-	-	16,438	(7,301)	9,137
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	(17,406)	-	(425)	-	(17,831)	17,831	-
Transfer (to)/from Earmarked Reserves	9	1,572	(1,572)	-	-	-	-	-
Increase/(decrease) in 2024/25		2,825	(1,572)	(425)	-	(1,393)	10,530	9,137
<b>Balance at 31 March 2025</b>		<b>2,825</b>	<b>14,047</b>	<b>2,386</b>	<b>-</b>	<b>19,259</b>	<b>87,807</b>	<b>107,066</b>

\*These figures have been restated to correct a prior year casting errors.



## BALANCE SHEET

### Balance Sheet

	Note	31 March 2025 £000	31 March 2024 £000
Property, Plant and Equipment	30	94,695	94,349
Investment Property	27	1,138	1,196
Intangible Assets	28	635	788
Long Term Investments	39	19,819	19,039
Long Term Debtors	33/39	1,577	1,864
Right of Use Assets	26	10,308	-
<b>Total Long-Term Assets</b>		<b>128,171</b>	<b>117,236</b>
Short Term Investments	39	-	-
Inventories		4	11
Short Term Debtors	33	11,550	14,237
Cash and Cash Equivalents	18	4,122	2,028
Assets held for sale	32	-	319
<b>Total Current Assets</b>		<b>15,676</b>	<b>16,593</b>
Bank Overdraft	18	(1,616)	(6,071)
Short-Term Borrowing	39	(7,117)	(6,791)
Short-Term Creditors	34	(14,961)	(10,275)
Capital Grants Receipts in Advance	38	(7,589)	(3,834)
Short-Term Provisions	35	(482)	(493)
Short-Term Lease Liabilities		(62)	-
<b>Total Current Liabilities</b>		<b>(31,828)</b>	<b>(27,464)</b>
Net Pension Liability	24	(4,768)	(3,430)
Long-Term Borrowing	39	-	(5,004)
Long-Term Lease Liabilities		(185)	-
<b>Total Long-Term Liabilities</b>		<b>(4,954)</b>	<b>(8,434)</b>
<b>Net Assets</b>		<b>107,066</b>	<b>97,931</b>

## BALANCE SHEET

### Balance Sheet

		31 March 2025	31 March 2024
	Note	£000	£000
<b>Usable Reserves:</b>			
General Fund Balance		2,825	2,223
Earmarked Reserves	9	14,048	15,619
Capital Receipt Reserve		2,386	2,812
<b>Total Usable Reserves</b>		<b>19,259</b>	<b>20,654</b>
<b>Unusable Reserves:</b>	14		
Revaluation Reserves	14(a)	34,294	40,057
Pooled Fund Adjustment Account	14(b)	533	(244)
Capital Adjustment Account	14(c)	59,737	44,418
Pensions Reserve	14(d)	(4,768)	(3,430)
Collection Fund Adjustment Account	14(e)	(1,640)	(3,167)
Accumulated Compensated Absences Adjustment Account	14(f)	(349)	(356)
<b>Total Unusable Reserves</b>		<b>87,807</b>	<b>77,277*</b>
<b>Total Reserves</b>		<b>107,066</b>	<b>97,930</b>

The Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2025. The notes on pages 20 to 86 form part of the financial statements.

Dated: xxxxx 2026

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\*This figure has been restated to correct a prior year casting error

## CASH FLOW STATEMENT

### Cash Flow Statement

		31 March 2025	31 March 2024
	Note	£000	£000
Net Surplus/(Deficit) on the provision of services	7	18,840	(35)
Adjustments to Net Surplus/(Deficit) on the provision of services for non-cash movements	15	3,658	242
Adjustments for items included in the Net Surplus/(Deficit) on the provision of services that are investing and financing activities	15	(23,353)	2,550
<b>Net Cash Flows generated from Operating activities</b>		<b>(854)</b>	<b>2,757</b>
Investing Activities	16	8,873	(4,914)
Financing Activities	17	(2,015)	(3,306)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>6,004</b>	<b>(5,463)</b>
Cash and Cash equivalents at the beginning of the reporting period	18	(4,043)	1,420
Cash and Cash equivalents at the end of the reporting period	18	1,961	(4,043)

## 1. Accounting Policies

### A. General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2025.

The Council 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 2024/25 and the Service Reporting Code of Practice 2024/25 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 Council 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.

#### 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 Council 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 Council
- Revenue from the provision of services is recognised when the Council 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 Council.
- 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 Council 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 Council for the agency services rendered or the Council 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 made only when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events, and conditions on the Council'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.

During the year, the Council adopted IFRS 16 Leases as part of its accounting policies, in line with the CIPFA Code of Practice on Local Authority Accounting. The new standard changes the way lessee leases are accounted for, requiring recognition of most leases on the Balance Sheet as right-of-use assets with corresponding lease liabilities. The change has been applied retrospectively, and relevant prior year figures have been restated where necessary.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

In addition, some prior year figures were restated to improve accuracy and correct casting errors. These restatements also included the reclassification of balances within the notes to enhance presentation and clarity.

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

## F. Employee Benefits

### Benefits Payable during Employment

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 Council. 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 Council 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 Council 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 Council 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 Council 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 Council.

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.

## NOTES TO THE FINANCIAL STATEMENTS

- The liabilities of the Norfolk Pension Fund attributable to the Council 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 5.80% (4.85% in 2023/24). This rate is based on a corporate yield curve based on the constituents of the iBoxx corporate bond index. 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 Council 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.

## NOTES TO THE FINANCIAL STATEMENTS

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund 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 Council 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.

### **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 Council's financial performance.

### **I. 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.



**J. Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council 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 Council.

The majority of the Council'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

**K. Financial Assets**

A financial asset is a right to future economic benefits controlled by the Council 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 Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Amortised Cost 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

## NOTES TO THE FINANCIAL STATEMENTS

Where loans are advanced at below market rates, they are classed as 'Soft Loans' and specific accounting requirements apply to them. The Council 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.

### L. 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 Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council 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 Council by Central Government these are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

**M. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council 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 Council 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.

**Inventory 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.

**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.

**P. Leases**

A lease is defined as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Authority recognises a right-of-use asset and a corresponding lease liability at the lease commencement date for all leases, except for those where the lease term is 12 months or less (short-term leases) or where the underlying asset is of low value.

**The Council as Lessee**

A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Council is reasonably certain to exercise; penalties for early termination if the lease term reflects the Council exercising a break option; and payments in an optional renewal period if the Council is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Council's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

Leases of low value assets (value when new less than £10,000) and short-term leases of 12 months or less are expensed to the Comprehensive Income and Expenditure Statement, as are variable payments dependent on performance or usage, 'out of contract' payments and non-lease service components.

### The Council as Lessor

Operating Leases – Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the relevant line in the Comprehensive Income and Expenditure Statement (i.e. Surplus/Deficit on trading undertakings). 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 rent-free period).

Finance leases – Where the Council grants a finance lease over a property, 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 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 Council'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 (long term debtor) asset in the Balance Sheet. Expected residual values of finance leases are reviewed every 5 years.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the asset - applied to write down the lease debtor (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 is 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 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 received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

**Q. Overheads and Support Services**

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

**R. 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 Council 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-minimis 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 Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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).

## NOTES TO THE FINANCIAL STATEMENTS

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 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. 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).

Depreciation 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 50 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.

### Assets Under Construction

Assets Under Construction are not depreciated while they are under construction. Upon completion, assets are transferred from Assets Under Construction to the appropriate Property, Plant and Equipment category. Depreciation commences from the date the asset becomes available for use, being when it is in the location and condition necessary for it to operate in the manner intended by management.

### 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 Council 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.

## S. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council 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 Council settles the obligation. Provisions for bad and doubtful debts are maintained in respect of possible losses from non-collection of amounts owing to the Council. This includes council tax, business rates and 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 Council 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 Council. 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 Council 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 Council. 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.

### **T. Reserves**

The Council 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 Council - these Unusable Reserves are explained elsewhere within the Accounting Statements.

### **Revenue Expenditure Fund 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 Council 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.

### **V. 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.

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

The Council'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.

#### **X. Fair Value Measurement**

The Council 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 Council 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 Council'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 Council 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 Not Yet Been Adopted**

The Code of Practice on Local Authority Accounting in the UK 2024-25 ("the Code") has introduced the following changes in accounting policy, which will need to be adopted fully by the Council in the 2025-26 financial statements from 1 April 2025.

## NOTES TO THE FINANCIAL STATEMENTS

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 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:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) - issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable
- IFRS 17 Insurance Contracts - issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

The following accounting standards have changes under the Code next year, and the impact of these will be assessed once the Code is issued and more details are available.

Changes to the measurement of non-investment assets within the 2025-26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council 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

## NOTES TO THE FINANCIAL STATEMENTS

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.

- 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 Council 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 Council's Balance Sheet at 31 March 2025 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 Council 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 Council's useable reserves as depreciation charges do not fall on the tax payer.

## NOTES TO THE FINANCIAL STATEMENTS

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 Council's assets and liabilities. Where Level 1 inputs are not available, the Council has used relevant experts to identify the most appropriate valuation technique to determine fair value.	<p>The Council 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.</p> <p>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.</p>
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.	<p>The effects on the net pension liability of changes in individual assumptions can be measured, for example a 0.1% decrease in the real discount rate assumption would result in an increase of 2% in the pension liability which is approximately £1,567k.</p> <ul style="list-style-type: none"> <li>(i) A one year increase in member life expectancy would result in an increase of approximately 4% in the pension liability, the pension liability would increase by approximately £3,710k.</li> <li>(ii) If salaries were to increase by 0.1% more than anticipated, the pension liability would increase by approximately £667k.</li> <li>(iii) If pensions payable were to increase by 0.1% more than anticipated, the pension liability would increase by 2%, approximating to £1,543</li> </ul>

### 5. Events After The Balance Sheet Date

The Statement of Accounts were authorised for issue by the interim Section 151 Officer on 18 July 2025. 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

## NOTES TO THE FINANCIAL STATEMENTS

conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There were no subsequent events that required an adjustment to the financial statements and the notes.

### 6. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2024/25.

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000	£000	£000	£000
	2024/25	2024/25	2024/25	2024/25	2023/24	2023/24	2023/24	2023/24
CLT/Corporate	22	(112)	(29)	(119)	(22)	44	18	40
Communities	100	(216)	20	(96)	(808)	137	(5)	(676)
Place and Climate Change	1,256	(188)	(14)	1,054	(1,011)	112	9	(890)
Resources	1,178	(412)	16	(118)	(288)	394	(20)	86
<b>Net Cost of Services</b>	<b>2,556</b>	<b>(928)</b>	<b>(7)</b>	<b>721</b>	<b>(2,129)</b>	<b>687</b>	<b>2</b>	<b>(1,440)</b>
Other Income and Expenditure	(17,634)	135	(1,528)	(19,027)	5,869	(546)	181	5,505
<b>Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(15,078)</b>	<b>(793)</b>	<b>(1,535)</b>	<b>(17,406)</b>	<b>3,740</b>	<b>141</b>	<b>183</b>	<b>4,065</b>



**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;

Financing & Investment Income & Expenditure – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;

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.

**Net Change in Pension Adjustments** – this column is the 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 Council 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.

**Other Differences** – this column relates to other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. Also included within this column is 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

	2024/25 £000	2023/24 £000
<b>Expenditure</b>		
Employee Benefits Expenses	15,106	15,875
Other Service Expenses	24,336	24,904
Support Service Recharges	13,255	12,879
Depreciation, Amortisation, Impairment, DRF	3,527	4,210
Interest Payments	316	424
Precepts and Levies	3,657	3,354
Gain on disposal of assets	(201)	(639)
<b>Total Expenditure</b>	<b>59,996</b>	<b>61,007</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(17,628)	(15,786)
Interest and Investment Income	(1,387)	(1,552)
Income from Council Tax, Non-Domestic Rates, District Rate Income	(36,547)	(23,682)
Government Grants and Contributions	(20,872)	(20,641)
<b>Total Income</b>	<b>(76,434)</b>	<b>(61,661)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(16,438)</b>	<b>(655)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in unusable Reserves
	2024/25				2023/24			
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments to Capital Adjustment Account</b>								
Reversal of items debited or credited to the CIES								
Depreciation & Impairment of Non-Current Assets	(2,838)	-	-	2,838	(2,579)	-	-	2,579
Revaluation gain/(loss) on PPE	(42)	-	-	3,347	(556)	-	-	556
Movement in Investment Property Market Value	(41)	-	-	115	-	-	-	-
Amortisation of intangible assets	(279)	-	-	279	(282)	-	-	282
Capital Grants & Contributions	17,634	-	-	(22,383)	5,231	-	-	(5,231)
Revenue Expenditure Fund from Capital Under Statute	(327)	-	-	327	(794)	-	-	794
Written off Non-Current Assets on sale or disposal	(422)	-	-	422	(2)	-	-	(2)
<b>Insertion of items not debited or credited to the CIES</b>								
Statutory Provision for the Financing of Capital Investment	570	-	-	(570)	475	-	-	(475)
Capital Expenditure Charged Against the General Fund	179	-	-	(1,077)	1,607	-	-	(1,607)
<b>Adjustments to Capital Receipts Reserves</b>								
Transfer of the disposal sales proceeds recorded in CIES	644	(644)	-	-	641	(641)	-	-
Use of Capital Receipts Reserve to finance capital expenditure	-	1,069	-	(1,069)	-	3,130	-	(3,130)
<b>Adjustments to Pooled Fund Adjustment Account</b>								
Pool Fund fair value gain/loss debited or credited to CIES	-	-	-	-	-	-	-	-
<b>Adjustments to Pensions Reserve</b>								
Pension Costs (transferred to/from the pensions reserve)	793	-	-	(793)	140	-	-	(140)
<b>Adjustments to Collection Fund Adjustment Account</b>								
Council Tax & NNDR (transfers to/from the Collection fund)	1,528	-	-	(1,545)	181	-	-	(181)
<b>Adjustments to Accumulating Compensated Absences Adjustment Account</b>								
Holiday pay	7	-	-	7	2	-	-	2
<b>Total Adjustments</b>	<b>17,406</b>	<b>425</b>	<b>-</b>	<b>(17,831)</b>	<b>4,064*</b>	<b>2,489*</b>		<b>(6,554)*</b>

\*This figure has been restated to correct a prior year casting error.

## NOTES TO THE FINANCIAL STATEMENTS

**General Fund Balance** - The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council 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 Council 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

	Balance at 1 April 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000	Transfers Out 2024/25 £000	Transfers In 2024/25 £000	Balance at 31 March 2025 £000
Asset Management	847	(245)	-	602	(175)	-	427
Benefits	727	-	-	727	-	-	727
Building Control	224	(78)	-	146	(41)	-	105
Business Rate Retention	1,829	(7)	131	1,954	(652)	384	1,686
Capital Project Reserve	556	(71)	-	485	(10)	-	475
Coast Protection	467	(225)	-	242	(22)	-	220
Communities	406	(106)	-	300	(132)	-	168
Delivery Plan Reserve	3,124	(903)	-	2,221	(1,102)	-	1,119
Economic Development & Regeneration	233	(54)	-	179	-	-	179
Election Reserve	186	(183)	60	63	-	60	123
Enforcement Board	61	(15)	-	46	(6)	-	40
Environmental Health	494	(35)	83*	543*	-	126	669
Environment	150	-	-	150	-	-	150
Grants	2,620	(17)	84	2,687	(19)	51	2,719
Grassed Area Deposits	371	-	-	371	-	-	371
Housing	2,275	(985)	132	1,422	(244)	373	1,551
Innovation Fund	-	(100)	572*	472*	(17)	137	592
Land Charges	337	-	-	339	(89)	-	250
Legal	93	(5)	-	88	(36)	-	52
Major Repairs Reserve	588	(130)	-	458	(2)	-	456
Net Zero Reserve	500	(28)	-	472	(88)	-	384
New Homes Bonus	223	(76)	-	147	(28)	-	119
Organisational Development	155	(43)	-	111	(13)	-	98
Pathfinder	90	-	-	90	-	-	90
Planning – Revenue	417	(179)	50	288	(87)	77	278
Restructuring and Invest to Save	664	-	53	717	(59)	40	699
Treasury Reserve	500	(200)	-	300	-	-	300
<b>Total</b>	<b>18,137</b>	<b>(3,685)</b>	<b>1,165</b>	<b>15,619</b>	<b>(2,820)</b>	<b>1,248</b>	<b>14,048</b>
<b>Total transfers out during the year</b>		<b>(3,685)</b>			<b>(2,820)</b>		
<b>Total transfers in during the year</b>		<b>1,165</b>			<b>1,248</b>		
<b>Net Movement in Earmarked Reserves</b>		<b>(2,520)</b>			<b>(1,572)</b>		

## NOTES TO THE FINANCIAL STATEMENTS

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.

## NOTES TO THE FINANCIAL STATEMENTS

**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.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

	2024/25 £000	2023/24 £000
Parish Council Precepts	3,129	2,876
Gain on the Disposal of Non-Current Assets	(201)	(639)
<b>Total</b>	<b>2,928</b>	<b>2,237</b>

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

	2024/25 £000	2023/24 £000
Interest Expense	334	441
Pension Interest Cost and Expected Return on Pensions Assets	144	546
Interest Income	(1,387)	(1,552)
Fair Value changes of Investment Properties	41	-
<b>Total</b>	<b>868</b>	<b>(565)</b>

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

	2024/25 £000	2023/24 £000
Council Tax Income	(10,317)	(9,747)
Non-Domestic Rates	(8,596)	(8,691)
Other Non-Ringfenced Government Grant	(2,252)	(1,993)
Capital Grant and contributions	(17,634)	(5,244)
<b>Total</b>	<b>(38,799)</b>	<b>(25,675)</b>

### 13. Balance Sheet – Usable Reserves

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



## NOTES TO THE FINANCIAL STATEMENTS

### 14. Balance Sheet – Unusable Reserves

	2024/25 £000	2023/24 £000
Revaluation Reserve	34,294	40,057
Pooled Fund Adjustment Account	533	(243)
Capital Adjustment Account	59,737	44,418
Financial Instruments Adjustment Account	-	-
Pensions Reserve	(4,768)	(3,430)
Collection Fund Adjustment Account	(1,640)	(3,167)
Accumulated Compensated Absences Adjustment Account	(349)	(356)
<b>Total</b>	<b>87,807</b>	<b>77,277</b>

#### 14(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

	2024/25 £000	2023/24 £000
<b>Balance at 1 April</b>	<b>(40,057)</b>	<b>(27,762)</b>
Upward revaluation of assets	(1,312)	(14,488)
Downward revaluation of assets and impairments losses not charged to the Surplus/Deficit on Provision of Services	7,259	1,742
Difference between Fair Value Depreciation and Historical Cost Depreciation	(184)	451
<b>Balance at 31 March</b>	<b>(34,294)</b>	<b>(40,057)</b>

#### 14(b) Pooled Fund Adjustment Account

The Pooled Fund Adjustment Account contains the gains made by the Council arising from increases in the value of its investments in pooled funds and are therefore accounted for under IFRS 9 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

	2024/25 £000	2023/24 £000
Balance at 1 April	(243)	124
Upward/(Downward) Revaluation of Investments Charged to the Surplus/Deficit on the Provision of Services.	777	(367)
Balance at 31 March	533	(243)

#### 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 Council 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 Council.

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.

## NOTES TO THE FINANCIAL STATEMENTS

	2024/25 £000	2023/24 £000
<b>Balance at 1 April</b>	<b>44,418</b>	<b>37,564</b>
<u>Reversal of items relating to capital expenditure posted to the CIES</u>		
Charges for Depreciation and Impairment on Non-Current Assets	(2,838)	(2,579)
Revaluation losses on Property, Plant and Equipment	(42)	(556)
Amortisation of Intangible Assets	(279)	(281)
Revenue expenditure funded from capital under statute	(327)	(793)
Non-Current Assets written off on disposal to the CIES	(422)	(2)
	<b>39,820</b>	<b>33,353</b>
Adjusting amounts written out of the revaluation reserve	(184)	451
Net written out amount of the cost of non-current assets consumed in the year	<b>39,636</b>	<b>33,804</b>
<u>Capital Financial Applied in the year:</u>		
Use of capital receipts reserve to finance new capital expenditure	1,069	3,130
Capital Grants and contributions credited to the CIES that have been applied to capital financing	17,634	5,402
statutory provision for the financing of capital investment charged against the General Fund balance	570	475
Capital Expenditure charged against the General Fund balance	179	1,607
	<b>59,088</b>	<b>44,418</b>
Movements in the market value of investment properties debited or credited to the CIES	(41)	-
<b>Balance at 31 March</b>	<b>59,047</b>	<b>44,418</b>

The revenue expenditure funded from capital under statute (REFCUS) grant funding has been applied to the REFCUS line of the CAA note above. Please refer to Note 31 - Capital Expenditure and Capital Financing for the gross balances.

### 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 Council accounts for post-employment benefits in the Comprehensive Income and 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

## NOTES TO THE FINANCIAL STATEMENTS

Council 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 Council 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.

	2024/25 £000	2023/24 £000
<b>Balance at 1 April</b>	<b>(3,430)</b>	<b>(11,827)</b>
Actuarial gains/(losses) on pensions assets and liabilities	15,471	8,265
Reversal of Items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES	(2,241)	(2,901)
Effect of Limiting the net defined benefit asset to the Asset Ceiling	(17,872)	-
Employer's pension contributions and direct payment to pensioners payable in the year	3,034	3,033
<b>Balance at 31 March</b>	<b>(4,768)</b>	<b>(3,430)</b>

### 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.

	2024/25 £000	2023/24 £000
<b>Balance at 1 April</b>	<b>(3,167)</b>	<b>(2,978)</b>
Amount by which Council Tax and Business Rate Income credited to the CIES is different from Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	1,527	(189)
<b>Balance at 31 March</b>	<b>(1,640)</b>	<b>(3,167)</b>

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

	2024/25 £000	2023/24 £000
<b>Balance at 1 April</b>	<b>(356)</b>	<b>(354)</b>
Settlement or cancellation of an accrual made at the end of the preceding year	356	354
Amounts accrued at the end current year	(356)	(354)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	7	(2)
<b>Balance at 31 March</b>	<b>(349)</b>	<b>(356)</b>

### 15. Cash Flow Statement – Arising from Operating Activities

	2024/25 £000	2023/24 £000
Interest received	25	1,552
Interest paid	22	(441)
<b>Net cash flows from operating activities</b>	<b>47</b>	<b>1,111</b>
<b>The surplus or deficit on the provision of services has been adjusted for the following</b>		
Depreciation	2,838	2,579
Impairment and downward valuations	83	,556
Amortisation	279	282
Increase/(decrease) in creditors	250	(3,450)
Increase in Interest and Dividend Debtors	-	-
(Increase)/decrease in debtors	521	(484)
(Increase)/decrease in inventories	7	(4)
Movement in pension liability	(793)	799
Carrying amount of non-current assets, and non-current assets held for sale, sold or derecognised	422	2
Movement in Investment Property Values	51	(38)
	<b>3,658</b>	<b>242</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
Capital grants credited to surplus or deficit on the provision of services	-	-
Net adjustment from the sale of short term and long term investments	-	3,191
Proceeds from the sale of property, plant and equipment, investment property, and intangible assets	-	-
Fair value pooled funds	(644)	(641)
Other items for which the cash effects are investing or cash flows	(22,709)	-
	<b>23,353</b>	<b>2,550</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 16. Cash Flow Statement – Investing Activities

	2024/25 £000	2023/24 £000
Purchase of property, plant and equipment, investment property and intangible assets	(18,031)	(13,622)
Purchase of short-term and long-term investment	-	-
Proceeds from sale of property, plant and equipment, investment property and intangible assets	644	(249)
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	26,260	8,957
<b>Net cash flows from investing activities</b>	<b>8,873</b>	<b>(4,914)</b>

### 17. Cash Flow Statement – Financing Activities

	2024/25 £000	2023/24 £000
Cash receipts of short-term and long-term borrowing	14,900	18,700
Other receipts from financing activities	50	-
Repayments of short-term and long-term borrowing	(19,600)	(21,000)
Other payments for financing activities	2,636	(1,006)
<b>Net cash flows from financing activities</b>	<b>(2,014)</b>	<b>(3,306)</b>

### 18. Cash Flow Statement – Cash and cash equivalents

	2024/25 £000	2023/24 £000
Cash held by officers	4	3
Bank current accounts	(3,401)	(6,071)
Investments in liquidity money market funds	5,358	2,024
<b>Total cash and cash equivalents</b>	<b>1,962</b>	<b>(4,044)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 19. Trading Operations

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.

The Council lets a total of 20 industrial units and self-occupies 1 over 4 sites in Catfield, North Walsham and Fakenham. The Catfield and Cornish Way, North Walsham sites offer starter units which were developed jointly with EEDA, to provide opportunities for local business start-ups and developments. 3 larger brand-new units at Hornbeam Road, North Walsham were acquired in December 2020. The trading objective is to minimise the deficit relating to the service.

Trading operations are incorporated into the CIES. 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.

The surplus is due to higher income from both market traders and rental income at the industrial units.

	2024/25 £000	2023/24 £000
<b>General Produce Markets</b>		
Turnover	(31)	(32)
Expenditure	73	70
Deficit/(Surplus)	42	38
<b>Industrial Units</b>		
Turnover	(67)	(94)
Expenditure	99	102
Deficit/(Surplus)	31	8
<b>Total (Surplus)/Deficit on trading operations</b>	<b>73</b>	<b>46</b>
Services to the public including expenditure of continuing operations	73	46
Support Services recharged to expenditure of continuing operations	(2)	(2)
<b>Net (Surplus)/Deficit included within operating expenditure</b>	<b>71</b>	<b>44</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 20. External Audit Costs

The Council 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 Council's external auditors:

	2024/25 £000	2023/24 £000
Fees payable for external audit services carried out by the appointed auditor for the year	164	150
Fees payable for the certification of grant claims and returns for the year	21	21
Additional fees in respect of the prior year audit	-	68
<b>Total</b>	<b>185</b>	<b>239</b>

### 21. Members Allowances

The Council paid the following amounts to Members of the Council during the year. Full details can be obtained by writing to:

Information Services, Holt Road, Cromer, Norfolk, NR27 9EN.

	2024/25 £	2023/24 £
Allowances	366,539	344,649
Expenses	9,828	11,056
<b>Total</b>	<b>376,367</b>	<b>355,705</b>

### 22. Officers' Remuneration

The following table sets out the remuneration paid to the Council'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 Council, being able to direct or control its major activities, whether solely or collectively.



## NOTES TO THE FINANCIAL STATEMENTS

For the period 1 April 2023 to 31 March 2025:

Job Title	Year	Salary, Fees and Allowance	Bonuses	Expenses Allowances	Compensation for loss of office	Sub- Total	Pension Contribution	Total
		£	£	£	£	£	£	£
<b>1 April 2024 to 31 March 2025</b>								
Chief Executive	2024/25	121,541	-	963	-	122,504	16,616	<b>139,120</b>
Director for Communities	2024/25	97,266	-	963	-	98,229	14,104	<b>112,333</b>
Director for Resources & Section 151 Officer	2024/25	94,636	-	963	-	95,599	13,722	<b>109,321</b>
Director for Place & Climate Change	2024/25	97,266	-	963	-	98,229	13,173	<b>111,402</b>
Monitoring Officer	2024/25	72,348	-	963	-	73,311	10,491	<b>83,801</b>
<b>1 April 2023 to 31 March 2024</b>								
Chief Executive	2023/24	118,576	-	963	-	119,539	15,991	<b>135,530</b>
Director for Communities	2023/24	94,893*	-	963	-	95,856	13,759	<b>109,615</b>
Director for Resources & Section 151 Officer	2023/24	89,555	-	963	-	90,518	12,985	<b>103,503</b>
Director for Place & Climate Change	2023/24	94,893*	-	963	-	95,856	13,203	<b>109,059</b>
Monitoring Officer	2023/24	69,127	-	963	-	70,090	10,023	<b>80,113</b>

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:

Remuneration Band	2024/25 Number of Employees	2023/24 Number of Employees
£50,000 - £54,499	7	11
£55,000 - £59,999	10	6
£60,000 - £64,499	3	1
£65,000 - £69,999	4	3
£70,000 - £74,499	-	1

\*These figures have been restated to correct prior year typing errors

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

Bandings	2024/25				2023/24				
	Compulsory Redundancies Number of Employees	Other Departures Number of Employees	Total Employees	Total Amount £	Compulsory Redundancies Number of Employees	Other Departures Number of Employees	Total Employees	Total Amount £	
£0 - £20,000		1	-	1	14,231	-	1	1	11,055
£20,001 - £40,000		-	-	-	-	-	1	1	35,385
£40,001 - £60,000		-	-	-	-	-	-	-	-
£60,001 - £80,000		-	-	-	-	-	-	-	-
£80,000 - £100,000		-	-	-	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>14,231</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>46,440</b>	

### 24. Defined Benefit Pension Schemes

#### Participation in pension schemes

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

The Council 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 Council 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.

## NOTES TO THE FINANCIAL STATEMENTS

### Transactions relating to post-employment benefits

The Council 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 2024/25 £000	Local Government Pension Scheme 2023/24 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<u>Cost of Services</u>		
Current service cost	2,080	2,355
Past service costs loss	17	-
<u>Financing and Investment Income and Expenditure</u>		
Interest Cost	5,122	5,009
Expected return on scheme asset	(4,978)	(4,463)
<b>Total post-employment benefit charged to the surplus/deficit on the provision of services</b>	<b>2,241</b>	<b>2,901</b>
<u>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</u>		
Return on plan assets (excluding the amount included in the net interest expense)	1,496	4,931
Actuarial gains/(losses)	(17,237)	3,334
Effect of limiting the net defined benefit asset to the asset ceiling	17,872	-
<b>Total post-employment benefit (credited)/charged to the CIES</b>	<b>2,131</b>	<b>8,265</b>
<u>Movement in Reserves Statement:</u>		
Reversal of net charges made to the surplus/deficit for the provision of services for post-employment benefits in accordance with the code	793	132
Actual amount charged against the general fund balance for pensions in the year		
<b>Employers' contribution payable to the scheme</b>	<b>3,034</b>	<b>3,033</b>

Commented [DK1]: PY numbers don't match PY FS, to look into

## NOTES TO THE FINANCIAL STATEMENTS

### Assets and liabilities in relation to post-employment benefits

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

<b>Pension Scheme Funded Liabilities Local Government*</b>	<b>2024/25</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	(106,458)	(106,095)
Current service cost	(2,080)	(2,355)
Interest cost	(5,122)	(5,009)
Contributions by scheme participants	(727)	(746)
Actuarial (gains)/losses	17,237	3,334
Effect of Asset Ceiling	(17,872)	-
Benefits paid	4,161	4,160
Unfunded benefits paid	253	253
Past service costs	(17)	-
<b>Closing Balance at 31 March</b>	<b>(110,625)</b>	<b>(106,458)</b>

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

<b>Local Government Pension Scheme</b>	<b>2024/25</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	103,028	94,268
Expected rate of return	4,978	4,463
Actuarial gain/(loss)	(1,496)	4,931
Employers' contributions	2,781	2,780
Contributions by scheme participants	727	746
Contributions in respect of Unfunded Benefits	253	253
Benefits paid	(4,161)	(4,160)
Unfunded benefits paid	(253)	(253)
<b>Closing Balance at 31 March</b>	<b>105,857</b>	<b>103,028</b>

<b>Net pension asset/(liability)</b>	<b>(4,768)</b>	<b>(3,430)</b>
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\*To ensure consistency and improve comparability across reporting periods, prior year figures have been restated to present certain amounts as negatives in line with the current year's financial statement presentation. This adjustment aligns the presentation format of income, expenses, assets, and liabilities between periods. The restatement does not affect the previously reported net results or financial position.

## NOTES TO THE FINANCIAL STATEMENTS

### Fair Value of Employer Assets

Asset Category	Quoted price in active markets  £000	2024/25			Quoted price in active markets  £000	2023/24		
		Quoted price not in active markets  £000	Total  £000	Percentage of total assets  £000		Quoted price not in active markets  £000	Total  £000	Percentage of total assets  £000
<b>Equity Securities:</b>								
Consumer	-	-	-	0%	-	-	-	0%
Manufacturing	-	-	-	0%	-	-	-	0%
Energy & Utilities	-	-	-	0%	-	-	-	0%
Financial Institutions	-	-	-	0%	-	-	-	0%
Health & Care	-	-	-	0%	-	-	-	0%
Information Technology	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
<b>Debt Securities:</b>								
Corporate Bonds (Investment Grade)	-	-	-	0%	-	-	-	0%
Corporate Bonds - Non-Investment Grade	-	-	-	0%	-	-	-	0%
UK Government	2,006	-	2,006	2%	2,575	-	2,575	2%
Other	-	-	-	0%	-	-	-	0%
<b>Private Equity:</b>								
All	-	13,543	13,543	13%	-	12,972	12,972	13%
<b>Real Estate</b>								
UK Property	-	6,748	6,748	6%	-	7,709	7,709	7%
Overseas Property	-	992	992	1%	-	1,163	1,163	1%
<b>Investment &amp; Unit Trusts</b>								
Equities	59,129	-	59,129	56%	43,819	-	43,819	43%
Bonds	7,991	-	7,991	8%	19,641	-	19,641	19%
Infrastructure	-	11,828	11,828	11%	-	11,748	11,748	11%
Other	-	-	-	0%	-	-	-	0%

### Fair Value of Employer Assets (continued)

## NOTES TO THE FINANCIAL STATEMENTS

Asset Category	2024/25				2023/24			
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets £000	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets £000
<b>Derivatives:</b>								
Foreign Exchanges	61	-	61	0%	1,834	-	1,834	2%
Other					-	-	-	0%
<b>Cash &amp; Cash Equivalents:</b>								
All	3,558	-	3,558	3%	1,567	-	1,567	2%
<b>Total</b>	<b>72,746</b>	<b>33,111</b>	<b>105,857</b>	<b>100%</b>	<b>69,435</b>	<b>33,593</b>	<b>103,028</b>	<b>100%</b>

### 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 2022. 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 2024/25	Local Government Pension Scheme 2023/24
<b>Mortality Assumptions</b>		
<u>Longevity at 65 for Current Pensioners:</u>		
Men	22.0	22.1
Women	24.4	24.5
<u>Longevity at 65 for Future Pensioners:</u>		
Men	22.7	22.8
Women	26.0	26.0
Pension Increase Rate (CPI)	2.75%	2.75%
Rate of Increase in Salaries	3.45%	3.45%
Rate of Discounting Scheme Liabilities	5.80%	4.85%

## NOTES TO THE FINANCIAL STATEMENTS

### History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2024/25 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2025.

	2025	2024	2023	2022	2021
	%	%	%	%	%
Difference between the expected and actual return on assets	(2.0)	4.8	(3.9)	6.1	17.8
Experience gains and losses on liabilities	(1.2)	3.1	0.1	3.0	(0.7)

### Other Disclosures

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme Actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, NNDC does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

### 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 Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides most of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with

## NOTES TO THE FINANCIAL STATEMENTS

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 2025 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 2024/25 is shown in Note 21. During 2024/25, works and services to the value of £5,279,249 were commissioned from companies in which 25 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:

- £4,918,751 linked to Norfolk County Council in which five Members had an interest.
- £113,917 linked to the University of East Anglia in which one Member had an interest.
- £181,741 linked to Victory Leisure Centre in which one Member had an interest.

In addition, the Authority paid grants totalling £1,490,171 to voluntary organisations in which 10 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:

- £1,441,171 linked to Norfolk County Council

Income totalling £3,235,203 was received from entities in which 22 Members and 1 Director had an interest.

There was one significant value for general income:

£3,160,780 linked to Norfolk County Council in which 5 Members had an 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**

**Council as Lessee**

The table below shows the change in the value of right of use assets held under leases by the authority:

<b>Right of Use Assets</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2024</b>	<b>10,381</b>	<b>11</b>	<b>10,392</b>
Additions	186	34	220
Revaluations	(100)	-	(100)
Depreciation & Amortisation	(187)	(17)	(204)
Disposals	-	-	-
<b>Balance at 31 March 2025</b>	<b>10,280</b>	<b>28</b>	<b>10,308</b>

**Transactions under leases**

The council incurred the following expenses and cash flows in relation to leases:

<b>Comprehensive Income and Expenditure Statement</b>	<b>2024/25</b>
	<b>£000</b>
Interest expense on lease liabilities	9
Expense relating to short term leases	9
Expense related to exempt leases of low-value items	7
Variable lease payments not included in the measurement of lease liabilities	-
Income from subletting right of use assets	-
<b>Total cash outflow for leases</b>	<b>25</b>

**Maturity analysis of lease liabilities**

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

<b>Lease Liabilities</b>	<b>2024/25</b>
	<b>£000</b>
Not Later than one year	(74)
Later than one year and not later than five years	(175)

## NOTES TO THE FINANCIAL STATEMENTS

Later than five years	(41)
<b>Total undiscounted liabilities</b>	<b>(290)</b>

**Council as Lessor**

### Operating Leases

The Council 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 2025 £000	31 March 2024 £000
Not Later than one year	(312)	(410)
Later than one year and not later than five years	(1,068)	(1,144)
Later than five years	(1,355)	(1,592)
	<b>(2,735)</b>	<b>(3,146)</b>

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:

	31 March 2025 £000	31 March 2024 £000
Rental income from investment property	(150)	(149)
Direct operating expenses from investment property	247	36
Net (gain)/loss	<b>97</b>	<b>(112)</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

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

	31 March 2025 £000	31 March 2024 £000
<b>Opening Balance</b>	1,195	1,195
<b>Additions:</b>		
Purchases	-	-
Disposals	-	-
Transfers	-	-
Net gains/(losses) from fair value adjustments	(57)	-
<b>Closing Balance</b>	<b>1,138</b>	<b>1,195</b>

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 Council'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.

These assets have been revalued as at 31 March 2025, by Wilks Head & Eve. There has been no change in the valuation techniques used during the year for investment properties.

### 28. Intangible Assets

The Council 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 – the Council does not currently have any internally generated intangible assets.

## NOTES TO THE FINANCIAL STATEMENTS

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 Council. The useful lives assigned to all software currently used by the Council is 5 years. The carrying amount of intangible assets is amortised on a straight-line basis. The movement on intangible asset balances during the year is as follows:

	2024/25			2023/24		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
<b>Opening Balance:</b>						
Gross Carrying Amounts	-	3,369	3,369	-	3,211	3,211
Accumulated Amortisation	-	(2,581)	(2,581)	-	(2,299)	(2,299)
<b>Net Carrying amount at start of year</b>	<b>-</b>	<b>788</b>	<b>788</b>	<b>-</b>	<b>912</b>	<b>912</b>
<b>Additions:</b>						
Purchases	-	126	126	-	158	158
Derecognition	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Amortisation for the period	-	(279)	(279)	-	(282)	(282)
<b>Closing Balance</b>	<b>-</b>	<b>635</b>	<b>635</b>	<b>-</b>	<b>788</b>	<b>788</b>

No significant contracts have been entered into during the financial year 2024/25.

### 29. Impairment Losses

An impairment review was undertaken for the financial year 2024/25. The review identified that due to the type and use of properties and taking into consideration their location with Norfolk and the Eastern region, that any economic changes during the year would not result in any economic impairment of assets.

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Property, Plant and Equipment

Movement in 2024/25:	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
<b>At 1 April 2024</b>	73,481	21,930	18,718	3,007	1,266	8,633	127,035
Additions	2,148	364	354	228	-	15,979	19,073
Donations	-	-	-	-	-	-	-
Revaluation increase/(decrease) recognised in the revaluation reserve	(3,789)	-	-	(14)	-	-	(3,803)
Revaluation increase/(decrease) recognised in the provision of services	(327)	-	-	(1,128)	-	-	(1,455)
Derecognition – disposals	(326)	-	-	-	-	(29)	(354)
Derecognition – other	(10,633)	-	-	-	-	-	(10,633)
Assets reclassified (to)/from held for sale	319	-	-	-	-	-	319
Other movements in cost or valuation	313	-	3,323	-	-	(3,636)	-
<b>At 31 March 2025</b>	<b>61,185</b>	<b>22,294</b>	<b>22,396</b>	<b>2,094</b>	<b>1,266</b>	<b>20,947</b>	<b>130,181</b>
<b>Accumulated Depreciation</b>							
<b>At 1 April 2024</b>	2,717	16,299	13,334	305	31	-	32,686
Depreciation charge	509	1,566	558	1	-	-	2,634
Depreciation written out to the revaluation reserve	-	-	-	-	-	-	-
Depreciation written out to the surplus/deficit on the provision of services	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the revaluation reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	166	-	-	-	-	-	166
Derecognition	-	-	-	-	-	-	-
Eliminated on reclassification to assets held for sale	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2025</b>	<b>3,393</b>	<b>17,865</b>	<b>13,892</b>	<b>306</b>	<b>31</b>	<b>-</b>	<b>35,487</b>
<b>Net Book Value</b>							
<b>At 31 March 2025</b>	<b>57,793</b>	<b>4,429</b>	<b>8,503</b>	<b>1,788</b>	<b>1,235</b>	<b>20,947</b>	<b>94,695</b>
<b>At 31 March 2024</b>	<b>70,764</b>	<b>5,631</b>	<b>5,384</b>	<b>2,702</b>	<b>1,235</b>	<b>8,633</b>	<b>94,349</b>

## NOTES TO THE FINANCIAL STATEMENTS

<b>Movement in 2023/24:</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property Plant and Equipment</b>
<b>Cost or Valuation:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2023</b>	58,214	20,587	19,098	2,925	507	3,619	104,950
Additions	2,822	1,343	14	547	0	4,618	9,344
Donations	0	0	0	0	0	0	0
Revaluation increase/(decrease) recognised in the revaluation reserve	12,451			(465)	759		12,745
Revaluation increase/(decrease) recognised in the provision of services	(556)						(556)
Derecognition – disposals	(2)						(2)
Derecognition – other							0
Assets reclassified (to)/from held for sale	552						552
Other movements in cost or valuation			(394)			396	2
<b>At 31 March 2024</b>	<b>73,481</b>	<b>21,930</b>	<b>18,718</b>	<b>3,007</b>	<b>1,266</b>	<b>8,633</b>	<b>127,035</b>
<b>Accumulated Depreciation</b>							
<b>At 1 April 2023</b>	2,070	14,983	12,769	262	31		30,115
Depreciation charge	647	1,316	565	43			2,571
Depreciation written out to the revaluation reserve	-	-	-	-	-	-	-
Depreciation written out to the surplus/deficit on the provision of services	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the revaluation reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-
Eliminated on reclassification to assets held for sale	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2024</b>	<b>2,717</b>	<b>16,299</b>	<b>13,334</b>	<b>305</b>	<b>31</b>	<b>-</b>	<b>32,686*</b>
<b>Net Book Value</b>							
<b>At 31 March 2024</b>	70,764	5,631	5,384	2,702	1,235	8,633	94,349
<b>At 31 March 2023</b>	56,144	5,604	6,329	2,663	476	3,619	74,835

\*This figure has been restated to correct a prior year casting error.

## NOTES TO THE FINANCIAL STATEMENTS

### Capital Commitments

The major commitments relate to the following Schemes:

	31 March 2025 £000	31 March 2024 £000
Splash Reprovision	253	263
Fakenham Urban Extension	-	1,581
Cromer Coastal Defence Scheme	846	10,371
Mundesley Coastal Defence Scheme	1,277	5,792
Public Conveniences - Albert Street, Holt	55	-
Cromer 3G Football Facility	979	-
Backstage Refurbishment - Pier Pavillion Theatre	17	-
	<b>3,427</b>	<b>18,007</b>

### Revaluations

The Council 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 undertaken to ensure the carrying value of assets are not materially different from their fair values. Impairment reviews are also carried out annually to ensure that the carrying value of assets is not overstated. For the 2024/25 accounts the programme of valuations were 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 asset condition. 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 31 March 2025.

	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
<b>Carried at historical cost</b>	-	4,429	10,085	278	1,235	21,223	37,250
Valued at fair value as at:							
31 March 2025	26,037	-	-	1,512	-	-	27,549
31 March 2024	12,207	-	-	-	-	-	12,207
31 March 2023	19,083	-	-	-	-	-	19,083
<b>Total</b>	<b>57,327</b>	<b>4,429</b>	<b>10,085</b>	<b>1,790</b>	<b>1,235</b>	<b>21,223</b>	<b>96,089</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2024/25	2023/24
	£000	£000
Opening Capital Financing Requirement	15,137	15,162
Capital Investment:		
Property, plant and equipment	18,965	8,837
Intangible assets	126	158
Revenue expenditure funded from capital under statute	3,898	746
POU Assets	310	-
Sources of finance:		
Capital receipts	(1,070)	(3,130)
Government grants and other contributions	(21,206)	(4,554)
Direct revenue contributions	(179)	(1,607)
Minimum revenue provision	(570)	(475)
<b>Closing Capital Financing Requirements</b>	<b>15,412</b>	<b>15,137</b>
<b>Explanations of movements in the year:</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	275	(25)
Capital receipts applied in lieu of minimum		
<b>Increase in Capital Financing Requirement</b>	<b>275</b>	<b>(25)</b>

### 32. Assets Held for Sale

During the financial year, there have been no changes in classification within Assets Held for sale, and none have been sold.

	2024/25	2023/24
	£000	£000
<b>Balance brought forward</b>	<b>320</b>	<b>698</b>
Assets newly classified as Held for Sale:		
Property Plant and Equipment	-	(552)
Assets sold	-	-
Other movements	(320)	174
<b>Balance carried forward</b>	<b>-</b>	<b>320</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 33. Receivables

Receivables represent the amounts owed to the Council at 31 March 2025 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 Council 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 2025	31 March 2024	31 March 2025	31 March 2024
	£000	£000	£000	£000
Central government bodies	-	-	2,597	4,538
Other local authorities	-	-	4,162	718
NHS bodies	-	-	-	-
Other entities and individuals*	1,576	1,863	5,750	10,142
	<b>1,576</b>	<b>1,863</b>	<b>12,509</b>	<b>15,398</b>
Less: Bad debt provision				
General Fund	-	-	(803)	(938)
Collection Fund	-	-	(156)	(223)
	-	-	<b>(959)</b>	<b>(1,161)</b>
	<b>1,576</b>	<b>1,863</b>	<b>11,550</b>	<b>14,237</b>

Breakdown of Short-Term Receivables - significant entries within the other entities and individual's category are shown below

	2024/25	2023/24
	£000	£000
Council tax and NNDR	1,016	1,006
Housing benefit overpayments recoveries	813	899
Treasury Debtors – Principal Payments	1,368	5,351
Right to buy receipts	620	383
Loans falling due within 1 year	293	287
VAT invoices awarded	152	160
Capital Contributions not yet received	316	54
Recycling Credit Income	178	183
Other smaller receivables	994	1,819
	<b>5,750</b>	<b>10,142</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 34. Payables

	2024/25	2023/24
	£000	£000
Central government bodies	(10,299)	(5,789)
Other local authorities	(4,480)	(2,423)
Other entities and individuals	(7,771)	(5,898)
	<b>(22,550)</b>	<b>(14,110)</b>
Less Capital Receipts in advance:		
Central government bodies	7,589	3,835
Other local authorities	-	-
Other entities and individuals	-	-
	<b>7,589</b>	<b>3,835</b>
	<b>(14,961)</b>	<b>(10,275)</b>

Breakdown of significant entries within the other entities and individuals category

	2024/25	2023/24
	£000	£000
Waste and recycling contract payments	(352)	(554)
Rent allowance payments to benefit claimants	(341)	(13)
Council tax and NNDR	(846)	(641)
Planning developer contributions receipts in advance	(3,298)	(2,599)
NNDC employee accumulated absences provision	(349)	(356)
Capital creditors	(207)	(422)
Audit Accruals	(375)	(268)
Other smaller payables	(2,003)	(1,045)
	<b>(7,771)</b>	<b>(5,898)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 35. Provisions

The Council 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 Council, Central Government and Norfolk County Council. The Council has no other outstanding legal cases in progress or other potential liabilities that require provisions to be made.

	1 April 2024	Provisions made in 2024/25	Used in 2024/25	31 March 2025
	£000	£000	£000	£000
NNDC Rating List Changes – Total Collection Fund	(1,232)	24	-	(1,208)
Proportionate percentage	40%	40%	40%	40%
NNDC Share	<b>(493)</b>	<b>10</b>	<b>-</b>	<b>(483)</b>

### 36. Contingent Liabilities

At 31 March 2025, the Council 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 Council 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 appropriate the Council has, or is making, arrangements to transfer some of the potential risks. Specifically, insurance has been arranged in respect of the environmental warranties. To the extent that claims have to be met some time in the future beyond those covered by the environmental warranty insurance and the pension bond, the Council 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 £727k at 31 March 2025.

### 37. Contingent Assets

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

- (a) **Freehold Reversions for Shared Equity Dwellings** – The Council has acquired a share in the freehold reversions for shared equity dwellings. The Council 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 Council out of the agreement. As the value of these properties to the Council is contingent upon this action the assets have not been recognised within the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 38. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure accounts in 2024/25.

	2024/25	2023/24
	£000	£000
<u>Credited to Taxation and Non Specific Grant Income:</u>		
Revenue Support Grant	(336)	(290)
Business Rates	(8,580)	(8,700)*
New Homes Bonus	(6)	(31)
Rural Services Delivery Grant	(679)	(698)
Capital Grants and Contributions	(17,634)	(5,244)*
3% Funding Guarantee	(1,231)	(974)
<b>Total</b>	<b>(28,466)</b>	<b>(15,937)</b>
<u>Credited to Services:</u>		
WP – New Burdens Funding	(73)	(79)
Dept for Business, Energy & Industrial Strategy	-	(27)
Dept. for Environment, Food & Rural Affairs (DEFRA)	(30)	(28)
East Suffolk Council	(72)	-
Environment Agency	(22)	-
Department for Levelling Up, Housing & Communities (DLUCH)	(2,670)	(3,388)
Ministry of Housing, Communities and Local Government (MHCLG)	(1,326)	-
Norfolk County Council	(2,400)	(646)
Sport England	-	(5)
Historic England	-	(14)
Rural England	(1,093)	(364)
Other Grants & Contributions	(580)	(1,015)
<b>Total</b>	<b>(8,266)</b>	<b>(5,566)</b>
<b>Total Revenue Grants Received</b>	<b>(38,235)</b>	<b>(21,503)</b>

\*These figures have been restated to correct prior year errors relating to grant income

## NOTES TO THE FINANCIAL STATEMENTS

The Council 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:

	2024/25	2023/24
<b>Capital Grant Receipts in Advance</b>	<b>£000</b>	<b>£000</b>
Disabled Facilities Grant	(911)	(1,114)
Cromer West Prom	(50)	(50)
Mundesley cd refurbishment	(839)	(839)
Cromer CP scheme 982	(200)	(87)
Coastwise Grant	(3,076)	(1,410)
Climate Change Coastal tool	(22)	(22)
Changing places toilets	-	-
DLUC - LAHF Fund	(312)	(312)
Waste Vehicles	(1,098)	-
Fakenham Leisure And Sports Hub	(1,081)	-
	<b>(7,589)</b>	<b>(3,834)</b>

### Financial Instruments

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

Financial Liabilities	2024/25		2023/24	
	Long Term £000	Current £000	Long Term £000	Current £000
Loans – Principal sum borrowed	-	(7,000)	(5,000)*	(6,700)*
Loans – Accrued interest	-	(117)	(4)*	(91)*
<b>Total Borrowing</b>	<b>-</b>	<b>(7,117)</b>	<b>(5,004)*</b>	<b>(6,791)*</b>
Bank Overdraft	-	(1,616)	-	(6,071)
<b>Total Cash Overdrawn</b>	<b>-</b>	<b>(1,616)</b>	<b>-</b>	<b>(6,071)</b>
Trade payables	-	(4,010)	-	(3,840)
Finance leases	-	-	-	-
<b>Included in Creditors</b>	<b>-</b>	<b>(4,010)</b>	<b>-</b>	<b>(3,840)</b>
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(12,743)</b>	<b>(5,004)*</b>	<b>(16,702)*</b>

The debtors and creditors lines on the Balance Sheet include amounts of short term debtors, and short term creditors that do not meet the definition of a financial instrument as they are non-exchange transactions.

\*These figures have been restated to correct a prior year classification error, and resulting casting changes

## NOTES TO THE FINANCIAL STATEMENTS

Financial Assets	2024/25		2023/24	
	Long Term	Current	Long Term	Current
	£0	£0	£0	£0
At amortised cost - Principle	20,000	-	20,000	-
at fair value through profit & loss:				
- Accrued interest	-	26	-	23
- Fair value Adjustment	(181)	-	(984)	-
<b>Total Long-Term Investments</b>	<b>19,819</b>	<b>26</b>	<b>19,016</b>	<b>23</b>
At amortised cost - Principle	2,150	-	2,332	-
at fair value through profit & loss:				
- Accrued interest	-	-	-	-
<b>Total Long-Term Loans</b>	<b>2,150</b>	<b>-</b>	<b>2,332</b>	<b>-</b>
At amortised cost:				
- Bank balance				
- Accrued interest	-	32	-	14
at fair value through profit & loss:				
- Fair value	-	4,087	-	2,010
<b>Total Short-Term Investments/Cash &amp; Cash Equivalents</b>	<b>-</b>	<b>4,118</b>	<b>-</b>	<b>2,024</b>
At amortised cost:				
- Trade receivables	-	8,539	-	4,518
<b>Total Trade Receivables</b>	<b>-</b>	<b>8,539</b>	<b>-</b>	<b>4,518</b>
<b>Total Financial Assets</b>	<b>21,969</b>	<b>12,683</b>	<b>21,348</b>	<b>6,565</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset against each other where the Council 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 Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

	31 March 2025			31 March 2024		
	Assets	Liabilities	Net balance sheet position	Assets	Liabilities	Net balance sheet position
	£000	£000	£000	£000	£000	£000
<b>Financial Assets</b>						
Bank accounts in hand	51	(51)	-	109	(109)	-
<b>Financial liabilities</b>						
Bank overdrafts	51	(1,667)	(1,616)	109	(6,181)	(6,072)

### 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:

	2024/25				2023/24
	Financial liabilities Amortised Cost	Financial Assets Amortised Cost	Fair Value through Profit & Loss	Total	Total
	£000	£000	£000	£000	£000
Interest expense	327	-	-	327	441
<b>Interest payable and similar charges</b>	<b>327</b>	<b>-</b>	<b>-</b>	<b>327</b>	<b>441</b>
Interest income	-	(71)	(278)	(349)	(428)
Dividend income	-	-	(1,038)	(1,038)	(1,123)
Gains from changes in fair value	-	-	105	105	-
Losses from changes in fair value	-	-	-	-	244
<b>Interest and investment income</b>	<b>-</b>	<b>(71)</b>	<b>(1,211)</b>	<b>(1,282)</b>	<b>(1,307)</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>327</b>	<b>(71)</b>	<b>(1,211)</b>	<b>(955)</b>	<b>(866)</b>
<b>Impact on other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (gain)/loss for the year</b>	<b>327</b>	<b>(71)</b>	<b>(1,211)</b>	<b>(955)</b>	<b>(866)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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 2025. 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.

	Balance Sheet 31 March 2025 £000	Fair Value 31 March 2025 £000	Fair Value 31 March 2024 £000
<b>Financial liabilities at amortised cost:</b>			
Liabilities for which fair value is not disclosed	(12,743)	(12,743)	(16,704)*
<b>Total Financial Liabilities</b>	<b>(12,743)</b>	<b>(12,743)</b>	<b>(16,704)*</b>
<b>Recorded on the balance sheet as:</b>			
Short-term borrowing	(7,117)	(7,117)	(6,791)*
Short-term creditors	(4,010)	(4,010)	(3,841)*
Bank Overdraft	(1,616)	(1,616)	(6,072)
<b>Total Financial Liabilities</b>	<b>(12,743)</b>	<b>(12,743)</b>	<b>(16,704)</b>

\*These figures have been restated to correct a prior year classification error, and resulting casting changes



## NOTES TO THE FINANCIAL STATEMENTS

	Fair value level	Balance Sheet 31 March 2025 £000	Fair Value 31 March 2025 £000	Fair Value 31 March 2024 £000
<b>Financial assets held at fair value:</b>				
Money Market Funds	1	4,087	4,087	2,010
Pooled Fund	1	19,819	19,819	19,017
Total		23,906	23,906	21,027
Assets for which fair value is not disclosed		10,746	10,746	6,887
<b>Total financial assets</b>		<b>34,652</b>	<b>34,652</b>	<b>27,913</b>
<b>Recorded on the balance sheet as:</b>				
Long-term investments		19,819	19,819	19,017
Long-term debtors		2,150	2,150	2,322
Short-term investments		26	26	23
Short-term debtors		8,539	8,539	4,518
Cash and Cash equivalents		4,118	4,118	2,024
<b>Total Financial Assets</b>		<b>34,652</b>	<b>34,652</b>	<b>27,913</b>

#### 40. Nature and Extent of Risks Arising From Financial Instruments

The Council 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 Council 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 Council 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 Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

## NOTES TO THE FINANCIAL STATEMENTS

The Council'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 Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that unplanned financial loss might arise for the Council as a result of changes in such measures as interest rates, market process etc.

### Credit Risk - Treasury Investments

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

The security and liquidity of the funds invested are the primary objective of the Council's treasury management activities. The Council 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 Council's investment portfolio by credit rating.

Financial Instruments – Balances by credit risk:

Credit Rating	Long Term 31 March 2025 £000	Short Term 31 March 2025 £000	Long Term 31 March 2024 £000	Short Term 31 March 2024 £000
AAA	-	4,087	-	2,010
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	-	-
A+	-	-	-	-
A	-	-	-	-
A-	-	-	-	-
Unrated	-	-	-	-
<b>Total</b>	-	<b>4,087</b>	-	<b>2,010</b>
<b>Credit Risk not applicable</b>	<b>20,000</b>	-	<b>20,000</b>	-
<b>Total Investments</b>	<b>20,000</b>	<b>4,087</b>	<b>20,000</b>	<b>2,010</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

The Council has no historical experience of counterparty default, and the Council does not anticipate any losses from default in relation to any of its current 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 31 March 2025, £0 (2024: £0) of loss allowances related to treasury investments.

### Credit Risk – Loans

The Council'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 Council assessed the credit quality of the housing association prior to advancing the loan and it was satisfactory. The Council 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.

### Financial Instruments – Loans:

Loan No.	Description	Exposure Type	Balance Sheet 31 March 2025 £000	Risk Exposure 31 March 2025 £000	Balance Sheet 31 March 2024 £000	Risk Exposure 31 March 2024 £000
LN0001	Broadland Housing Association	Loan at market rates	1,624	1,624	1,750	1,750
LN0002-4	Home for Wells	Loan at market rates	239	239	254	254
			<b>1,863</b>	<b>1,863</b>	<b>2,004</b>	<b>2,004</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Credit Risk - Receivables

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

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

	31 March 2025	31 March 2024
	£000	£000
Less than three months	13	159
Three months to one year	44	136
More than one year	57	47
	<b>114</b>	<b>342</b>

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council 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 Council will be unable to raise finance to meet its commitments. The Council does not currently have any long-term debt and therefore does not have any maturing liabilities for which funds would be required.

Time to Maturity Years	Liabilities 31 March 2025	Assets 31 March 2025	Net Assets 31 March 2025	Liabilities 31 March 2024	Assets 31 March 2024	Net Assets 31 March 2024
	£000	£000	£000	£000	£000	£000
Less than 10 years	(1,667)	4,087	2,420	(6,181)	2,010	(4,171)
Over 10 years	-	51	51	-	109	109
No fixed maturity	-	19,819	19,819	-	19,016	19,016
	<b>(1,667)</b>	<b>23,957</b>	<b>22,290</b>	<b>(6,181)</b>	<b>21,135</b>	<b>14,954</b>

### Market risk

#### Interest rate risk

The Council 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 Council. 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.

## NOTES TO THE FINANCIAL STATEMENTS

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 £272k (£317k in 2023-24).

### Price risk

The market prices of the Council'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 Council invests in funds with underlying assets in property, equity and bonds. A 1% rise in interest rate will reduce the fair value of pooled funds that invest in bonds by £137k; a 5% fall in the price of equity would result in a £273k fall in the value and a 5% fall in the price of property would result in a £401k fall. These changes would result in a charge to Profit and Loss but would currently be reversed out to the Pooled Fund Adjustment Account due to the Statutory Override in place. This is a time limited adjustment.

### Foreign Exchange Risk

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

### 41. Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 (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 31<sup>st</sup> July 2026 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
31/03/25	£2.84m	£14.04m

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 or for short periods for cashflow purposes which are both consistent with our plans and normal practice).

The key assumptions within this forecast included;

- Assumptions around spending levels for both revenue and capital purposes;
- 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 for both the financial years 2023/24 and 2024/25 and council tax income included at the level calculated for the budget for each year.
- Business Rates income included at the level determined in the NNDR1 for both years.
- All known grant income included at the level notified to the Council.

The final Financial Settlement figures for 2025/26 were announced in good time to include in the final Budget reports to full Council each year. So all central government funding figures are now known.

Financial risk management is also routinely considered which is documented within the 2025/26 Cabinet budget papers for the Cabinet meeting on 3 February 2025.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances for the Council and its subsidiaries throughout the going concern period, and no expectation of any additional external borrowing to fund day to day operations.

Additionally, the general reserves are projected to remain above the minimum level of £2.1 million required in the short-term.

On this basis, the Council is satisfied that it can continue to operate without any financial difficulties, and it has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period will be able to maintain the provision of its services. For this reason, alongside the statutory guidance, the Council continues to adopt the going concern basis in preparing these financial statements.

## COLLECTION FUND

### Collection Fund

	Notes	2024/25 Council Tax £000	2024/25 Business Rates £000	2024/25 Total £000	2023/24 Council Tax £000	2023/24 Business Rates £000	2023/24 Total £000
<b>Opening Balance (Surplus)/Deficit</b>		<b>(2,105)</b>	<b>8,991</b>	<b>6,886</b>	<b>(840)</b>	<b>8,667</b>	<b>7,827</b>
<b>Income:</b>							
Council Tax	4 & 5	(94,715)	-	(94,715)	(89,079)	-	(89,079)
Business Rates	2	-	(26,453)	(26,453)	-	(27,076)	(27,076)
<u>Contributions to Previous Year Estimated Deficit:</u>							
- North Norfolk District Council		-	(2,389)	(2,389)	-	(123)	(123)
- Norfolk County Council		-	(1,912)	(1,912)	-	(31)	(31)
- Central Government		-	(478)	(478)	-	(154)	(154)
- Norfolk Police and Crime Commissioner		-	-	-	-	-	-
<b>Total Income</b>		<b>(94,715)</b>	<b>(31,232)</b>	<b>(125,947)</b>	<b>(89,079)</b>	<b>(27,384)</b>	<b>(116,463)</b>
<b>Expenditure</b>							
<u>Precepts and Demands:</u>	3						
- North Norfolk District Council		10,125	-	10,125	9,598	-	9,598
- Norfolk County Council		69,396	-	69,396	65,435	-	65,435
- Norfolk Police and Crime Commissioner		13,110	-	13,110	12,446	-	12,446
<u>Proportionate Shares:</u>							
- North Norfolk District Council		-	10,241	10,241	-	10,391	10,391
- Norfolk County Council		-	2,560	2,560	-	2,597	2,597
- Central Government		-	12,802	12,802	-	12,989	12,989
<u>Disregarded Amounts:</u>							
- Designated Area Growth		-	399	399	-	-	-
- Enterprise Zone Growth		-	-	-	-	345	345
- Renewable Energy		-	1,658	1,658	-	1,259	1,259
<u>Distribution of Prior Year Estimated Surplus:</u>	3						
- North Norfolk District Council		108	-	108	16	-	16

## COLLECTION FUND

- Norfolk County Council	739	-	739	73	-	73	
- Central Government	141	-	141	-	-	-	
- Norfolk Police and Crime Commissioner	-	-	-	21	-	21	
Change in allowance for impairment	7	340	(107)	233	225	(54)	171
Allowance for cost of collection		-	275	275	-	278	278
Appeals Charge to Collection Fund		-	(1,293)	(1,293)	-	(326)	(326)
Change in Provision for appeals		-	1,267	1,267	-	229	229
<b>Total Expenditure</b>		<b>93,959</b>	<b>27,802</b>	<b>121,761</b>	<b>87,814</b>	<b>27,708</b>	<b>115,522</b>
<b>Movement in Collection Fund Balance</b>		<b>(756)</b>	<b>(3,430)</b>	<b>(4,186)</b>	<b>(1,265)</b>	<b>324</b>	<b>(941)</b>
<b>Closing (Surplus)/Deficit</b>	<b>6</b>	<b>(2,861)</b>	<b>5,561</b>	<b>2,700</b>	<b>(2,105)</b>	<b>8,991</b>	<b>6,886</b>

### 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 Council 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 £90,859,629 on 31 March 2025 (£90,911,468 on 31 March 2024). The national multipliers for 2024/25 were 49.9p for qualifying Small Businesses (49.9p in 2023/24), and the standard multiplier was set at 54.6p for all other businesses (51.2p in 2023/24).

The net income from Business Rate payers was £25.131m (£24.105m in 2023/24) after £1.36m of transitional protection payments due from Central Government (£2.972m in 2023/24). 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.



## COLLECTION FUND

### 3. Precepts and Demands

	Precept/ Demand 2024/25 £000	Collection fund Surplus 2024/25 £000	Net Payment 2024/25 £000	Precept/ Demand 2023/24 £000	Collection fund Surplus 2023/24 £000	Net Payment 2023/24 £000
North Norfolk District Council	10,125	108	10,233	9,597	16	9,613
Norfolk County Council	69,395	739	70,134	65,435	73	65,508
Norfolk Police & Crime Commissioner	13,110	141	13,251	12,446	21	12,467
	<b>92,631</b>	<b>988</b>	<b>93,618</b>	<b>87,478</b>	<b>110</b>	<b>87,588</b>

### 4. The Council Tax Base for 2024/25

Therefore each £1 of Council Tax set was calculated to produce income of £41,501 (£41,356 in 2023/24).

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 allowance	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
A	5,404	5,371	5,388	5,298	5,291	5,203
B	8,804	8,793	8,873	8,837	8,714	8,678
C	9,007	9,018	9,077	9,083	8,914	8,920
D	8,096	8,095	8,151	8,171	8,004	8,024
E	5,627	5,593	5,682	5,646	5,580	5,544
F	3,265	3,236	3,283	3,271	3,224	3,212
G	1,651	1,636	1,658	1,660	1,628	1,630
H	146	144	149	148	146	145
<b>Total Tax Base</b>	<b>42,000</b>	<b>41,885</b>	<b>42,262</b>	<b>42,114</b>	<b>41,501</b>	<b>41,356</b>

### 5. Band D Tax Rate

For 2023/24, the Council set a Council tax rate of £2,231.98 for a band D dwelling (£2,129.18 in 2023/24). This consisted of; £1,672.11 (£1,592.64 in 2023/24) for Norfolk County Council, £315.90 (£302.94 in 2023/24) for the Office of the Police & Crime Commissioner for Norfolk and £168.57 (£163.62 in 2023/24) for the District's requirements as the District Council Tax was frozen. The average amount of Parish Council Tax was £75.40

## COLLECTION FUND

(£69.98 in 2023/24). The actual sums for Parish Council ranged from £nil to £159.32 (£nil to £149.45 in 2023/24) were charged 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 Council has implemented the provisions of the Local Government Act 2003 and exercised its discretionary powers to reduce or eliminate discounts on certain empty properties and second homes. Further reforms in the Local Government Finance Act 2012 gave the Council 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 2025			31 March 2024		
	Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
North Norfolk District Council	(253)	2,237	2,039	(151)	2,891	2,740
Norfolk County Council	(2,194)	667	(1,049)	(642)	883	241
Norfolk Police & Crime Commissioner	(413)	-	(323)	(120)	-	(120)
Central Government	-	2,658	2,658	-	3,466	3,466
	<b>(2,860)</b>	<b>5,561</b>	<b>2,701</b>	<b>(913)</b>	<b>7,240</b>	<b>6,327</b>

### 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.

**Independent Auditor's Report**

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## Glossary of Terms

### 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 Council which are considered unlikely to be recovered. An allowance is made in the accounts for this possibility.

### Balance Sheet

The Council's financial position at the year end. It summarises what the respective assets and liabilities are.

### Business Rates

Business or National Non-Domestic Rates are collected from occupiers of business properties based upon a rateable value and a nationally set rate. 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 Council's housing or construction of a car park.

### Capital Financing Requirement (CFR)

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

**Capital Receipts**

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

**Collection Fund**

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

**Contingent Assets**

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

**Corporate and Democratic Core**

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

**Contingent Liabilities**

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

**Deferred Capital Receipts**

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

**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 Council owns in terms of property, land etc. and what is owed to the Council in respect of debt.

**General Fund**

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

**Impairment**

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

**Infrastructure**

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

**Intangible Assets**

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

**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 Council to a Registered Social Landlord. North Norfolk District Council transferred its housing stock to North Norfolk Housing Trust in February 2006.

**Leasing**

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

A finance lease is where the Council effectively pays for the cost of an asset (it counts as Capital expenditure for control purposes and is included on our Balance Sheet). A primary lease period is that period for which the lease is originally taken out and a secondary period relates to any extension.

An operating lease (a long-term hire) is subject to strict criteria and the cost can be charged as a running expense. The item leased must be worth at least 10% of its original value at the end of the lease and does not appear on the Balance Sheet.

**Liabilities**

This shows what the Council owes for borrowing, 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)**

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 Council.

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

**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 the 31 March are owing to the Council.

**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 Council 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. A Council 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 Loan**

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 Council retained the housing stock and carried out the necessary works on the properties the VAT would have been reclaimed by the Council, however the Housing Trust are unable to recover the VAT and the VAT shelter arrangement allows the VAT to be recovered and shared between the Council and Victory Housing Trust.

**Glossary of Acronyms**

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

<b>Updated Annual Governance Statement 2024/2025</b>	
<b>Executive Summary</b>	The Annual Governance Statement was previously presented to the Committee in draft form on 9 September 2025. This report seeks approval of the updated Annual Governance Statement, reflecting the updated position.
<b>Options considered</b>	<p>Option 1 – Approve the Annual Governance Statement</p> <p>Approves the updated Annual Governance Statement for 2024/25, reflecting completion of the audit process and enabling statutory sign-off of the Statement of Accounts.</p> <p>Option 2 – Do not approve the Annual Governance Statement</p> <p>Would delay statutory approval and publication of the Annual Governance Statement and the Statement of Accounts.</p>
<b>Consultation(s)</b>	Section 151 Officer Monitoring Officer Chief Executive
<b>Recommendations</b>	<p>Option 1</p> <p>That the Committee approves the Annual Governance Statement for the year ended 31 March 2025, to be signed by the Chief Executive, and leader of the Council.</p>
<b>Reasons for recommendations</b>	Approval of the Annual Governance Statement enables statutory sign-off and publication and confirms the Committee's oversight of the governance matters identified during the 2024/25 audit and the actions in place to address them.
<b>Background papers</b>	None

<b>Wards affected</b>	None
<b>Cabinet member(s)</b>	Portfolio Holder for Finance, Estates & Property Services
<b>Contact Officer</b>	Daniel King, Assistant Director Finance & Assets

<b>Links to key documents:</b>	
Corporate Plan:	A strong, responsible and accountable Council
Medium Term Financial Strategy (MTFS)	Linked to the MTFS through the requirement for robust financial governance and statutory financial reporting.
Council Policies & Strategies	Annual Governance Statement, Local Code of Corporate Governance

<b>Corporate Governance:</b>	
Is this a key decision	No
Has the public interest test been applied	N/A
Details of any previous decision(s) on this matter	9 September 2025

## **1. Purpose of the report**

- 1.1. To present the updated Annual Governance Statement (AGS) 2024/25 to the Governance, Risk and Audit Committee for approval.

## **2. Introduction & Background.**

- 2.1. The Annual Governance Statement sets out the Council's assessment of the effectiveness of its governance arrangements for the year ended 31 March 2025 and supports the approval of the Statement of Accounts. The AGS was previously presented to the Committee in draft form earlier in the year. This report presents the updated version, reflecting the near completion of the external audit and consideration of matters arising.

## **3. Proposals and Options**

- 3.1. The Committee is asked to consider and approve the updated Annual Governance Statement 2024/25. The AGS reflects the Council's governance framework and includes reference to governance issues identified during the audit, together with confirmation that actions are being taken to address those matters through an agreed action plan. Approval of the AGS will enable statutory sign-off and publication alongside the Statement of Accounts.
- 3.2. Option 1 – Approve the Annual Governance Statement. This Approves the updated Annual Governance Statement for 2024/25, reflecting completion of the audit process and enabling statutory sign-off
- 3.3. Option 2 – Do not approve the Annual Governance Statement. This would delay statutory approval and publication of the Annual Governance Statement and the Statement of Accounts.

## **4. Corporate Priorities**

- 4.1. Approval of the Annual Governance Statement supports the Council's Corporate Plan priorities relating to A strong, responsible and accountable Council, and underpins effective financial management set out within the Medium Term Financial Strategy.

## **5. Financial and Resource Implications**

- 5.1. None immediately as a result of approving the Annual Governance Statement for 2024/25.

- 5.2. Should the AGS not be signed, and the statutory backstop not met, there may be additional costs incurred as a result of additional internal & external assurance work required.

**Comments from the S151 Officer:**

**This is a statutory report required for the approval of the Statement of Accounts.**

## **6. Legal Implications**

- 6.1. No legal implications as a direct result of the approval of the Annual Governance Statement.

**Comments from the Monitoring Officer**

***The Monitoring Officer (or member of the Legal team on behalf of the MO) will complete this section. They will outline any legal advice provided.***

## **7. Risks**

- 7.1. Approval of the Annual Governance Statement supports effective governance and transparency. Failure to approve the AGS would delay statutory sign-off and publication of the Statement of Accounts and could undermine assurance over the Council's governance arrangements. No additional operational risks arise from approval of the AGS.

## **8. Net Zero Target**

- 8.1. The approval of the Annual Governance Statement is a statutory governance and reporting matter and has no direct impact on the Council's Net Zero 2030 Strategy or Climate Action Plan.

## **9. Equality, Diversity & Inclusion**

- 9.1. The approval of the Annual Governance Statement is a statutory governance and reporting matter and does not give rise to any direct equality, diversity or inclusion impacts. The Council has had due regard to its duties under the Equality Act 2010. An equality impact assessment is not required.

## **10. Community Safety issues**

- 10.1. The approval of the Annual Governance Statement has no direct impact on community safety.

## **Conclusion and Recommendations**

Option 1 – Approve the Annual Governance Statement. This Approves the updated Annual Governance Statement for 2024/25, reflecting completion of the audit process and enabling statutory sign-off

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### Executive Summary

As the Leader and Chief Executive of North Norfolk District Council we would like to present our Annual Governance Statement for 2024-2025.

The Council's vision is centred around Putting North Norfolk and its Communities first. The Council is one that places the environment and its communities at the heart of everything that it does, particularly for those in rural villages, businesses, those affected by the housing crisis, and in facing the unique challenges that our unique environment brings. Our Corporate Plan 2023-2027 sets out how we aim to achieve this.

Good governance remains essential to the Council's ability to deliver its vision and achieve our aims set out in our Corporate Plan. Our Annual Governance Statement for the period April 2024 to March 2025 covers what governance arrangements and what systems we have had in place during the year to ensure that we continue to improve and continue to comply with the principles of good governance embedded within our Local Code of Governance (our governance framework). These are:

- Behaving with integrity
- Ensuring openness and engagement
- Working together to establish a viable and clear direction for the future
- Identifying and delivering the actions that are required to ensure the Council achieves its goals
- Developing the Council's capacity to deliver its intended outcomes by ensuring it has the right people in the right place at the right time
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Council is not only committed to these core principles of good governance but also to seeking ways in which we can continue to improve service delivery and in finding solutions to any issues identified. The Council has been through a challenging year with the demand for services not only increasing but also placing increasing pressure on our budgets. However, despite this we can report that there haven't been any significant governance issues identified during our annual review and our governance arrangements remain fit for purpose. Areas of improvement have been identified, and action has been taken to make these improvements. We will continue to seek out areas for improvement during the coming year so that we can be satisfied that good governance remains an essential element in all that we do.

### 1. RESPONSIBILITY

- 1.1. North Norfolk District Council (NNDC) must conduct its business in a lawful and compliant way. It must safeguard public money ensuring that it is properly accounted for and used economically, efficiently and effectively. The Council should be transparent in its service delivery. The Council also has a duty (under the Local Government Act 1999) to continuously seek to make improvements in the way in which it delivers its services and about economy, efficiency and effectiveness.
- 1.2. The governance arrangements in place ensure that the Council conducts its business and delivers its services by
- Operating in a lawful, compliant, honest and transparent way.
  - Safeguarding public money ensuring that it is properly accounted for that best value is achieved in spending this money.
  - Having in place proper and adequate arrangements for managing risk.
  - Identifying opportunities to develop and improve what it does
  - Providing the opportunity for challenge and scrutiny, accepting that challenge and learning from it.
- 1.3. The Council has a Local Code of Corporate Governance, which is based on the '*Delivering Good Governance in Local Government: Framework*' (CIPFA/Solace, 2016) ('the Framework'). A copy of the Council's current Local Code can be found on our website. This statement shows how the Council has complied with the Framework and meets the statutory requirement to publish an Annual Governance Statement (AGS). The statement is prepared in accordance with proper practices for 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 and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is a continuous process
- to identify and prioritise risks that may prevent 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.



### 3. THE GOVERNANCE FRAMEWORK – THE SEVEN CORE PRINCIPLES

- 3.1. The Council's governance framework is based on the following core principles (as recommended in the CIPFA/SOLACE 2016 Framework);
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law;
  - Ensuring openness and comprehensive stakeholder engagement;
  - Defining outcomes in terms of sustainable economic, social and environmental benefits;
  - Determining the interventions necessary to optimise the achievement of the intended outcomes;
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it;
  - Managing risks and performance through robust internal control and strong public financial management and;
  - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.2. Our Local Code of Corporate Governance explains how good governance supports the Council and shows what we aim to achieve by following the seven core principles, along with the tools we use to support our compliance. It goes on to identify the behaviours and actions that can demonstrate our compliance with the code, how we put this into practice and the source documents, policies, procedures and frameworks that enable us to evidence compliance.

#### 3.3. ***Our Vision and Priorities***

Our Vision is "Making North Norfolk a fantastic place to live, work, do business and visit"

Our Mission statement facilitates this through us ' "Engaging with our communities to create a fair and inclusive North Norfolk where local people can secure quality homes and good jobs whilst protecting and conserving our environment and leading on Net Zero development".

Our Vision and Mission for North Norfolk is supported by four values: -

- Fairness – We respect people and treat everyone fairly
- Ambition – We welcome new challenges and embrace change
- Integrity – We are open and honest and listen
- Resourcefulness – We strive to be efficient with our resources

To help us deliver this vision we have produced our Corporate Plan 2023-2027 that reflects the priorities and high-level outcomes for the North Norfolk area over a four-year period.

### 3.4. **Quality of Services**

The Council has an established Performance Management Framework, which sets out how it monitors both performance and the delivery of its objectives, Quarterly performance reviews are presented to Cabinet and the Overview and Scrutiny Committee. We publish information about our performance. This includes agreeing an annual [Delivery Plan](#) against which performance is monitored to show progress in delivering the plan.

### 3.5. **Constitution and Responsibilities**

The Constitution is a comprehensive document which sets out the clearly defined structure for the Council's organisational and decision-making arrangements based upon a Cabinet/Executive model. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere e.g. the setting of the council tax;
- Cabinet is allocated authority by Council to approve policies not reserved for consideration by Council, deliver policies and to take most significant executive decisions;
- Cabinet follows a [Work Programme](#) which is updated on monthly to include details of forthcoming decisions for up to three months ahead;
- All executive decisions are recorded in a [Decision List](#), with formal minutes being available for public inspection;
- The work of the Cabinet and the Council is supported by the Overview and Scrutiny Committee and its task and finish groups
- The Overview and Scrutiny Committee has its own work programme to review Council services in addition to scrutinising the work of the Cabinet. It can 'call-in' a decision which has been made by the Cabinet but not yet implemented.
- The Governance, Risk and Audit Committee (GRAC) is well established and is responsible for the review of the work of the Internal and External Audit functions. It provides independent assurance of the effectiveness of governance arrangements, risk management and financial management processes. It has responsibility for the approval of the Statements of Accounts.
- Separate committees exist for Planning, Standards and Licensing.
- Delegation arrangements to committees, Cabinet and officers are set out in detail within the Constitution; and
- Regular meetings take place between relevant senior officers and Members of the Council to discuss and propose policy.

The Constitution also includes sections on Standing Orders, financial regulations and conduct of meetings. It is reviewed periodically with interim updates made as and when appropriate. On the 24 September 2026 the Council adopted a revised constitution as recommended by the Constitution Working Party.

### 3.6. **Codes of Conduct**

The Council has two Codes of Conduct one for Members and one for officers, and a protocol for councillor/officer relationships that can be found [here](#). These have defined the roles and conduct of Members so that they can work successfully together to deliver the Council's vision and high quality services to its residents. The Codes include reference to the need to declare any interests that may conflict with an individual's role at the Council and there are registers for Councillors and officers which are maintained by the Council to record this information.

### 3.7. **Complaints**

The Council has a [Whistle-blowing Policy](#) and a [compliments and complaints procedure](#), so that individuals can safely have any referrals fully investigated, properly resolved and learning applied to service delivery. The compliments and complaints procedure is currently being revised to ensure that it includes all the recommendations of the Local Government and Social Care Ombudsman's new code (Effective April 2024).

### 3.8. **Policies, Procedures, Laws and Regulations**

The Council's statutory officers are the Chief Executive (Head of Paid Service), the Monitoring Officer (Assistant Director of Legal and Governance) and the Section 151 Officer (Director for Resources). They are responsible for ensuring the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources. As well as complying with legislation there is comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) statement on the Role of the Chief Financial Officer (2010) along with other CIPFA codes. The Council has an [Policies, protocols and reports](#) area on its website which contains the policies, protocols and reports where the latest annual reports and policies are held.

### 3.9. **Development and training needs**

North Norfolk is committed to investing in the staff and Members Staff are valued and given the opportunities to develop and achieve their full potential through the training and development programmes that are in place. The Council supports Members by providing a training and development programme to equip them with the skills needed in carrying out their duties. An example of this is the comprehensive induction programme that was provided for all Members, both new and returning, following the District Council elections held in May 2023. Additional training and induction is undertaken to onboard new Members following by-elections.

### 3.10. **Risk Management**

Risk Management is a planned and systematic approach to the identification, assessment and management of the risks facing the organisation. The Council's [Risk Management Framework](#) shows how the Council manages risk actively when delivering services. All committee reports contain a risk section which must be completed by the officer presenting the report to ensure that Members can consider the risks and opportunities of any recommendations or options. By doing this consideration of risk forms an integral part of all decision making. Training has been provided to Members on risk and risk appetite which is included as part of the Policy.

### 3.11. **Communication**

The Council places great importance on communicating and consulting with its residents and businesses as it wants to operate in an open and transparent way and it believes public understanding of its work, achievements and services, coupled with consultation with residents is key to maintaining high satisfaction levels. The Council uses its website and a variety of social media channels to publish information and engage with its residents and businesses. The Communications Team also continuously works with the local media to provide information to ensure residents are kept informed. The Council continue to publish and distribute a paper copy of a twice yearly residents' newsletter, to ensure no one is digitally excluded.

## Annual Governance Statement 2024/25

### 3.12. **Partnerships**

The Council is not currently entered into any material partnerships. Any new partnership arrangements will be governed by the Council's Partnership Governance Framework updated in March 202 and recorded on the Partnership Register. This will ensure that we maintain a consistent approach.

### 3.13. **Transparency**

As a Council we want to be publicly accountable and present our work with openness and transparency, we present a range of information on our ['Transparency Data'](#) pages on the website, ranging from contract and purchasing information to car park data.

## 4. REVIEW OF EFFECTIVENESS

4.1. An annual review is carried out by the Council to determine the effectiveness of its governance framework, including the system of internal control. This review considers

- the findings of self-assessments carried out by senior officers of the Council (Corporate Leadership Team (Chief Executive and two Directors) and Management Team (seven Assistant Directors) who review their area of responsibility to determine the effectiveness of their governance arrangements,
- the work of the internal auditors and
- comments made by the external auditors and other inspection agencies.

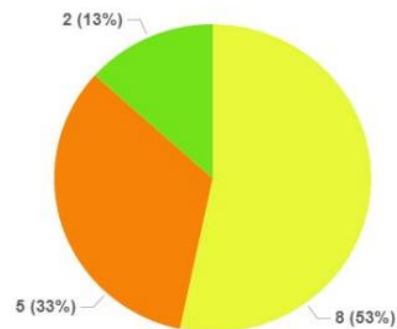
4.2. Arrangements are in place to monitor and assess key aspects of the Council operations over each financial year. These are:

- 4.2.1. The Cabinet consider the Council's overall financial and performance management throughout the year. This is reported on a quarterly basis with the final quarter's report being a review of the full year's activity.
- 4.2.2. Cabinet is also responsible for key decisions and for initiating corrective action where appropriate while GRAC consider corporate risk and internal control issues.
- 4.2.3. The Monitoring Officer has a duty to monitor and review compliance with the Constitution. The Constitution Working Party recommended that Full Council approve the changes to the Constitution.

- 4.2.4. The Council has an Overview and Scrutiny Committee that 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" decisions of the Cabinet, which are yet to be implemented, to enable it to consider whether the decision is appropriate. In addition, the Overview and 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.
- 4.2.5. The Local Government and Public Involvement in Health Act 2007 include powers to enable Councillors to 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.
- 4.2.6. The development of the procurement function across the public sector has led to the establishment of several 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.
- 4.2.7. The Council has a Standards Committee to ensure that Councillors maintain a high standard of conduct, and to arrange training to help them do so. The Committee will investigate reports of breaches of standards and act if necessary.
- 4.2.8. The Model Code of Conduct for Members has been adopted by the Council.
- 4.2.9. The Council also has in place the '[Counter Fraud, Corruption and Bribery Policy](#)', which provides a key source of assurance. This was updated in March 2024. All staff have undertaken mandatory training on this, so that they have the knowledge to identify possible instances of fraud, corruption and bribery. This policy is a key policy in delivering good governance and the policy provides the framework and support for combatting this activity.
- 4.2.10. The GRAC met five times during the year to 31 March 2025, 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. It also received reports from the External Auditor on the work carried out for the Council.

## Annual Governance Statement 2024/25

- 4.2.11. At its meeting on 26 March 2024 GRAC considered and approved the 2024/25 Internal Audit Plan which included a total of 177 days, encompassing 15 internal audit reviews, split into key themes to provide adequate coverage over the Governance, Risk Management and Control framework informing the annual audit opinion.
- 4.2.12. The Head of Internal Audit (HIA) reported to GRAC at its meeting on 3 June 2025 the actual audit work carried out during 2024/25. There were 15 (13 in 2023/24) internal audit assignments completed. A **reasonable/limited audit opinion** was given for the year overall in relation to the framework of Governance, Risk Management and Control. This opinion is consistent with the opinion given for the previous year. The split opinion given by the HIA reflects the potential direction of travel in the control environment at the Council based on the information reported by the HIA.
- 4.2.13. As part of our commitment to continuous improvement and effective governance, the Council adopts a risk-based approach to internal auditing. Given the constraints of our internal audit budget, we prioritise areas where we believe there is the greatest potential for improvement, rather than focusing on services or functions that are already known to be performing well. This targeted approach ensures that internal audit resources are used efficiently and support the Council in strengthening controls, enhancing service delivery, and addressing any emerging risks or weaknesses. Of the 15 audits completed in 2024/25, only two related to areas that were also audited in 2023/24. In both cases, there was no reduction in the level of assurance provided, indicating a consistent or improved control environment in those areas.
- 4.2.14. Below is the diagram taken from the report showing the spread of audit opinions across audit work completed in 2024/25.



Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed, and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed, and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed, and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.
Position Statement	Advisory work and Follow Up.

## Annual Governance Statement 2024/25

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4.2.15. The five audits where there was a limited assurance opinion given were

- Section 106 Arrangements where there were 1 urgent, 8 important, and 1 routine action points to address.
- Private Sector Housing – HMOs, private rental enforcement and empty homes where there were 6 important action points to address
- Risk Management where there were 6 important, 2 routine action points to address
- Environmental Charter where there were 5 important, 2 routine action points to address
- Waste Management – Commercial and garden waste where there were 2 urgent, 5 important, 1 routine action points to address

4.2.16. The number of outstanding audit recommendations also considered by the HIA in coming to her opinion of Reasonable/Limited assurance. There were 19 audit recommendation outstanding at the year-end 2024/25 (41 outstanding as at year ending 2023/24). The table below has been taken from the HIA's report to GRAC on 3 June 2025 which shows the number of audit recommendations outstanding by year and the category of the recommendations.

Audit Year	No. Outstanding	No. of Urgent	No. of Important	No. of Routine
2021/22	3	0	3	0
2023/24	6	0	4	2
2024/25	10	0	4	6

- 4.2.17. Prompt implementation of audit recommendations is a fundamental element in having strong governance in place within the organisation. The HIA's annual opinion of reasonable/limited assurance is concerning, and an improvement plan is being put in place to address her findings. The Corporate Leadership Team will review outstanding recommendations monthly and intervene where it appears that no action is being taken by managers to implement recommendations.
- 4.2.18. The Council has a Project Management Framework in place for project managers to use when managing projects. By following the framework, it ensures that a consistent approach in delivering projects is applied across the organisation thus ensuring stronger governance. Whilst this has been in place for over two years the framework is not being adopted universally across the council and so at present this does represent a weakness in governance. However work will be undertaken to enforce its use across the whole organisation.
- 4.2.19. The GRAC and the Corporate Leadership Team (CLT) monitor and continually review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks.
- 4.2.20. 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, Link Asset Services, who also provide training to both officers and Members on treasury management related issues.
- 4.2.21. Key officers complete an annual Self-Assessment Assurance Statement which identifies compliance (or non-compliance) in several 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.



- 4.3. The year-end review of the governance and the control environment arrangements by CLT included:
- 4.3.1. Obtaining assurances from the Chief Executive, Directors and Assistant Directors that key elements of the control framework were in place during the year in their areas of responsibility.
  - 4.3.2. Obtaining assurances from other senior management, including the Monitoring Officer, that internal control and corporate governance arrangements were operating effectively within their areas of responsibility throughout the year.
  - 4.3.3. Reviewing any high-level audit recommendations that remained outstanding at the year end and taking appropriate action to address these where necessary.
  - 4.3.4. 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.
  - 4.3.5. Reviewing the updated Local Code of Corporate Governance.
- 4.4. The GRAC received some assurance from the Head of Internal Audit that standards of internal control, corporate governance arrangements and systems of risk management were largely operating to an adequate standard, however a reasonable/limited assurance was given as there were some areas of concerns to be addressed.
- 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.

### 5. GOVERNANCE ISSUES

#### 5.1. *Financial Statements*

These it should be noted that the 2021/22, 2022/23, and 2023/24 Statements of Accounts were issued with disclaimed audit opinions. The national Local Government audit market has experienced sustained challenges in recent years, with delays affecting many local authorities. These stem from issues such as auditor capacity and regulatory pressures. An update was provided to the GRAC confirming that the Council submitted the above-mentioned accounts ahead of the respective backstop dates. During the 2024/25 audit, the external auditor identified areas where the Council's financial reporting processes and supporting controls could be strengthened to improve the quality, consistency and timeliness of the Statement of Accounts and associated working papers. While the accounts were ultimately produced and audited, the findings highlighted the need for enhanced capacity, clearer documentation, and more robust review arrangements. The Council has agreed a management action plan to address the issues identified, and progress in implementing these improvements will be monitored through the Governance, Risk and Audit Committee. See 5.10.

#### 5.2. *Coastal Partnership East*

In January 2025, North Norfolk District Council approved the dissolution of Coastal Partnership East (CPE), a shared coastal management arrangement originally established under a Section 113 Agreement in 2016 with East Suffolk Council and Great Yarmouth Borough Councils. This decision was made in recognition of evolving local priorities, climate change pressures, and differing partner council needs. The Cabinet resolved to withdraw from the partnership and establish a dedicated in-house Coastal Management Team. Governance arrangements have since been revised to ensure continuity of statutory coastal defence responsibilities, operational resilience, and accountability. The Council remains committed to exploring future collaborative opportunities through service level agreements with other local authorities as appropriate.

#### 5.3. *Local Government Reorganisation & Devolution*

In March 2025, North Norfolk District Council's Full Council formally debated and responded to the Government's invitation under the English Devolution White Paper to develop proposals for Local Government Reorganisation (LGR). The Council considered various structural options and, at its meeting on 19 March 2025, voted unanimously to oppose a single-unitary structure and instead support a three-unitary model for Norfolk. A detailed interim plan reflecting this preference was approved for submission by the Chief Executive in consultation with the Leader. On 24 September 2025 the Full Council approved submission of our preference for a three-unitary model. This was followed by a response on 17 February 2026 to MHCLG questions with our preference for governance by a Joint Committee populated by members from predecessor councils until shadow unitary authority elections are held in May 2027. Additionally, the Government decided to defer the Norfolk and Suffolk Combined Mayoral Authority elections from May 2026 until May 2028 to align with vesting day for the successor unitary authorities in Norfolk and Suffolk. Governance and democratic accountability arrangements will continue to be reviewed as the process develops through 2026–27. Include any updates on LGR between 02/02/26 and signing date of the AGS.

### 5.4. **Managers' Self-Assessment Assurance Statements**

These are completed annually by the Chief Executive, Directors and Assistant Directors (ADs) for their service areas. There are also further specific requirements for the Monitoring Officer and Section 151 Officer. The Statements cover key areas of responsibility as follows;

- Procedures
- Effectiveness of key controls
- Alignment of Services with Corporate Objectives, Service Planning, Performance Management and Customer Satisfaction
- Human Resources
- Finance
- Risks and Control
- Health and Safety
- Procurement
- Insurance
- Information Technology
- Data Protection
- Freedom of Information
- Business Continuity
- Partnerships
- Equalities
- Driver safety

- 5.5. Following a review of the Statements supplied, the AGS is drafted before being considered by CLT. Once approved by CLT the statement is signed off by the Chief Executive and the Leader of the Council before being approved by GRAC.

## Annual Governance Statement 2024/25

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### 5.6. **Self-Assessment Assurance Statements for 2024/25**

A yes/partial/no response is required, with evidence and action required recorded where appropriate. Each AD is also required to note any issues they feel represent a significant control risk or governance issue.

5.7. Following the review of the Statements, the following have been identified in terms of emerging themes for the organisation.

#### 1. **Service/team plans and performance –**

Several managers referred to the need for further development of the Service and Team Plans to help ensure that resources are targeted in the most efficient way and to ensure that budgets are aligned with service delivery.

#### 2. **Risk Assessments –**

Several managers have highlighted the inconsistent completion and updating of risk assessments across multiple service areas, highlighting the need for a more robust and coordinated approach to operational risk management.

#### 3. **Policy and strategy updates –**

Several of the Council's policy and strategy documents are overdue for review and updating and there is a risk that these documents do not reflect current corporate priorities and best practice if the reviews are delayed. The lack of updating is mainly down to capacity issues and having the appropriate staff in post to undertake the reviews.

5.8. Crucially, the responses have highlighted that there are no significant and systemic governance issues and governance arrangements are mainly consistent across the Council. Where partial responses have been provided, managers have already identified actions that are being progressed to address these areas and the Head of Internal Audit will review progress during 2024/25.

5.9. There have not been any alleged or proven frauds for note during the 2024/25 financial year.

## Annual Governance Statement 2024/25

5.10. The following Action Plan has been developed to help address any control or governance issues identified as part of the AGS process and the external audit of the 2024/25 Statement of Accounts.

Issue	Action/Outcome	Officer(s)	Target Date
Not all Service Plans and Team Plans have been updated. Without these in place there is an increased risk that resources are not targeted in the most efficient way and that significant areas of work are not sufficiently resourced. These plans will also drive and impact on some of the Council's performance targets.	Team Plans and Service Plans to be reviewed along with performance measures to ensure they continue to support corporate priorities and that targets are realistic, meaningful and relevant. Planning department will be completed by March 2026 following a thorough review by the new AD. Some other areas have been delayed by pressures arising from LGR, but mitigated by Cabinet considering performance quarterly via Portfolio Holder reports.  Service budgets should be realigned with Service Plans where ADs consider these to be misaligned	CLT/MT  ADs	TBC  As part of the budget setting process for 26/27
The Council's IT Strategy has not been reviewed for several years.	Review and update IT Strategy and combine with Digital Strategy	AD Finance & Assets	31 March 2026
Audit recommendations not being implemented in a timely and prompt manner.	Immediate implementation of a monthly review of outstanding audit recommendations by CLT	CLT	Ongoing
Section 106 Arrangements audit was given limited assurance	All audit recommendations to be implemented following the appointment of a new s106 officer following a gap in service delivery.	AD for Planning & AD for Finance & Assets	Urgent recommendations implemented ASAP. Important within 3 months. Routine within 6 months – Completion July 2026.

## Annual Governance Statement 2024/25

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Private Sector Housing – HMOs, private rental enforcement and empty homes audit was given limited assurance	All audit recommendations to be implemented.	AD for Environmental & Leisure Services	Urgent recommendations implemented ASAP. Important within 3 months. Routine within 6 months – Completion November 2025.
Risk Management audit was given limited assurance	A further Risk Management Audit was undertaken in November/December. This was a follow up and has identified that whilst progress had been made against all recommendations further work was needed to fully meet them. The follow up audit is being finalized and so it is proposed that the recommendations from this audit replace the previous audit.	Director of Service Delivery	TBC
Environmental Charter audit was given limited assurance	All audit recommendations to be implemented.	AD for Sustainable Growth	Complete
Waste Management audit was given limited assurance	All audit recommendations to be implemented. System notes to be completed following the implementation of a new commercial customer database.	AD for Environmental & Leisure Services	30 June 2026
Production of draft Annual Accounts for review by external auditor	The Council is strengthening financial reporting arrangements through targeted technical training, clearer standards for working papers, and improved planning and engagement with auditors.	AD Finance & Assets	30 June 2026
Population of a formal grants register.	The Council will implement and maintain a formal grants register to support accurate accounting, monitoring of conditions, and appropriate classification of grant balances.	AD Finance & Assets	30 September 2026
Misstatement of year end cash and investment balances in the Statement of Accounts.	The Council is strengthening year-end reconciliation and rollover procedures, including clearer ownership and review controls.	AD Finance & Assets	31 March 2026

## Annual Governance Statement 2024/25

Weaknesses in year-end capital accounting processes.	The Council is improving capital accounting controls by reinforcing impairment and cut-off procedures, enhancing review of valuations, strengthening asset register governance, and ensuring consistent application of accounting policies.	AD Finance & Assets	31 March 2026
Independent review of journal postings to the accounting system	The Council is implementing strengthened journal controls, including enhanced review arrangements, clearer documentation of approvals, and a continued risk-based approach to segregation of duties.	AD Finance & Assets	31 March 2026

6. CERTIFICATION

6.1. To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year except for those areas identified above. We have either already put in place or are putting in place improvement plans to address the areas of weakness in our governance arrangements and will continue to focus on these until it is evident that good progress has been made in enhancing and strengthening our governance arrangements. We are satisfied that these steps will address the need to make improvements in the areas identified during the review of effectiveness and will monitor their implementation and operation throughout the year.

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Leader of the Council

Councillor Tim Adams

Date

Chief Executive

Mr Steve Blatch

Date



<b>Treasury Management Strategy Report 2026/27</b>	
<b>Executive Summary</b>	This report sets out the Council's Treasury Management Strategy for the year 2026/27. It sets out details of the Council's Treasury Management activities and presents a strategy for the prudent investment of the Council's resources. It also sets out the Council's approach to the deployment of capital resources in meeting the Council's overall aims and objectives.
<b>Options considered</b>	No other options considered. It is a requirement that the Treasury Management Strategy report must be approved by full Council each year in advance of the new financial year to ensure the Council is compliant with the CIPFA Treasury Management, CIPFA Prudential Codes and guidance issued by the Ministry of Housing, Communities & Local Government (MHCLG).
<b>Consultation(s)</b>	Portfolio Holder Section 151 Officer  This report has been prepared with the assistance of Link Treasury Services, the Council's Treasury Management advisors.
<b>Recommendations</b>	To recommend to Full Council that the Treasury Management Strategy 2026/27 is approved.
<b>Reasons for recommendations</b>	Approval by Full Council demonstrates compliance with the Prudential Codes to ensure. <ul style="list-style-type: none"> <li>• A flexible investment strategy enabling the Council to respond to changing market conditions.</li> <li>• Ensure compliance with CIPFA and MHCLG guidance.</li> <li>• Confirming capital resources available for delivery of the Council's capital programme.</li> </ul> <p>It is a requirement that any proposed changes to the prudential indicators are approved by Full Council.</p>
<b>Background papers</b>	The Council's Treasury Management Strategy 2025/26.  CIPFA Prudential Code (Treasury Management in the Public Services: Code of Practice 2021 Edition).  CIPFA Prudential Code (Capital Finance in Local Authorities: Code of Practice 2021 Edition).

<b>Wards affected</b>	All
<b>Cabinet member(s)</b>	Cllr. Lucy Shires
<b>Contact Officer</b>	James Moore/Claire Waplington Technical Accountant/Chief Technical Accountant

<b>Links to key documents:</b>	
Corporate Plan:	This report is required to ensure that the Council can demonstrate it is in a sound financial position and able to deliver the projects in the Capital Programme which support the Corporate Plan Objectives.
Medium Term Financial Strategy (MTFS)	This report supports the MTFS in confirming adequate financing is in place for the Council to operate its regular functions alongside delivering the Council's Capital Programme.
Council Policies & Strategies	N/A

<b>Corporate Governance:</b>	
Is this a key decision	No
Has the public interest test been applied	Not an exempt item.
Details of any previous decision(s) on this matter	N/A

## **1. Purpose of the report**

- 1.1 It is a requirement that Treasury Management activities and risk management be conducted within the framework of the Chartered Institute of Public Finance (CIPFA) Code (Treasury Management in the Public Services: Code of Practice 2021 Edition).
- 1.2 Under the provisions of the Local Government Act 2003, Local Authorities are required to comply with the guidance of the Prudential Code with regard to capital decisions.
- 1.3 It is a requirement that any proposed changes to the 2026/27 prudential indicators are approved by Full Council.

## **2. Introduction & Background**

- 2.1 Treasury management is the operation of the Council's cash flows, borrowing and investments alongside the associated risks. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 2.2 The strategy (See Appendix) also sets out the Council's approach and deployment of capital resources in meeting the Council's overall aims and objectives.

**3. Proposals and Options**

- 3.1 Appendix A shows the Council's full Treasury Management Strategy for the 2026/27 financial year.

**4. Corporate Priorities**

- 4.1 Ensuring there is adequate funding in place is essential to delivering the Council's Capital Programme which supports the Corporate Plan and MTFS.

**5. Financial and Resource Implications**

- 5.1 This report is financial in nature and financial implications are included within the content of the report.

**Comments from the S151 Officer:**

*This report is financial in nature and financial implications are included within the content of the report.*

**6. Legal Implications**

- 6.1 None as a direct consequence of this report.

**Comments from the Monitoring Officer**

*Whilst there are no specific legal or governance comments. It is noted that this is a necessary financial report to comply with the CIPFA Treasury Management Code of Practice.*

**7. Risks**

- 7.1 Any financial risks or implications are included within the content of the report.

**8. Net Zero Target**

- 8.1 None as a direct consequence of this report.

**9. Equality, Diversity & Inclusion**

- 9.1 None as a direct consequence of this report.

**10. Community Safety issues**

- 10.1 None as a direct consequence of this report.

**11. Conclusion and Recommendations**

- 11.1 It is recommended that Full Council approves the Treasury Management Strategy 2026/27 to ensure the Council is compliant with the Prudential Codes.

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**North Norfolk District Council  
Treasury Management Strategy Statement**

## **Minimum Revenue Provision Policy Statement and Annual Investment Strategy**

**2026/27**

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## Key Considerations

### **2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework.**

CIPFA published the revised Codes on 20th December 2021 and stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Authority, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

### **The revised Treasury Management Code required all investments and investment income to be attributed to one of the following three purposes: -**

#### **Treasury management**

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

#### **Service delivery**

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

#### **Commercial return**

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

### **The revised Treasury Management Code requires an authority to implement the following: -**

1. **Adopt a liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of 10 years, with material differences between the liability benchmark and actual loans to be explained.
2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case.
3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year.
4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority.
5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring.

**The main requirements of the Prudential Code relating to service and commercial investments are: -**

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.
2. An authority must not borrow to invest for the primary purpose of commercial return.
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt.
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream.
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

**An authority's Capital Strategy or Annual Investment Strategy should include: -**

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence.
2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e., whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).
3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed.
4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments).
5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy).
6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

As this TMSS and AIS deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).



## 1.1 Background

The Authority is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

*"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

## 1.2 Reporting Requirements

### 1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

### 1.2.2 Treasury Management Reporting

The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
  - the capital plans, (including prudential indicators)
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
  - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an Annual Investment Strategy, (the parameters on how investments are to be managed)
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.
- c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

#### Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Full Council. Another member body must be chosen to review any reports before they are sent to Full Council

### 1.3 Quarterly reports

In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) has also been required. These should provide an update on prudential indicators, borrowing and investment positions, compliance with approved limits and strategy, performance against budget, and any significant risks or breaches.

#### Treasury Management Strategy for 2026/27

The strategy for 2026/27 covers two main areas:

##### Capital issues

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

##### Treasury management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, MHCLG Investment Guidance, MHCLG MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

#### **1.4 Training**

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

The training needs of treasury management officers are periodically reviewed.

#### **1.5 Treasury Management Consultants**

The Authority uses MUFG Corporate Markets as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

## 2. THE CAPITAL PRUDENTIAL INDICATORS 2026/27 – 2028/29

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

### 2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts: -

Capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Approved Capital Programme	25.702	38.328	9.461	2.300	2.000
Capital Bids to be Reviewed	-	-	4.480	2.030	3.170
<b>Total</b>	<b>25.702</b>	<b>38.328</b>	<b>13.941</b>	<b>4.330</b>	<b>5.170</b>

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

**Table A. Current 2025/26 Capital Programme financing:**

Financing of capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
<b>Total Capital Expenditure (approved)</b>	<b>25.702</b>	<b>38.328</b>	<b>9.461</b>	<b>2.300</b>	<b>2.000</b>
Capital receipts	1.071	2.953	0.610	0.300	0.000
Capital grants	21.507	24.523	8.148	2.000	2.000
Capital contributions	1.240	3.780	0.300	0.000	0.000
Reserves	1.079	1.438	0.279	0.000	0.000
Revenue Contribution to Capital Outlay	0.000	0.020	0.000	0.000	0.000
<b>Net financing need for the year (Borrowing)</b>	<b>0.805</b>	<b>5.614</b>	<b>0.124</b>	<b>0.000</b>	<b>0.000</b>

**Table B. 2026/27 Capital Bids to be reviewed:**

Financing of capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
<b>Total Capital Expenditure (new bids)</b>	<b>0.000</b>	<b>0.000</b>	<b>5.285</b>	<b>2.030</b>	<b>3.170</b>
Capital receipts	0.000	0.000	0.015	0.000	0.000
Capital grants	0.000	0.000	1.000	1.000	1.000
Capital contributions	0.000	0.000	0.075	0.000	0.000
Reserves	0.000	0.000	0.000	0.000	0.000
Revenue Contribution to Capital Outlay	0.000	0.000	0.000	0.000	0.000
<b>Net financing need for the year (Borrowing)</b>	<b>0.000</b>	<b>0.000</b>	<b>3.390</b>	<b>1.030</b>	<b>2.170</b>

**Table C. Project 2026/27 Capital Programme assuming all new bids approved:**

Financing of capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
<b>Total Capital Expenditure (all)</b>	<b>25.702</b>	<b>38.328</b>	<b>14.746</b>	<b>4.330</b>	<b>5.170</b>
Capital receipts	1.071	2.953	0.625	0.300	0.000
Capital grants	21.507	24.523	9.148	3.000	3.000
Capital contributions	1.240	3.780	0.375	0.000	0.000
Reserves	1.079	1.438	0.279	0.000	0.000
Revenue Contribution to Capital Outlay	0.000	0.020	0.000	0.000	0.000
<b>Net financing need for the year (Borrowing)</b>	<b>0.805</b>	<b>5.614</b>	<b>3.514</b>	<b>1.030</b>	<b>2.170</b>

**2.2 The Authority's Borrowing Need (the Capital Financing Requirement)**

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g., PFI schemes, leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has £0.310m of such schemes within the CFR as shown in the 2024/25 outturn figures in the table below.

The Authority is asked to approve the CFR projections below:

**Table A. CFR projections based on current Capital Programme:**

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
<b>Capital Financing Requirement</b>					
<b>Total CFR</b>	<b>17.544</b>	<b>22.822</b>	<b>22.507</b>	<b>21.979</b>	<b>21.393</b>
Movement in CFR (see below)	0.545	5.278	(0.315)	(0.528)	(0.586)

<b>Movement in CFR calculation:</b>					
Net financing need for the year (from tables in 2.1)	0.805	5.614	0.124	0.000	0.000
Add Finance Leases	0.310	0.248	0.185	0.124	0.070
Less MRP	(0.507)	(0.522)	(0.563)	(0.597)	(0.615)
Less Finance Lease Repayments	(0.063)	(0.062)	(0.061)	(0.055)	(0.041)
<b>Movement in CFR</b>	<b>0.545</b>	<b>5.278</b>	<b>(0.315)</b>	<b>(0.528)</b>	<b>(0.586)</b>

**Table B. CFR projections if all new capital bids approved:**

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
<b>Capital Financing Requirement</b>					
<b>Total CFR</b>	<b>17.544</b>	<b>22.822</b>	<b>25.773</b>	<b>26.252</b>	<b>27.804</b>
<b>Movement in CFR</b>	<b>0.545</b>	<b>5.278</b>	<b>2.951</b>	<b>0.479</b>	<b>1.552</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (from tables in 2.1)	0.805	5.614	3.390	1.030	2.170
Add Finance Leases	0.310	0.248	0.185	0.124	0.070
Less MRP	(0.507)	(0.522)	(0.563)	(0.620)	(0.647)
Less Finance Lease Repayments	(0.063)	(0.062)	(0.061)	(0.055)	(0.041)
<b>Movement in CFR</b>	<b>0.545</b>	<b>5.278</b>	<b>2.951</b>	<b>0.479</b>	<b>1.552</b>

The Council's current planned external borrowing for treasury management purposes as a result of the current CFR and future projections is shown below. This does not include temporary short-term borrowing which may fluctuate depending on the delivery timelines of each capital project, short-term borrowing indicates a deficit in the amount internally borrowed by the Council to deliver capital schemes. Where short-term borrowing is constant for more than one year, this indicates an increased need for long-term borrowing.

The Council's cash flow may be able to incorporate any small increases in internal borrowing year on year, but any large increases in CFR indicate a potential need to increase the Council's long-term external borrowing.

Currently the Council has £5m actual long-term external borrowing with temporary short-term borrowing only required for short durations during the financial year (peaks and troughs in the Council's cashflow). On this basis it is assumed that the Council's cashflow can cover £12.544m of internal borrowing within its current resources as calculated below.

**Table A. Forecasted Long-Term borrowing based on current Capital Programme:**

Planned Long-Term External borrowing & Estimate £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Forecasted CFR (above)	17.544	22.822	22.507	21.979	21.393
<b>Actual Long-Term External Borrowing</b>	<b>5.000</b>	<b>5.000</b>	<b>5.000</b>	<b>0.000</b>	<b>0.000</b>
Assumed Internal Borrowing (capacity increase 2% year on year from 2024/25 actual)	12.544	12.795	13.051	13.312	13.578
<b>Potential Unrealised External Borrowing Requirement</b> (Forecasted CFR – actual borrowing – forecasted internal borrowing capacity).	<b>0.000</b>	<b>5.027</b>	<b>4.456</b>	<b>8.667</b>	<b>7.815</b>

The above table shows that with the Council's forecasted 2025/26 capital programme, the treasury will likely be required to increase the Council's external borrowing to £10.000m from the current £5.000m (£5.000m + £5.027m). This is only if all the approved 2025/26 projects are completed in 2025/26, as any project delays will also delay borrowing retrospectively. In future years, this borrowing need decreases gradually (down from £10.000m to £9.456m in 2026/27 this is shown in the above table as £5.000m+£4.456m, then £8.667m in 2027/28 and £7.815m in 2028/29).

This forecast shows that although borrowing is expected to increase, the Council is actively reducing its borrowing costs over time through appropriate MRP contributions.

**Table B. Forecasted Long-Term borrowing if all new capital bids approved:**

<b>Planned Long-Term External borrowing &amp; Estimate £m</b>	<b>2024/25 Actual</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>	<b>2028/29 Estimate</b>
Forecasted CFR (above)	17.544	22.822	25.773	26.252	27.804
<b>Actual Long-Term External Borrowing</b>	<b>5.000</b>	<b>5.000</b>	<b>5.000</b>	<b>0.000</b>	<b>0.000</b>
Assumed Internal Borrowing (capacity increase 2% year on year from 2024/25 actual)	12.544	12.795	13.051	13.312	13.578
<b>Potential Unrealised External Borrowing Requirement</b> (Forecasted CFR – actual borrowing – forecasted internal borrowing capacity).	<b>0.000</b>	<b>5.027</b>	<b>7.722</b>	<b>12.940</b>	<b>14.226</b>

The above table shows that with the Council's forecasted capital programme plus 2026/27 capital bids; the treasury will likely be required to renew the current £5.000m external borrowing for 2025/26. But then would then need to increase this to £10.027m in 2025/26 (£5.000m + £5.027m) if all capital projects are delivered in the year. This is then expected to increase to a £12.722m (£5.000m + £7.722m) borrowing need in 2026/27. In future years, this borrowing need increases to £14.226m by 2028/29 if all of the Council's approved capital projects are delivered.

Therefore, if all capital bids for 2026/27 are approved, the Council would need to make appropriate revenue provisions to fund approximately one and half times the borrowing interest costs incurred from 2024/25 in 2026/27 and then double borrowing interest costs in 2028/29 compared to 2024/25.

These borrowing costs are all subject to the interest rates at the time of taking out long-term loans.

### **2.3 Liability Benchmark**

The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance. Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment (unless any currently unknown future borrowing plans increase the benchmark loan debt requirement).

### **2.4 Core Funds and Expected Investment Balances**

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

<b>Year End Resources £m</b>	<b>2024/25 Actual</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>	<b>2028/29 Estimate</b>
Reserves	16.502	16.543	16.765	17.294	17.892
Capital receipts	2.386	0.051	1.091	1.941	2.391
<b>Total core funds</b>	<b>18.888</b>	<b>16.594</b>	<b>17.856</b>	<b>19.235</b>	<b>20.283</b>
Working capital (housing loans remaining balance)	1.853	1.762	1.466	1.170	0.872
<b>Expected Total Investments</b>	<b>20.741</b>	<b>18.356</b>	<b>19.322</b>	<b>20.405</b>	<b>21.155</b>

The Council's current capital programme has all current and future capital receipts allocated to fund existing 2025/26 capital projects. The Council has a small amount of capital receipt funded projects in 2026/27 and future years, however these are expected to use up all of the capital receipts anticipated to be received from the sale of Council owned assets. It is anticipated that there will be minimal surplus capital receipts funding available to fund new capital projects in 2026/27 and future years unless the Councils makes new plans to sell assets.

## **2.5 Minimum Revenue Provision (MRP) Policy Statement**

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute.

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2024) provides four ready-made options for calculating MRP. An authority can use a mix of these options if it considers it appropriate to do so.

The Government considers that the methods of making prudent provision include the options set out in the statutory guidance. However, this does not rule out or otherwise preclude an authority from using an alternative method should it decide that is more appropriate. Any method used is subject to the conditions in paragraphs 61 to 65 of the guidance as far as these are relevant.

The Authority is recommended to approve the following MRP Statement:

For expenditure incurred before 1 April 2008 which forms part of supported capital expenditure, the MRP policy will be:

- 4% reducing balance (CFR method) – MRP will be calculated as 4% of the opening GF CFR balance; or

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- Asset life method (annuity)

Regulation 27(3) allows a local authority to charge MRP in the financial year following the one in which capital expenditure finance by debt was incurred.

For example, capital expenditure financed by borrowing in 2025/26 will not be subject to an MRP charge until 2026/27, or in the financial year following the one which the asset first becomes available for use.

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.



### **Leases/PFI**

The adoption of International Financial Reporting Standard 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value. When such lease contracts and the related assets and liabilities are brought onto the balance sheet, a local authority will increase its long-term liabilities and as a result this will increase the debt liability.

Generally accepted accounting practice requires these changes to be accounted for retrospectively, with the result that an element of the rental or service charge payable in previous years (and previously charged to revenue accounts) will be taken to the balance sheet to reduce the liability. On its own, this change in the accounting arrangements would result in a one-off increase to the CFR and an equal increase in revenue account balances.

This is not seen as a prudent course of action; the guidance aims to ensure local authorities are in the same position as if the change had not occurred. It does this by recommending the inclusion in the annual MRP charge of an amount equal to the amount that has been taken to the balance sheet to reduce the liability, including the retrospective element in the first year.

It will be open to local authorities to consider a different approach to the calculation, subject to compliance with the overriding statutory requirement to make a prudent level of MRP.

Regarding MRP in respect of assets acquired either under leases where a right-of-use asset is on the balance sheet or where on-balance sheet PFI contracts are in place, the prudent charge to revenue can be measured as being equal to the element of the rent/charge that goes to write down the balance sheet liability.

Where a lease (or part of a lease) or PFI contract is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement is regarded as having been met by the inclusion in the charge for the year in which the restatement occurs, of an amount equal to the write-down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.

### **Investment property**

The duty to make MRP extends to investment properties where the acquisition results in an increase to the CFR. As depreciation is not charged on investment properties, the Depreciation method is not a suitable approach for calculating the MRP to be charged in respect of investment properties.

A local authority cannot exclude any proportion of its debt liability from the determination of a prudent MRP charge on the basis that the debt is associated with an investment asset that the authority believes will retain or increase capital value.

Therefore, the Council will calculate the MRP charges for any investment property funding by borrowing on the same basis as its capital expenditure.

### **Capital loans**

Regulation 27(4) allows a local authority to exclude capital loans that are financed by debt from the requirement to make MRP, provided the loan is not a commercial loan. A commercial loan is defined in regulation 27(5) as a loan from the authority to another entity for a purpose which, if the authority were to undertake itself, would be primarily for financial return; or, where the loan is itself, capital expenditure undertaken primarily for financial return. Local authorities must make MRP with respect to any debt used to finance a commercial capital loan.

A local authority may choose not to charge MRP in respect of the financing by debt of a loan issued by an authority to any person or body, where —

(a) the loan is treated as capital expenditure in accordance with regulation 25(1)(b),

- (b) the loan is not a commercial loan, and
- (c) the local authority has not recognised, in accordance with proper practices(c), any expected or actual credit loss in respect of that loan.

The Council has issued capital loans that are categorised as non-commercial and has chosen to not apply MRP on the basis that these loans are financed from the use of available capital receipts from previous asset sale (regeneration of housing assets to meet the Council's Corporate Plan objections) instead of issues any loans financed by borrowing. The Council currently does not issue loans for commercial purposes.

### **Capital receipts**

For capital expenditure on loans to third parties where the principal element of the loan has been repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

### **Share Capital**

Where an Authority incurs expenditure that is capitalised on or after April 2008, which is financed by borrowing for the acquisition of share capital, Regulation 25(1)(d) Acquisition of share capital sets out the maximum period for an authority to provide MRP of 20 years. The Council has not currently acquired any share capital

### **MRP Overpayments**

Under the MRP guidance, charges made in excess of the statutory MRP can be made and are known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

The Council has not made any VRP overpayments up to 31/03/25.

### 3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

#### 3.1 Current Portfolio Position

The overall treasury management portfolio as at 31.3.25 and for the position as at 30.11.25 is shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual 31.3.25	Actual 31.3.25	current 30.11.25	current 30.11.25
Treasury investments	£000	% of portfolio	£000	% of portfolio
Money Market Funds	5,317	21%	15,887	44%
<b>Total managed in house</b>	<b>5,317</b>	<b>21%</b>	<b>15,887</b>	<b>44%</b>
Bond Funds	5,000	20%	5,000	14%
Equity Funds	4,000	16%	4,000	11%
Property Funds	5,000	20%	5,000	14%
Multi-Asset Funds	6,000	23%	6,000	17%
<b>Total managed externally</b>	<b>20,000</b>	<b>79%</b>	<b>20,000</b>	<b>56%</b>
<b>Total treasury investments</b>	<b>25,317</b>	<b>100%</b>	<b>35,887</b>	<b>100%</b>
<b>Treasury external borrowing</b>				
Long-Term PWLB	5,000	71%	5,000	100%
Short-Term Local Authorities	2,000	29%	0,000	0%
<b>Total external borrowing</b>	<b>7,000</b>	<b>100%</b>	<b>5,000</b>	<b>100%</b>
<b>Net treasury investments / (borrowing)</b>	<b>18,317</b>		<b>30,887</b>	

The Authority's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

**Table A. Forecasted under/(over) borrowing projects based on existing Capital Programme:**

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
<b>External debt</b>					
Debt as of 1 April	11.700	7.000	5.000	0.000	0.000
Known repayments of debt	(4.700)	(2.000)	(5.000)	0.000	0.000
<b>Actual gross debt on 31 March</b>	<b>7.000</b>	<b>5.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
The Capital Financing Requirement	17.544	22.822	22.507	21.979	21.393
<b>Under / (over) borrowing</b>	<b>10.544</b>	<b>17.822</b>	<b>22.507</b>	<b>21.979</b>	<b>21.393</b>

**Table B. Forecasted under/(over) borrowing of Capital Programme if all new capital bids approved:**

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
<b>External Debt</b>					
Debt as of 1 April	11.700	7.000	5.000	0.000	0.000
Known changes in Debt	(4.700)	(2.000)	(5.000)	0.000	0.000
<b>Actual gross debt on 31 March</b>	<b>7.000</b>	<b>5.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
The Capital Financing Requirement	17.544	22.822	25.773	26.252	27.804
<b>Under / (over) borrowing</b>	<b>10.544</b>	<b>17.822</b>	<b>25.773</b>	<b>26.252</b>	<b>27.804</b>

Table A shows that with the authorities' current capital programme; levels of external debt can be reduced overtime with the Council's current MRP provision.

Table B shows that with the additional capital bids there will be a larger increase in CFR and under borrowing which indicates that an increased amount of external borrowing may be needed to finance the additional capital programme projects completed in future years.

Within the range of prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

It is the current view that this prudential indicator does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

### 3.2 Treasury Indicators: Limits to Borrowing Activity

**The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary £m	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Debt	30.000	30.000	30.000	30.000
Other long-term liabilities	2.000	2.000	2.000	2.000
<b>Total</b>	<b>32.000</b>	<b>32.000</b>	<b>32.000</b>	<b>32.000</b>

**The Authorised Limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term. This is typically the Operational Boundary plus a threshold for temporary short-term debt.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit with no change from the prior year. This is a long-term borrowing figure of £30m (operational boundary) plus an additional amount of short-term borrowing of £10m. If the authorised limit is exceeded, then this highlights a significant cashflow concern which should be brought to members attention for review:

Authorised Limit £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	25.000	40.000	40.000	40.000
Other long-term liabilities	3.000	3.000	3.000	3.000
<b>Total</b>	<b>28.000</b>	<b>43.000</b>	<b>43.000</b>	<b>43.000</b>

### 3.3 Prospects for Interest Rates

The Authority has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. MUFG Corporate Markets provided the following forecasts on 22 December 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

Additional notes by MUFG Corporate Markets on this forecast table: -

- Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.
- Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most "dissenters" from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.
- Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be "a closer call", and Governor Bailey observed there is "limited space as Bank Rate approaches a neutral level".
- Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.
- As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed's monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.
- Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a "given", and additionally, the inflation outlook and political factors domestically

and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.

- Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.
- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

### Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are generally to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB borrowing	Current borrowing rates as at 22.12.25 p.m. %	Target borrowing rate now (end of Q4 2027) %	Target borrowing rate previous (end of Q4 2027) %
5 years	4.81	4.10	4.20
10 years	5.39	4.70	4.70
25 years	6.01	5.30	5.30
50 years	5.78	5.10	5.10

**Borrowing advice:** Our long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.5%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity/<10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested **budgeted earnings rates for investments** up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now %	Previously %
2025/26 (residual)	3.80	3.90
2026/27	3.40	3.60
2027/28	3.30	3.30
2028/29	3.30	3.50
2029/30	3.50	3.50
Years 6-10	3.50	3.50
Years 10+	3.50	3.50

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad-hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

### **3.4 Borrowing Strategy**

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if further rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Treasury will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

It is currently estimated that there will be a fall in interest rates over the next two financial years, therefore external borrowing is only to be taken under the shortest available duration (one or two years) to avoid borrowing long-term at a high long-term cost to the Council.

Once borrowing rates have reached a lower, more manageable threshold when the treasury will consider taking a longer-term loan, resulting in a lower revenue cost to the authority for managing its levels of external debt.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

### **3.5 Policy on Borrowing in Advance of Need**

The Authority is required to consider its policy concerning borrowing in advance of need.

The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated, and that the Authority can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### **3.6 Rescheduling**

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate. If rescheduling is to be undertaken, it will be reported to the Cabinet at the earliest meeting following its action. At the current time it is felt that holding onto the current investments until capital values recover from the recent economic events is the best course of action to avoid capital losses on the original principle invested.

### **3.7 New Financial Institutions as a Source of Borrowing and / or Types of Borrowing**

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).

- Financial institutions (primarily insurance companies and pension funds but also some banks, and sometimes out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

### 3.8 Approved Sources of Long and Short-term Borrowing

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Fire Authorities	●	●
Police Authorities	●	●
Internal (capital receipts & revenue balances)	●	●
Leases	●	●



## 4 ANNUAL INVESTMENT STRATEGY

### 4.1 Investment Policy – Management of Risk

The Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

The Authority’s investment policy has regard to the following: -

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

The Authority’s investment priorities will be security first, portfolio liquidity second and then yield (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Authority’s risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also retain long-term pooled fund investments (over twelve months) months with high credit rated financial institutions, whilst investment rates remain elevated to generate interest income to support the Council’s budget during difficult economic times. Capital values of long-term investments have been steadily recovering from a sharp fall since the start of the Ukraine-Russia war, however, at the current time the capital values are still lower than the value of original principle invested. Therefore, the treasury’s intention is to retain these investments for a further financial year and re-assess the possibility of divestment in future financial years once the capital values of shares have recovered further to prevent a loss to the Council through the early redemption of funds.

The above guidance from MHCLG and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5.4 under the categories of ‘specified’ and ‘non-specified’ investments.

**Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally,

they were classified as being non-specified investments solely due to the maturity period exceeding one year.

**Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified and loan investment limits.** The Authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 15% to prevent treasury liquidity risks arising from administering housing loans. This equates to a maximum amount of loan investment of £3.8m at any one time during the financial year as shown in the creditworthiness policy further in this document under “housing associations”.
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
7. **Transaction limits** are set for each type of investment in 4.2.
8. This Authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
10. This Authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. Subsequently, a further extension to the override to **31.3.29** was agreed by Government but only for those pooled investments made before 1<sup>st</sup> of April 2024. This Authority has no pooled investments made after the 1<sup>st</sup> of April 2024.

However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

#### **Changes in risk management policy from last year.**

The above criteria are unchanged from last year; however, the Counterparty Limits will be amended to be based around the assumed maximum investment portfolio for the upcoming financial year.

## **4.2 Creditworthiness Policy**

This Authority applies the creditworthiness service provided by the MUFG Corporate Markets. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. “watches” and “outlooks” from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands:

- Yellow 5 years \*
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The MUFG Corporate Markets creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored bi-annually. The Authority is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by MUFG Corporate Markets. Extreme market movements may result in the downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information, as well as information on any external support for banks to help its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	Sector limit	Transaction/Counterparty limit	Time limit
<b>UK Government/DMAADF</b>	n/a	Unlimited	Unlimited	Unlimited
<b>Local authorities</b>	n/a	£13,000,000	£4,200,000	25 years
<b>Other institutions limit</b>	-	£3,800,000	£1,900,000	5 years
<b>Banks</b>	Yellow	Unlimited	£1,900,000	5 yrs

Banks	Purple	Unlimited	£1,900,000	2 yrs
Banks	Orange	Unlimited	£1,900,000	1 yr
Banks – part nationalised	Blue	Unlimited	£1,900,000	1 yr
Banks	Red	Unlimited	£1,900,000	6 mths
Banks	Green	Unlimited	£1,900,000	100 days
Banks	No Colour	Unlimited	Nil	No investment
Limit 3 category – Authority's banker (where "No Colour")	n/a	Unlimited	£2,000,000	Unlimited
Housing associations	Colour bands	£3,800,000	£3,800,000	As per colour band
	Fund rating	Sector Limit	Transaction/ Counterparty limit	Time Limit
Money Market Funds	AA+	£26,600,000	£3,800,000	liquid
Strategic Pooled Funds	AA+	£30,400,000	£5,000,000	Redemption no more than 7 days
Covered Bonds	AA+	£30,400,000	£5,000,000	Redemption no more than 7 days

### Creditworthiness.

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Council will not set a minimum rating for the UK as its Country of origin.

### CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. MUFG Corporate Markets monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its MUFG Corporate Markets-provided Passport portal.

### 4.3 Limits

Due care will be taken to consider the exposure of the Authority's total investment portfolio to non-specified investments, countries, groups and sectors.

- Non-specified treasury management investment limit.** The Authority has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 10% of the total treasury management investment portfolio (to match the housing association 10% limit in the table below).
- Country limit.** The Authority has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

**Other limits.** In addition: -

- No funds will be invested with any non-UK country at any time.
- limits in place above will apply to a group of companies/institutions.
- sector limits will be monitored regularly for appropriateness.

#### 4.4 Investment Strategy

**In-house funds.** Investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates.

Accordingly, while most cash balances are required in order to manage the ups and downs of cashflow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

#### **Investment returns expectations.**

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.25% in 2027.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year were updated on 11 August 2025 and are as follows:

<i>Average earnings in each year</i>	<i>Now</i> %	<i>Previously</i> %
<b>2025/26 (residual)</b>	3.90	4.10
<b>2026/27</b>	3.60	3.60
<b>2027/28</b>	3.30	3.50
<b>2028/29</b>	3.50	3.50
<b>2029/30</b>	3.50	3.50
<b>Years 6-10</b>	3.50	3.50
<b>Years 10+</b>	3.50	3.50

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

At the current time, the treasury officers agree with the above interest rate forecast from the treasury advisors.

For its cashflow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts Money Market Funds in order to benefit from the compounding of interest in current economic climate.

#### **Changes of investment strategy**

The Council does not intend to make any major changes to its investment portfolio in 2026/27. With capital values on its long-term pooled fund investments still recovering from the economic downturn, re-diversifying the portfolio would lead to a loss to the Authority on the original principle invested.

It is therefore best to balance the additional increase in interest rates on the current investments with the borrowing costs of maintaining an adequate level of liquid cash until the capital value of the authorities pooled fund investments have recovered further.

**Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end. This limit is calculated as the sector limits for strategic pooled funds plus housing association as listed in the table above under creditworthiness.

The Authority is asked to approve the following treasury indicator and limit: -

<b>Upper limit for principal sums invested for longer than 365 days (£m)</b>			
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Principal sums invested for longer than 365 days	34,200,000	34,200,000	34,200,000
Current investments as at 30.11.25 in excess of 1 year maturing in each year	21,761,672	21,466,396	21,169,917

#### **4.5 Investment Performance / Risk Benchmarking**

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security - The Authority's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- There is a very small historic risk of default when compared to the whole portfolio.

Liquidity – in respect of this area the Authority seeks to maintain:

- Liquid short-term deposits of at least £1m available with a week's notice.
- Weighted average life benchmark is expected to be 30 years, with a maximum of 50 years.

Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7-day SONIA compounded rate.
- Investments – external fund managers return above the 7-day SONIA compounded rate.

#### **4.6 End of Year Investment Report**

At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Outturn Report.

#### **4.7 External Fund Managers**

£20.000m of the Authority's funds is externally managed on a pooled basis.

The Authority's external fund manager(s) will comply with the Annual Investment Strategy. The agreement(s) between the Authority and the fund manager(s) additionally stipulate guidelines on duration and other limits in order to contain and control risk.

The Authority fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. In order to aid this assessment, the Authority is provided with a suite of regular reporting from its manager. This includes online reporting portals, monthly statements from fund manager to allow treasury officers to see balances of the Council's investments and a year-end portfolio statement.

## **5 APPENDICES**

1. Prudential and treasury indicators
2. Interest rate forecasts
3. Economic background
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 151 officer

## 5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2026/27 – 2028/29

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### 5.1.1 Capital Expenditure

From section 2.1:

Capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Approved Capital Programme	25.702	38.328	9.461	2.300	2.000
Capital Bids to be Reviewed	-	-	4.480	2.030	3.170
<b>Total</b>	<b>25.702</b>	<b>38.328</b>	<b>13.941</b>	<b>4.330</b>	<b>5.170</b>

### 5.1.2 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators:

#### Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs), against the net revenue stream.

From section 2.2. using forecasted MRP projections, the below tables show the expected trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream:

**Table A. Ratio of Financing Costs to Net Revenue Stream based on current Capital Programme:**

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Less MRP	0.570	0.584	0.624	0.652	0.656
Expected Net Revenue Stream (General Fund)	23.610	22.397	22.942	22.635	23.136
<b>% Ratio of Financing Costs to Net Revenue Stream</b>	<b>2.41%</b>	<b>2.61%</b>	<b>2.72%</b>	<b>2.88%</b>	<b>2.84%</b>

**Table B. Ratio of Financing Costs to Net Revenue Stream if all new capital bids approved:**

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
MRP	0.570	0.584	0.624	0.675	0.688
Expected Net Revenue Stream (General Fund)	23.610	22.397	22.942	22.635	23.136
<b>% Ratio of Financing Costs to Net Revenue Stream</b>	<b>2.41%</b>	<b>2.61%</b>	<b>2.72%</b>	<b>2.98%</b>	<b>2.97%</b>



## 5.2 INTEREST RATE FORECASTS 2025-2028

MUFG Corporate Markets Interest Rate View 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

Please note, PWLB forecasts are based on PWLB certainty rates.

### 5.3 ECONOMIC BACKGROUND (provided by Council's treasury advisors)

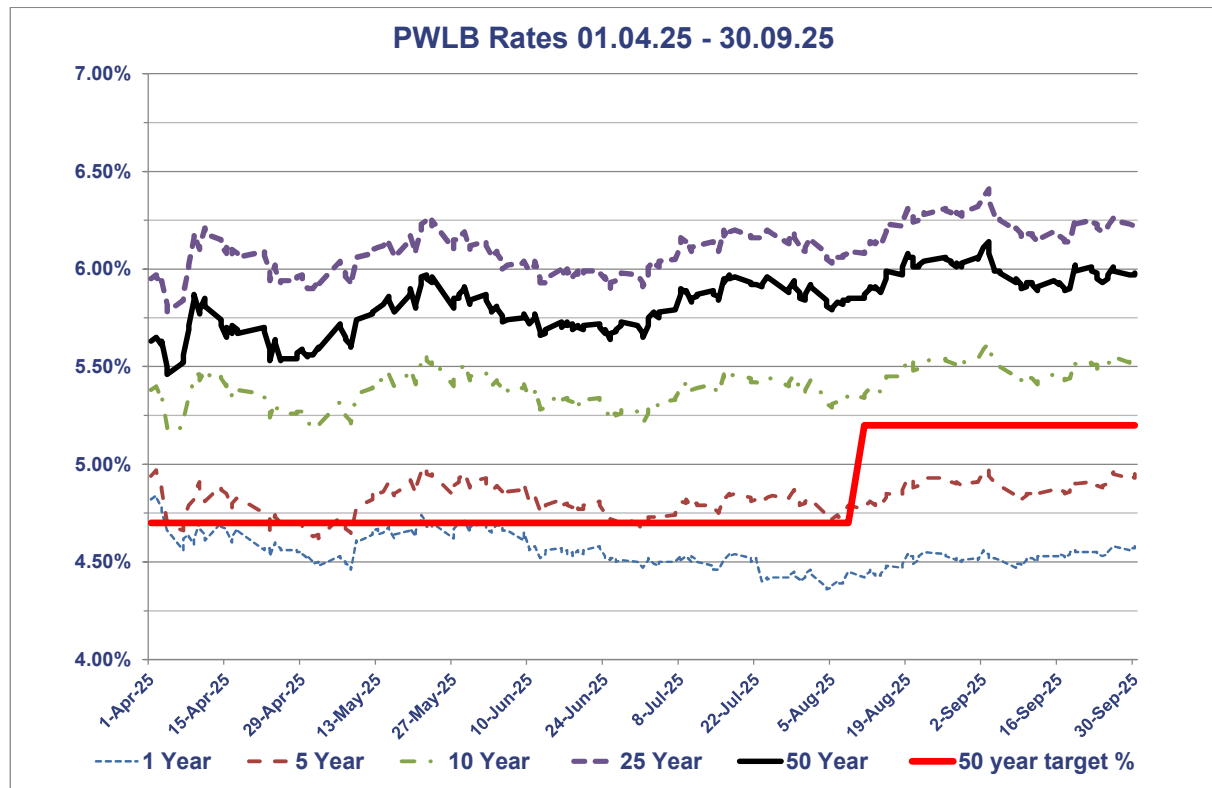
- The first half of 2025/26 saw:
  - A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September.
  - The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.6% in September.
  - CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
  - The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August.
  - The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).
- From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q. Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern. GDP growth for 2025 and 2026 is currently forecast by the Bank of England to be in the region of 1.4% before picking up in 2027.
- Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK increased to 52.2 in October. The manufacturing PMI output balance improved to just below 50 but it is the services sector (52.2) that continues to drive the economy forward. Nonetheless, the PMIs suggest tepid growth is the best that can be expected in the second half of 2025 and the start of 2026. Indeed, on 13 November we heard that GDP for July to September was 0.1% q/q.
- Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. On a monthly basis, retail sales volumes rose 0.5%, defying forecasts of a 0.2% fall, following an upwardly revised 0.6% gain in August. Household spending remains surprisingly resilient, but the headwinds are gathering.
- With the November Budget edging nearer, the public finances position looks weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.
- The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nine of the ten months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October 2024 Budget. The number of job vacancies in the three months to October 2025 stood at 723,000 (the peak was 1.3 million in spring 2022). All this suggests the labour market continues to loosen, albeit at a slow pace.
- A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.6% in September. The rate for the private sector slipped from 4.3% to 4.2%.

- CPI inflation remained at 3.8% in September, whilst core inflation fell to 3.5%. Services inflation stayed at 4.7%. A further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.
- An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the “Liberation Day” tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended June at 4.50%.
- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves’ future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK’s fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although by early November yields had fallen back again to a little over 4.40%.
- The FTSE 100 fell sharply following the “Liberation Day” tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed September at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors’ global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings. In early November, the FTSE100 climbed to a record high just above 9,900.

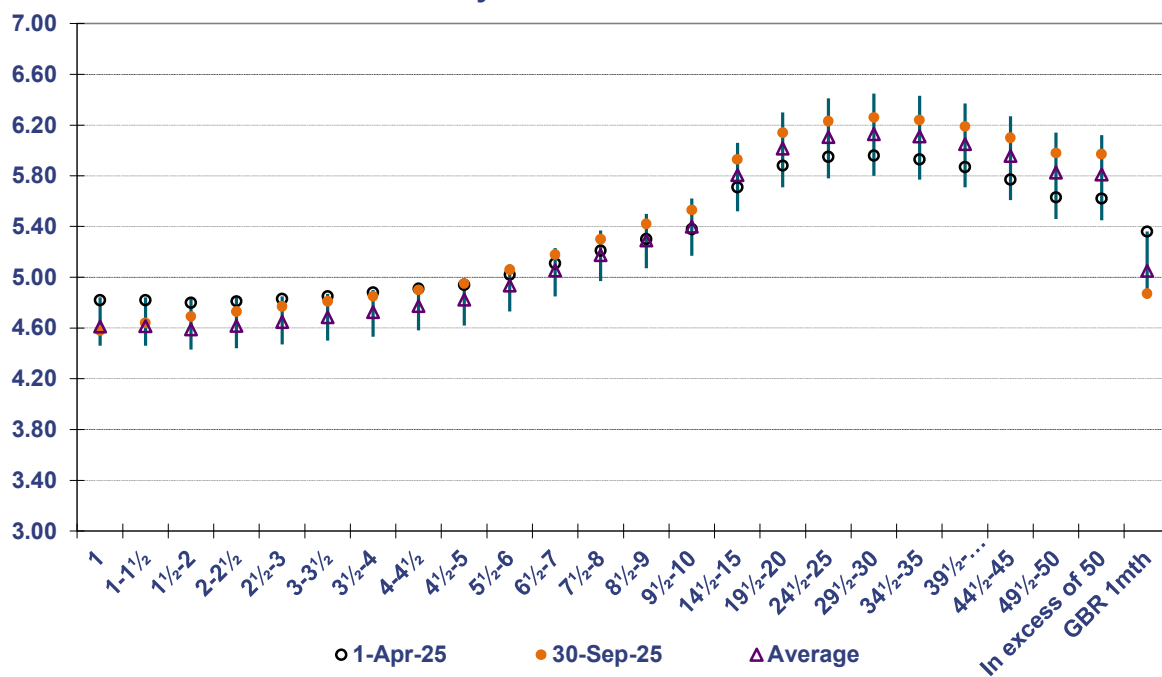
### MPC meetings: 8 May, 19 June, 7 August, 18 September, 6 November 2025

- There were five Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.
- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.
- With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.
- At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut is imminent. With GDP for Q3 disappointing, and the September CPI number staying at 3.8%, the market is split over whether the next rate cut will be in December or February.

### PWLB RATES 01.04.25 - 30.09.25



**PWLB Certainty Rate Variations 01.04.25 to 30.09.25**



**HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.25 – 30.09.25**

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>01/04/2025</b>	4.82%	4.94%	5.38%	5.95%	5.63%
<b>30/09/2025</b>	4.58%	4.95%	5.53%	6.23%	5.98%
<b>Low</b>	4.36%	4.62%	5.17%	5.78%	5.46%
<b>Low date</b>	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
<b>High</b>	4.84%	4.99%	5.62%	6.41%	6.14%
<b>High date</b>	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
<b>Average</b>	4.55%	4.82%	5.40%	6.11%	5.83%
<b>Spread</b>	0.48%	0.37%	0.45%	0.63%	0.68%

#### 5.4 APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the MUFG Corporate Markets creditworthiness service.

***Based on lowest available rating:***

##### **AAA**

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

##### **AA+**

- Canada
- U.S.A.

##### **AA**

- Abu Dhabi (UAE)
- Finland
- Qatar

##### **AA-**

- **U.K.**

##### **A+**

- Belgium
- France

## **5.5 TREASURY MANAGEMENT SCHEME OF DELEGATION**

### **(i) Full Council:**

- Approval of annual strategies (Full Council).
- Budget consideration and approval for Revenue & Capital (Full Council).

### **(ii) Cabinet:**

- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices (Cabinet or Full Council).
- Approving the selection of external service providers and agreeing terms of appointment (Cabinet or Full Council).
- Approval of the division of responsibilities (Cabinet or Full Council).

### **(iii) Overview & Scrutiny**

- Reviewing the treasury management policy and procedures when changed and making recommendations to the responsible body (Any nominated body).
- Receiving and reviewing reports on treasury management policies, practices and activities, but these must be recommended to Cabinet for approval (Any nominated body).
- Receiving and reviewing regular monitoring reports but these must be recommended to Cabinet for approval (Any nominated body).

## 5.6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

### The S151 or Deputy S151 (responsible) officer:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budgets variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit and liaising with external audit.
- Ensuring that financial Strategy Documents are prudent, sustainable, affordable and prudent in the long term and provides value for money
- Ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- Ensuring that members are adequately informed and understand the risk exposures taken on by the Authority.
- Ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above.



# GOVERNANCE, RISK & AUDIT COMMITTEE 2 December 2025 – OUTCOMES & ACTIONS LIST

MINUTE NO.	ACTION OPENED	AGENDA ITEM AND ACTION	ACTIONED BY	DEADLINE	ACTION CLOSED
40		<b>GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST</b>			
	<b>Dec 2024</b>	<b>Actions flagged as still outstanding:</b>  The Performance Manager to discuss with the responsible Officer the lack of property assessments and the Committee to be updated on appropriate Property assessments.	<b>ADFA</b>	<b>ASAP</b>	<b>02/02/2026:</b> ADFA kindly provided answers to asset inspections, but action was more on property assessments linked to Local Plan. Discussed with Chair. May need the Committee to consider reviewing and possibly downgrading.
42		<b>INTERNAL AUDIT PROGRESS &amp; FOLLOW UP REPORT</b>			
	<b>Dec 2025</b>	To update the Licensing Policy by March 2026.	<b>DSD</b>	<b>By next meeting (March 2026)</b>	
45		<b>CIVIL CONTINGENCIES UPDATE</b>			
	<b>Dec 2025</b>	Resilience Manager to check with their new contact where they are with the increased level to field fire risk and community fire risk.	<b>RM</b>	<b>ASAP</b>	<b>11/01/2026:</b> Resilience Manager notified us of a new contact: Station Manager: Mark Duff-Dick,

					<a href="mailto:mark.duff-dick@norfolk.gov.uk">mark.duff-dick@norfolk.gov.uk</a> No further details
46		<b>CORPORATE RISK REGISTER</b>			
	<b>Dec 2025</b>	<p>Independent Person to write in with suggestions that might help going forward with the risk register. This will be shared with the Committee upon receipt by the DSGO.</p> <p>The DSD to ask relevant Officer to revisit the risk for the Local Plan and the expected delivery of 'x' number of houses per year. Currently at Amber.</p>	<p><b>DSGO</b></p> <p><b>DSD</b></p>	<p><b>ASAP</b></p> <p>By next meeting (March 2026)</p>	<p><b>09/01/2026:</b> Assistant Director of Planning gave an update: Emailed Committee. Final answer expected before next meeting</p> <p><b>02/02/2026:</b> CLT reviewing as part of the Risk Register.</p>
49		<b>GOVERNANCE, RISK &amp; AUDIT COMMITTEE WORK PROGRAMME</b>			
	<b>Mar 2025</b>	Self- assessment – to confirm when this will take place	<b>HIA</b>	Second part of CIPFA Self-Assessment to be completed at March 2026 meeting	<b>March 2025</b>

## GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2025/2026

Topic	Lead Officer	Comments	Cycle
<b>March 2026</b>			
Internal audit plan 2026/27 – Charter & Mandate	Internal Audit – Teresa Sharman		Annual
GRAC self-assessment	Internal Audit – Teresa Sharman		Annual
Internal Audit Progress & Follow-up Report	Internal Audit – Teresa Sharman	To review progress on internal audit recommendations	Quarterly
Corporate Risk Register	Director for Resources	To review the corporate risk register	Quarterly
Procurement Exemptions Register	Monitoring Officer	To review Procurement Exemptions	Quarterly
<b>June 2026</b>			
External Audit Plan (Letter) 2025/2026	External Audit		Annual
Internal Audit Progress & Follow-up Report	Internal Audit – Teresa Sharman	To review progress on internal audit recommendations	Quarterly
Annual Report/Opinion & Review of the Effectiveness of Internal Audit	Internal Audit	TBC: May slip to Sept	Annual
Corporate Risk Register	Director for Resources	To review the corporate risk register	Quarterly
Treasury Management Half-Yearly report	AD for Resources	To review and recommend to Full Council	Annual
Procurement Exemptions Register	Monitoring Officer	To review Procurement Exemptions	Quarterly
Review of Council's Asset Register	Director for Resources	To review the number and value of Council assets.	At request of Chair
<b>Forward items</b>			
Business Continuity Framework	Resilience Manager	To review the Business Continuity Framework	Due Dec 2028

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