

Governance, Risk and Audit Committee



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3rd June 2019

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 **Tuesday, 11 June 2019** 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: matthew.stembrowicz@north-norfolk.gov.uk.

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

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

Emma Denny
Democratic Services Manager

To: Mr T Adams, Mr C Cushing, Mr S Penfold, Mr J Rest, Mrs J Stenton and Mr J Toye

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

Corporate Directors: Nick Baker and Steve Blatch
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A G E N D A

1. TO RECEIVE APOLOGIES FOR ABSENCE

2. PUBLIC QUESTIONS

To receive public questions, if any.

3. 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 1072.

4. DECLARATIONS OF INTEREST

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.

5. MINUTES

1 - 8

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 26th March 2019.

6. GOVERNANCE, RISK & AUDIT COMMITTEE - ANNUAL REPORT 2018/19

9 - 14

Summary: This report arises from the CIPFA self-assessment of good practice undertaken in March 2018. CIPFA (The Chartered Institute of Public Finance and Accountancy) is the professional body for people in public finance. The report aims to give all Members a better understanding of the role of the Governance, Risk and Audit Committee, to provide insight into the work of the Committee in the year 2018/19 and to highlight some of the key issues it has considered.

Conclusions: The Committee has fulfilled its remit and had a very active year. There have been some changes in membership but attendance has been good. 2019/20 will bring new challenges as the Council undertakes multiple projects and welcomes new Members following the May 2019 election, that could see Members appointed to stand on the Committee for the first time.

Recommendations: It is recommended that Council notes the report and affirms the work of the Governance, Risk and Audit Committee.

Reasons for Recommendations: To inform Council of the work of the

Governance, Risk and Audit Committee in 2018/19.

Cabinet member(s): All
Ward(s) affected: All

Contact Officer, telephone number, and e-mail: Matt Stembrowicz, Democratic Services & Governance Officer, 01263 516047, Matthew.Stembrowicz@north-norfolk.gov.uk

7. MONITORING OFFICER ANNUAL REPORT 2018/19 15 - 22

To receive the Annual Report of the Monitoring Officer 2018/19.

8. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 4 SEPTEMBER 2018 TO 23 NOVEMBER 2018 23 - 48

Summary: This report examines the progress made between 5 March 2019 to 24 April 2019 in relation to delivery of the annual internal audit plan for 2018/19.

Conclusions: Progress in relation to delivery of the internal audit plan is in line with expectations; and positive assurance has been awarded in the audit reviews finalised in this period.

Recommendations: It is recommended that the Committee notes the outcomes of the assurance audit completed between 5 March 2019 to 24 April 2019.

Cabinet member(s): All
Ward(s) affected: All

Contact Officer, telephone number, and e-mail: Faye Haywood, Internal Audit Manager for North Norfolk DC
01508 533873, fhaywood@s-norfolk.gov.uk

9. FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 23 NOVEMBER 2018 TO 31 MARCH 2019 49 - 60

Summary: This report provides an overview of progress made in implementing agreed audit recommendations due for completion between 23 November 2018 to 31 March 2019.

Conclusions: Good progress continues to be made in addressing audit recommendations with a high percentage of these being actioned by management.

Recommendations: It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.

Cabinet member(s):
All

Ward(s) affected:
All

Contact Officer,
telephone number, and e-mail:

Faye Haywood,
Internal Audit Manager for North
Norfolk DC
01508 533873, [fhaywood@s-
norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

10. GOVERNANCE, RISK AND AUDIT COMMITTEE SELF-ASSESSMENT 61 - 74

Summary:

The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees - practical guidance for local authorities and police” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice and incorporates the position statement previously issued.

It is good practice for audit committees to complete a regular self-assessment exercise, to be satisfied that the Committee is performing effectively.

Conclusion:

Undertaking a review of its performance against best practice ensures that the Committee has properly assessed the way in which it discharges its duties.

Recommendation:

That Members note the attached checklist at **Appendix 1** to this report.

Cabinet member(s):
All

Ward(s) affected:
All

Contact Officer,
telephone number, and e-mail:

Faye Haywood,
Internal Audit Manager for North
Norfolk DC
01508 533873, [fhaywood@s-
norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

11. ANNUAL REPORT AND OPINION 2018/19 75 - 88

To receive the Annual Report and Opinion, and the Review of the Effectiveness of Internal Audit 2018/19.

12. DRAFT STATEMENT OF ACCOUNTS 2018/19 89 - 216

Summary:

As part of the current work programme, the Governance, Risk and Audit Committee will approve the Council’s audited Statement of Accounts. To aid with this process, the draft

Statement of Accounts is presented in this report for early scrutiny by the Committee.

Conclusion: The Draft Statement of Accounts as presented in Appendix A fulfils the Council's obligation to publish by 31st May each year.

Recommendation: That Members note the draft statements at **Appendix 1** to this report.

Cabinet member(s):
All

Ward(s) affected:
All

Contact Officer, telephone number,
and e-mail:

Lucy Hume, Chief Technical
Accountant
01263 516246
lucy.hume@north-norfolk.gov.uk

13. LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2018/19 217 - 264

Summary: The Corporate Governance framework is made up of the systems and processes, culture and values by which an organisation is directed and controlled. For local authorities this includes how a Council relates to the community it serves. The Local Code of Corporate Governance is a public statement of the ways in which the Council will achieve good corporate governance. This is based on the development of the new '*Delivering Good Governance in Local Government: Framework*' (2016) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and focusses on the seven core principles and sub-principles of good governance. The Annual Governance Statement is prepared following a review of all the evidence available to the Council in seeking compliance with its Local Code.

Conclusions: The arrangements set out in the Local Code of Corporate Governance and the Annual Governance Statement will allow the Council to move ahead with its corporate planning processes confident that it can address the issues of governance and risk.

Recommendations: Members are asked to review and approve the Annual Governance Statement along with the updated Local Code of Corporate Governance.

Cabinet Member(s)
All

Ward(s) affected
All

Contact Officer, telephone number and email:
Duncan Ellis, 01263 516330, Duncan.ellis@north-norfolk.gov.uk

14. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST 265 - 266

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

15. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME 267 - 268

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

16. 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 part 1 of schedule 12A (as amended) to the Act.”

GOVERNANCE, RISK & AUDIT COMMITTEE

Minutes of a meeting of the Governance Risk & Audit Committee held on Tuesday 26th March 2019 in the Council Chamber, Council Offices, Holt Road, Cromer at 2.00 pm.

Members Present:

Committee:	Mr J Rest (Chairman)	Mr M Knowles
	Mr P Rice	Mr N Pearce
	Ms V Gay	

Other Members:

Officers in

Attendance: The Internal Audit Manager (FH), the Chief Technical Accountant (LH), the Democratic Services and Governance Officer, and the External Auditor (AR).

49. APOLOGIES

Cllr V Fitzpatrick.

50. PUBLIC QUESTIONS

None received.

51. ITEMS OF URGENT BUSINESS

None.

52. DECLARATIONS OF INTEREST

None.

53. MINUTES

The Minutes from the meeting of the Governance, Risk & Audit Committee held on 4th December 2018 were approved as a correct record and signed by the Chairman.

54. EY CERTIFICATION OF CLAIMS ANNUAL REPORT 2017/18

The External Auditor (AR) introduced the Report and informed Members that its aim was to outline the result of EY's 2017/18 certification work, and highlight any significant issues.

Questions and Discussion

The External Auditor (AR) referred to the summary of findings on page 9 and informed Members that the housing benefits subsidy claim had been amended, with the subsidy increased by £791. She added that elsewhere there hadn't been many errors in the claim, and that it would be unusual not to have some minor errors.

Cllr N Pearce thanked the External Auditor for her work.

RESOLVED

To note the Report.

55. EY EXTERNAL AUDIT PLAN

The External Auditor (AR) introduced the Report and informed Members that the Audit Plan was not dissimilar from previous years.

Questions and Discussion

The External Auditor (AR) informed Members that the implementation of new accounting standards was a new area of focus for EY. The new standards reflected recent changes in Local Government accounting practices, to comply with International Financial Report Standards IFRS 9 on financial instruments, and IFRS 15 on revenue from contracts with customers.

The Chairman referred to page 29 of the Report, and noted that the Council's future budget gap had been identified as a value for money risk.

It was confirmed by the External Auditor (AR) that the EY Audit Team would remain the same as the previous year.

The Chairman referred to the Audit timeline on page 39, and asked how much time would be spent by EY to complete the years audit. The External Auditor (AR) replied that audit would be broken down into three stages comprised of; initial planning, the interim phase that included substantive testing, and the final phase that would take place in June/July. Overall it was expected that this work would take at least six weeks to complete. Members agreed that within this timeframe, the work completed was still good value for the Council. It was noted that the Audit cost had gone down, though Members were assured that EY would provide the same service at a reduced cost. The Chairman asked whether the reduction in cost would be a problem for EY, to which the External Auditor (AR) replied that they would look to increase efficiencies in areas such as data analysis, in order to off-set the reduction in cost.

RESOLVED

To note the EY Audit Plan.

56. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Internal Audit Manager (FH) introduced the Report and informed Members that it covered the period from 23rd November 2018 to 5th March 2019.

Questions and Discussion

The Internal Audit Manager (FH) brought attention to the significant changes that included the corporate governance audit being extended by two days to account for the new GDPR legislation, and the affordable housing audit being postponed.

It was explained that 152 days of the audit program had now been completed, equating to 90% of the plan for the year, and that the team was on target to deliver on time.

Three Reports had been finalised and given substantial assurances as follows; Digital Transformation Benefits Realisation, Council Tax and NNDR, and Housing Benefit and Local Council Tax Support. Council Tax and NNDR had been given a P3 recommendation, to note that the area needs attention and should be acted upon within three months. It was suggested that a strong framework had resulted in a large number of substantial assurances being given.

The Internal Audit Manager (FH) informed Members that 4th Quarter Reports were now available in draft, and would be finalised in time for the next meeting.

Cllr N Pearce referred to the Digital Transformation Programme and noted the large scale of the project, then asked if any risks had been identified as a result. The Internal Audit Manager (FH) replied that this had been considered a risk as part of 2019/20 internal audit planning process. Cllr N Pearce suggested that there could be a risk of data loss when migrating historical information. The Internal Audit Manager (FH) replied that it is typical for any data migration exercise to devise a strategy to ensure that all information was incorporated. She added that she had been reassured to discover that officers were well aware of these risks. Cllr N Pearce asked if anything had come to the Council's advantage, to which the Internal Audit Manager (FH) replied that this could be explored within the scope of any audits in this area.

Cllr V Gay stated that as part of the DTP, projected savings had been reported, though it remained unclear where these savings had been made. She then asked whether the savings had been itemised for audit purposes. The Chief Technical Accountant (LH) replied that the savings had been itemised, and the total figure could be broken down if necessary. It was accepted that there was an issue with the way that this information had been reported to Members. Cllr M Knowles reiterated the point, and said that the reported savings of £91k was a fairly precise figure, that suggested that further details would be available. He added that it would be very useful to see this information. Cllr V Gay stated that after the Council had voted to fund the DTP, it would be very useful to see where the savings had been made.

The Chairman referred to the Council's debt write-off procedure identified on page 14. He asked if any changes had been made or proposed, and whether the auditors were still comfortable with the Council's debt write-off procedure. The Internal Audit Manager (FH) stated that she had raised an issue with the procedure and suggested that greater segregation of duties might be necessary, though she was happy with the level of risk accepted by officers. The Chief Technical Accountant (LH) confirmed that there was a final figure available for the debt write-off and this could be sent to Members. Cllr P Rice asked how the debt write-off figure was reached. The Chief Technical Accountant (LH) replied that there was no standard write-off budget, but the figure had remained relatively static, with a slight increase in business rates write-offs. Cllr V Gay asked if there was a debt write-off limit, to which the Chief Technical Accountant (LH) replied that she was unsure of the limit, but knew that large sums had to be cleared by the S151 Officer. She added that she would seek to find the limit and inform Members.

The Chairman asked if officers were familiar with the debt recovery policy, to which the Chief Technical Accountant (LH) replied that the Council had a good recovery policy in place, and that it was only used as a last resort. It was confirmed that debt recovery agencies were used in some cases, and that business rates debt was largely due to businesses becoming insolvent. The Chairman asked whether there was a national registry of debts that could be used by other Council's if debtors were to leave the district.

The Chief Technical Accountant (LH) replied that this service was available indirectly, and was being run by the Cabinet Office. She added that the service was already operational with housing services, and that debt issues were flagged by NFI Reports.

RESOLVED

To note the outcomes of the assurance audit completed between 23rd November 2018 and 5th March 2019.

57. STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2019/20

This Report provides an overview of the stages followed prior to the formulation of the strategic internal audit plan for 2019/20 to 2021/22 and the internal audit plan for 2019/20.

Questions and Discussion

The Internal Audit Manager (FH) explained to Members that the Internal Audit Charter was a mandatory document that the Committee was required to approve. She added that the document remained generally the same as the previous year's with some minor amendments.

Members were informed that the additional documents had been updated to reflect the work planned for 2019/20 and that the Committee was required to approve these also. The Internal Audit Manager (FH) stated that NNDC was embarking on a number of significant projects that she would provide a position statement on in the project management framework in the first quarter of 2019/20. A number of service area audits were identified as key risks for the Council, including coastal management and leisure services due to the significant projects that were underway. Further service areas were identified for annual audits such as car parks, planning, and section 106 agreements. The last of which still had an outstanding recommendation that would be reconsidered in Q2.

IT audits were briefly discussed and it was noted that cyber security threats were increasing, which could have an impact on associated risks.

Cllr M Knowles stated that the audit plan appeared to be very thorough, but raised concerns that two issues remained unresolved. The first was that the Council still didn't receive parking data from KLWNBC, which meant that it had no way to confirm the parking revenue it received. The second was S106 agreements, where it was suggested that no progress was being made. The Internal Audit Manager (FH) referred to the S106 agreements allocation within the audit plan, and stated that she had discussed this issue with the Head of Planning. She had been informed that new software was being introduced that could help to manage these issues. Cllr M Knowles asked that his concerns on S106 agreements and the Council's car parking data being noted. He then suggested that KLWNBC managed more than just NNDC's car parks, and asked if other Councils had similar issues. The Internal Audit Manager (FH) suggested that it was possible that there were wider issues, and stated that would she seek to get more details for the Audit Team to consider. Cllr P Rice stated that he had concerns regarding value for money with the Council's parking service, and noted that information from KLWNBC was needed to determine this. The Chief Technical Accountant noted that income reconciliation had been difficult in the past. The Internal Audit Manager (FH) stated that she would look to provide additional scope in the audit.

Cllr V Gay stated that the audit plan was a good reflection of the Council's undertakings, but raised some issues regarding the Council's project management framework and delivery dates. She suggested that more specific information should be provided on projects, and that delivery dates should be monitored to ensure work is being carried-out on time, as opposed to focusing solely on transparency. The Internal Audit Manager (FH) agreed and suggested that a strategy document should be sought, alongside efforts to determine whether risks were being considered, whether timelines were being adhered to, and whether costs were being monitored adequately.

Cllr V Gay referred to the issues with S106 agreements, and stated that these had been managed prior to the introduction of new software, and asked why it was needed now. The Internal Audit Manager (FH) replied that she could not give assurances at this time, and therefore work would be carried-out to achieve this.

The Chairman asked for the Committee to take the recommendations en bloc.

RESOLVED

- 1. To note and approve the Internal Audit Charter.**
- 2. To note and approve the Strategic Internal Audit Plans 2019/20 to 2021/22.**
- 3. To note and approve the Annual Internal Audit Plan 2019/20.**

58. CORPORATE RISK REGISTER

The Chief Technical Accountant introduced the Report and informed Members that it aimed to provide an update on changes to the Corporate Risk Register (CRR).

Questions and Discussion

The Chief Technical Accountant informed Members that the Medium Term Financial Plan identified on the summary register on page 102 had been revised down from 20 to 15, to reflect the Council successfully setting the budget. She added that a new risk had been added to the register that identified the Council's corporate project risks, which would be fed with information from individual project registers.

Cllr P Rice stated that the waste management contract had been discussed at the previous meeting, and asked if there was any update. The Chief technical Accountant replied that the borrowing figures had been incorrect, and that they had been updated to reflect the additional £50m borrowed by the contractor. She added that she was expecting further updates and that the Council still had a contingency plan in place.

Cllr V Gay referred to the recruitment risk, and asked whether it had become a long-term problem for the Council. The Chief Technical Accountant confirmed that it was an ongoing problem that the HR Manager was working to address, but warned that the location of the Council was a key issue for recruitment. It was noted that there was still a national shortage of planners, and that pay reviews had been carried-out alongside work to improve people's perception of NNDC as an employer. The Chief Technical Accountant stated that whilst it was difficult to find people with the right qualifications, financial incentives were being managed effectively to encourage potential employees to the district. She added that the Council also actively promoted trainee and apprenticeship positions, especially in Eastlaw. Cllr M Knowles stated that many

businesses along the coast faced difficulties attracting staff, though they often stayed once here.

The Chairman referred to procurement risks regarding a lack of value for money, and asked whether this should have been identified as a more serious risk. The Chief Technical Accountant replied that this was an accurate representation of the Council's current position, and that the Council did have a Procurement Officer to manager these issues, and a Procurement Board for large concerns. The Internal Audit Manager (FH) informed Members that procurement was in the audit plan for next year, and that she was comforted that it was already on the register. It was suggested that a recommendation should be made for the GRAC Chairman to sit on the Risk Management Board to provide input and feedback to the Committee.

It was proposed by Cllr J Rest and seconded by Cllr V Gay that the Chairman should sit on the Risk Management Board.

RESOLVED

- 1. To recommend that the GRAC Chairman sits on the Risk Management Board.**
- 2. To note the Report and changes made to the CRR.**

59. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework was included for reference and was scheduled to be reviewed in March 2020.

RESOLVED

To note the Risk Management Framework.

60. ACCOUNTS CLOSEDOWN 2018/19 – TECHNICAL UPDATE

The Chief Technical Accountant introduced the Report and informed Members that it had been provided to give an update on the accounts closedown process for the 2018/19 financial year, as the first year of the new accounting deadlines.

Questions and Discussion

The Chief Technical Accountant informed Members that new accounting standards had been adopted by CIPFA which included IFRS 9 and IFRS 15. The first of which was on financial instruments, and covered the Council's investment portfolio. It was noted that the External Auditors didn't necessarily agree on the investment treatments, and that this would need to be resolved. IFRS 15 on revenue from contracts with customers was aimed to standardise when revenue was accounted for at the point that all performance obligations for the relevant revenue had been satisfied. The Chief Technical Accountant stated that this shouldn't have a large impact on the Council, but it would still need to be reviewed.

IFRS 16 on leases was discussed, and it was explained that a new standard would come into effect in the coming years. This standard would require a significant change to the way leases were accounted for, with operating and finance leases being replaced by a lease for a right of use asset.

RESOLVED

To note the update.

61. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The Democratic Services and Governance Officer stated that there were no outstanding actions from the previous meeting. He added that the GRAC annual Report had been postponed to include items from the current meeting, and that it would not go to Full Council until after the upcoming election.

The Chief Technical Accountant stated that training would be provided by the Internal Audit Team, prior to the Committee's first meeting in the new municipal year. She added that CIPFA may provide additional training prior to the Committee's review of the Council's final accounts.

It was confirmed that an introduction to the Committee could be included in the Members induction programme.

62. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The Work Programme had been updated with a new format for the next municipal year and the Democratic Services and Governance Officer asked for Members and Officers to agree its content.

RESOLVED

To note the GRAC Work Programme.

63. EXCLUSIONS OF THE PRESS AND PUBLIC

None.

The meeting ended at 3.30 pm

Chairman

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GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL REPORT 2018/19

Summary:	This report arises from the CIPFA self-assessment of good practice undertaken in March 2018. CIPFA (The Chartered Institute of Public Finance and Accountancy) is the professional body for people in public finance. The report aims to give all Members a better understanding of the role of the Governance, Risk and Audit Committee, to provide insight into the work of the Committee in the year 2018/19 and to highlight some of the key issues it has considered.
Conclusions:	The Committee has fulfilled its remit and had a very active year. There have been some changes in membership but attendance has been good. 2019/20 will bring new challenges as the Council undertakes multiple projects and welcomes new Members following the May 2019 election, that could see Members appointed to stand on the Committee for the first time.
Recommendations:	It is recommended that Council notes the report and affirms the work of the Governance, Risk and Audit Committee.
Reasons for Recommendations:	To inform Council of the work of the Governance, Risk and Audit Committee in 2018/19.
Cabinet member(s): All	Ward(s) affected: All
Contact Officer, telephone number, and e-mail:	Matt Stembrowicz, Democratic Services & Governance Officer, 01263 516047, Matthew.Stembrowicz@north-norfolk.gov.uk

1. Introduction

The purpose of the Governance, Risk and Audit Committee is to monitor governance, risk management and internal control arrangements at the Council, to provide independent assurance that these are effective and efficient. This is achieved through key regular items received by the Committee in relation to, but not limited to internal and external audit, key finance items, governance reviews and strategic risk management reporting.

- 1.1. In March 2018, Members of the Committee undertook a CIPFA self-assessment of good practice. CIPFA (The Chartered Institute of Public Finance and Accountancy) is the professional body for people that work in public finance. The self-assessment is a regular exercise against a checklist, undertaken to gain assurance that the Committee is performing effectively. The exercise highlighted the good performance of the Committee, but noted that there was still work to be done to increase Members awareness and understanding of the additional work the Committee undertakes in addition to reviewing the annual statement of accounts. This report has arisen from this observation and seeks to give all Members an improved understanding of the Committee's work.

2. Background

- 2.1. The Committee was originally convened on 21 June 2006 as the Final Accounts Committee. It was established to allow a more robust Member scrutiny/discussion of the final accounts prior to their approval by Full Council. On 16 October 2006, the Committee met for the first time as the Audit Committee. Its remit was more far-reaching than accounts and included scrutiny of external and internal audit, risk management and internal control. On 6 September 2016 the Committee agreed to change its name to the Governance, Risk and Audit Committee to better reflect its function and the range of its oversight.
- 2.2. In 2018/2019 the Committee met in June, July, September, December and March. This allowed for an extra meeting to take place in July at which the Final Statement of Accounts was signed off in accordance with the new CIPFA deadline of 31 July.

3. Membership and Attendance of the Committee in 2018/19

- 3.1. The Committee is composed of 6 Members. There were some Member changes in 2018/19 as a result of changes to the Council's political balance. Committee Membership this year has comprised of:
 - Mr D Baker (Until September 2018)
 - Mr V FitzPatrick
 - Ms V Gay
 - Mr M Knowles
 - Mr N Pearce (From November 2018)
 - Mr J Rest (Chairman)
 - Mr P Rice (From September 2018)
 - Mr D Young (Until November 2018)
- 3.2. Attendance has been good throughout the year with the 6 nominated Members achieving a total of 24 attendances out of a possible 30.

4. Purpose of the Committee

The purpose of the Governance, Risk and Audit Committee is to monitor governance, risk management and internal control arrangements at the Council, to provide independent assurance that these are effective and efficient. This is achieved through key regular items received by the Committee in relation to, but not limited to internal and external audit, key finance items, governance reviews and strategic risk management reporting.

4.1. The Terms of Reference (which have been updated to allow the Committee to sign off the Final Accounts) outline the purpose in more detail:

a) Internal Audit

- To consider and approve annually the Internal Audit plan of work, considering the scope and depth of the work in addressing the Council's significant risks and issues.
- To consider the outcomes of the internal audit plan of work and to monitor management's progress in implementing agreed audit recommendations.
- To consider and approve the Annual Report and Opinion of the Head of Internal Audit, ensuring that the systems of internal control, governance and risk management have been effective and efficient over the course of the year.
- To consider the performance of the internal auditors in relation to the adherence to the Public Sector Internal Audit Standards.

b) External Audit

- To consider annually the External Audit plan of work.
- To consider External Audit reports and letters.

c) Accounts / Finance

- To consider the extent of the Council's compliance with its own and other published financial statements and controls.
- To review and approve the annual Statement of Accounts and the Annual Governance Statement contained therein.

d) Risk Management

- To review the strategic risks that the Council faces and ensure that these are being appropriately managed, monitored and mitigated.

e) Governance

- To review the Council's arrangements for governance, with particular regard to the Local Code of Corporate Governance and the Financial and Contracts Procedure Rules.
- To review the Council's arrangements to counter fraud and corruption, with particular regard to the policies on: Counter Fraud, Whistleblowing and Money Laundering.
- To hold periodic private discussion with the Head of Internal Audit and the External Auditors to review working relationships and discuss any pertinent issues.
- To commission ad-hoc work from internal and external audit.
- To assess the Committee's own effectiveness on an annual basis against best practice.

5. Work of the Committee in 2018/19

- a) Internal Audit
 - Progress report on Internal Audit Activity (every meeting)
 - Follow-up on Internal Audit Recommendations (June, December 2018)
 - Annual report and opinion 2017/18 and review of the effectiveness of Internal Audit (June 2018)
 - Feedback on CIPFA Self-Assessment (June 2018)
 - Strategic and Annual Audit Plans (March 2019)
- b) External Audit
 - Letter of Representation (July 2018)
 - Ernst and Young Annual Audit Letter (September 2018)
 - Ernst and Young Audit Plan (with overview) (March 2019)
 - Annual Grant Certification Report from Ernst Young (March 2019)
- c) Accounts / Finance
 - 2017/18 Statement of Accounts (July 2018)
 - Accounts Closedown Technical Update (March 2019)
- d) Risk Management
 - Civil Contingencies Update (December 2018)
 - Corporate Risk Register (September 2018, March 2019)
 - Risk Management Framework (March 2019)
- e) Governance
 - Local Code of Corporate Governance and Annual Governance Statement 2016/17 (June 2018)
 - Monitoring Officer Annual Report 2017/2018 (June 2018)
 - Anti-Money Laundering Policy (December 2018)
 - CIPFA Self-Assessment (March 2019)
 - Report on the work of the Governance, Risk and Audit Committee (April 2019)

6. Key Issues reviewed during the year

6.1. Feedback from Self-Assessment 2018

The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “Audit Committees - practical guidance for local authorities and police” set out the guidance on the function and operation of audit committees. It represented CIPFA’s view of best practice which included the regular completion of a self-assessment against the checklist.

The assessment in March 2018 highlighted the good performance of the Committee but noted that there was still work to do to improve recognition of the Committee amongst other Members of the Council and the general public. In addition, whilst Members were generally seen as holding the necessary skills and knowledge to sit on the Committee, it was suggested that a record of this knowledge could be established, in order to assist with identifying future training requirements. Members undertook a further Self-Assessment on 26th March 2019 with a summary to be brought to the Committee in June 2019.

Members agreed that, despite some changes in Membership, an effective Audit Committee had been selected and that the Chairman had the appropriate knowledge and skills. They also agreed that, now that the Committee was authorised to sign off the Final Accounts, it brought additional value to the organisation.

6.2. Follow-up on Internal Audit Recommendations and Historical Recommendations

The Committee is pro-active in monitoring outstanding and historical recommendations. When appropriate, relevant managers are invited to the Committee to answer Members' questions. In this respect, the Committee continues to receive updates in relation to section 106 agreements to ensure that they are regularly monitored. Progress on implementation of additional recommendations continues to be reviewed until the Committee is satisfied that issues have been resolved.

6.3. New deadline for Final Accounts

From 2018, because of changes in statutory regulations, the Final Accounts had to be signed off prior to the September meeting. In the past the Statement of Accounts has gone to Full Council with a recommendation from the Governance, Risk and Audit Committee, but this would not have met the new deadline. As a result, it was suggested that the Governance, Risk and Audit Committee's Terms of Reference should be amended so that the Committee could approve the accounts without reference to Full Council. This allowed for the accounts to be signed off by the new deadline, 31 July 2018. To meet this new deadline, many councils were scheduling a dedicated meeting with only the Statement of Accounts, the Audit Results report, and the Letter of Representation on the agenda. Members agreed this in September 2017 and as a result, the meeting took place on 24th July 2018.

The Committee's Terms of Reference were reviewed by the Head of Internal Audit and approved at the December meeting. The amended Terms were approved by Full Council on 21 February 2018.

7. Conclusion

The Committee has fulfilled its remit and had a very active year as demonstrated by the volume of work it has processed and the additional meeting in July. There have been changes in membership but attendance has been good and consistent. The 2018 Self-Assessment demonstrated that the Committee has increased its effectiveness in the last year and remains focused. 2019/20 has brought many new Members with a renewed enthusiasm for the work of the Committee in the year ahead.

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Monitoring Officer Annual Report 2018/19

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2 The Monitoring Officer's Work April 2018 – March 2019

3 Key Messages

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5 Overall opinion on the adequacy and effectiveness of the Governance framework

Monitoring Officer Annual Report 2018/19

1. Introduction

1.1 The Monitoring Officer's Annual Report summarises the more important matters arising from the Monitoring Officer's work for the Council from 1 April 2018 to 31 March 2019 and comments on other current issues.

1.2 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the fundamental principles of openness, integrity and accountability together with the overarching concept of leadership. In this respect, North Norfolk District Council recognises the need for sound corporate governance arrangements and has put in place policies, systems and procedures designed to achieve this.

1.3 The Monitoring Officer is appointed under Section 5 of the Local Government and Housing Act 1989 and has a number of statutory functions in addition to those conferred under the Local Government Act 2000 and subsequent regulations governing local investigations into Member conduct. These are outlined in the next section of the report.

2. The Monitoring Officer's Work April 2018 – March 2019

The appointment of the current Monitoring Officer was confirmed by Council on 21 September 2017 and has carried out the statutory functions since that time.

Duties	Work undertaken
(a) Maintaining a lawful position for the Council and reporting on contraventions or likely contraventions of any enactment or rule of law including fraud.	<p>The Monitoring Officer is a member of the Council's Corporate Leadership Team, together with the Heads of Paid Service and the Chief Financial Officer and is able to comment on issues discussed there.</p> <p>The Council's in house legal team, Eastlaw, provide advice and assistance to officers throughout the Council and report to the Monitoring Officer on any areas of concern in relation to lawfulness and compliance with the Council's protocols and processes.</p> <p>The Monitoring Officer and her staff attend meetings and provide advice to officers and Members at an early stage, including seeing reports to committee.</p>

	<p>The Monitoring Officer also requires appropriate recording of delegated authority to evidence compliance with the Constitution.</p> <p>eastlaw assess and respond to either changes in the legal framework and in particular this year have led on the implementation of GDPR.</p> <p>No contraventions have been identified or reported.</p>
(b) Report any findings of maladministration causing injustice where the Ombudsman has carried out an investigation.	<p>The Monitoring Officer reviews any complaints where the LGO has upheld the complaint. There has been no findings of maladministration.</p>
(c) Establish and maintain the Register of Member's interests and gifts and hospitality.	<p>All Members of both the District and Parish Councils completed new returns following the elections in May 2015. Members are reminded to keep these up to date.</p> <p>Members have been issued with Guidance on the Code.</p> <p>Members making nil returns have been reminded of their obligations under the Code.</p> <p>The Register of Members' Interests is publicised on the Council's website. The Registers are available for inspection at the Council's offices.</p>
(d) Maintain Register of Employees gifts and hospitality.	<p>The Registers have been updated regularly and are open to inspection.</p>
(e) Investigate misconduct in respect of District, Parish and Town Councillors under the Code of Conduct.	<p>During the year between April 2018 and March 2019 a total of 24 complaints have been received. This compares to last year's figure of 20 complaints.</p> <p>23 complaints relate to parish and town councils.</p> <p>The most common source of complaints were unclear governance procedures and also alleged disrespect to others.</p>

	<p>In a significant proportion of these cases there was either no breach identified or the members concerned were offered guidance and assistance.</p> <p>Where appropriate political Group Leaders have been asked to underline the importance of Member respecting the provisions of the Code and other Protocols.</p> <p>In some cases the parish councils were offered assistance through mediation and conciliation to resolve the issues themselves rather than having solutions imposed upon them.</p> <p>No cases were referred for investigation.</p> <p>Advice is being offered to parishes through 121, the Council's e-briefing to help parishes avoid complaints.</p> <p>Members have regularly sought advice in order to comply with the Code of Conduct, particularly in relation to declaring interests under the Code.</p> <p>Members have been provided with guidance through the provision of briefing notes through the Member's Bulletin.</p>
(f) Investigate breaches of the Council's own protocols.	There have been no alleged breaches of the Council's own protocols.
(g) Provide advice to Town and Parish Councils on the interpretation of the Code of Conduct.	<p>The Monitoring Officer has provided advice to Parish Councils on the Standards and Conduct Arrangements during 2018/19 face to face, by letter, telephone and email.</p> <p>The Monitoring Officer has provided advice and assistance to a number of parishes through interventions to raise standards and deal with complaints. Further advice is being provided to parishes/towns to help them comply with their obligations under the Code through 121, the Council's e-briefing for parishes/towns.</p>
(h) Promote and support high standards of	The Committee has met to consider issues

conduct through support to the Standards Committee.	<p>and hear cases.</p> <p>The Member Officer Protocol and Constitution has been updated.</p> <p>The Independent Person arrangements are working well.</p>
(i) Compensation for maladministration.	The Council has made one payment of £400 to a complainant as a gesture of goodwill. No maladministration was found.
(j) Maintenance and review of the Constitution.	<p>The Constitution has been revised and updated during the year through the input of the Constitution Working Party and the Standards Committee.</p> <p>A Working Arrangements Protocol had been developed and in place to deal with the changes to political control.</p>
(k) Responsibility for complaints made under the Council's Whistleblowing and Anti-Fraud policies.	<p>The risks of fraud are managed through the Council's anti fraud and corruption policies and underpinned by the financial and contract procedure rules. These are monitored for compliance by the legal and finance teams.</p> <p>Employees are made aware of the anti fraud policies and their ability to report through the Council's intranet and the Briefing.</p> <p>There have been no reports of fraud or financial impropriety.</p>
(l) Breaches of the Employee Code of Conduct.	<p>Employees are reminded through the Council's internal communications regarding business practice and ethical behaviour.</p> <p>There have no formal allegation of breaches under the Employee Code of Conduct.</p>
(m) Advice on vices issues, maladministration, financial impropriety, probity and policy framework.	<p>The Monitoring Officer has been consulted on new policy proposals, the budget and accounts and on matters, which have potentially significant legal implications.</p> <p>The Monitoring Officer meets regularly with the Chief Financial Officer.</p> <p>The financial statements are subject to a</p>

	<p>robust governance process through the Committee cycle.</p> <p>The Monitoring Officer and her staff have attended Council and other Committees as necessary.</p> <p>Officers consult the Monitoring Officer regularly on vires and probity issues.</p> <p>The Monitoring Officer works closely with the Chief Financial Officer and the Heads of Paid Service to ensure probity in the organisation.</p> <p>The Monitoring Officer regularly advises on the legality and/or appropriateness of administrative procedures, in conjunction with the Democratic Services Team.</p> <p>The Monitoring Officer meets regularly with the Group Leaders to share issues.</p> <p>This year has seen the implementation of GDPR and the introduction of an Information Risk Framework.</p>
(n) Exemptions to contract standing orders	<p>10 exemptions have been allowed this year, mainly in relation to specialist services and the applicable provisions under the Constitution have been followed.</p>
(o) actual or potential litigation or claims that would have a significant effect on the entity or a material impact on the financial statements	<p>None identified. A full list of litigation matters has been provided to the Council's external auditors.</p>

3. Key Messages

3.1 The key messages to note from the year are:

- (i) The systems of internal control administered by the Monitoring Officer including compliance with the Council's Constitution were adequate and effective during the period for the purposes of the latest Regulations. However, it is important that Members and Officers are regularly reminded of their obligations and updated on any changes to ensure there is no complacency.
- (ii) The Constitution continues to be regularly updated.

- (iii) During the current year the Council has changed control from a Conservative administration to no overall control. The Monitoring Officer and Democratic Services Team Leader worked with officers and Members to reflect this change within the Council's Protocols and processes.

4. Looking Forward

4.1 The key issues for 2018/19 are as follows;

- All out Council elections took place in May and a comprehensive development programme for members has been put in place.
- Project Governance is in the process of being reviewed.
- The contract standing orders are being reviewed.
- Further implementation of the Information Risk Management Framework is planned.

4.2 Code of Conduct

4.2.2 A change of political control has meant that there have been issues in relation to some Member conduct, this stabilised recently.

4.3 Corporate Governance Framework

4.3.1 The Council will keep the Code of Corporate Governance under review, taking into account any revisions to associated guidance and any recommendations arising from audit reports.

4.3.2 The Monitoring Officer will continue to provide an assurance in respect of the Code and the Annual Governance Statement by way of this Annual Report.

4.4 Constitution and Regulations

4.4.1 The Constitution will be continue to be kept under review by the Monitoring Officer working closely with the Democratic Services Team.

4.4.2 It will be appropriate to continue to remind Members and staff of the importance of compliance with the Council's regulations, as set out in the Constitution and other policy framework documents, and the Monitoring Officer and other staff will give advice accordingly.

5. Overall opinion on the adequacy and effectiveness of the Governance framework

The Monitoring Officer confirms that she is not aware of;

- Any breaches of, or deficiencies in, internal control in respect of fraud or compliance with relevant legal provisions that could have a significant effect on the entity or a material impact on the financial statements;
- Any actual, suspected or alleged frauds or breaches of legislative requirements during 2018/19;
- Any excessive or undue pressure to meet financial or operating targets that may unduly influence the actions of either those charged with governance or Management;
- Any actual or potential litigation or claims that would have a significant effect on the entity or a material impact on the financial statements;
- Any circumstances that would call into question the preparation of the financial statements on an ongoing basis.

That the systems of internal control administered by the Monitoring Officer including the Code of Conduct and the Council's Constitution, were adequate and effective during the year between April 2018 and March 2019 for the purposes of the latest regulations (subject to the areas outlined above).

Emma Duncan
Monitoring Officer
31/3/19

Progress Report on Internal Audit Activity: 4 September 2018 to 23 November 2018

Summary: This report examines the progress made between 5 March 2019 to 24 April 2019 in relation to delivery of the Annual Internal Audit Plan for 2018/19.

Conclusions: Progress in relation to delivery of the internal audit plan is line with expectations; and positive assurance has been awarded in the audit reviews finalised in this period.

Recommendations: It is recommended that the Committee notes the outcomes of the assurance audit completed between 5 March 2019 to 24 April 2019.

Cabinet member(s):

All

Contact Officer, telephone number, and e-mail:

Ward(s) affected:

All

Faye Haywood, Internal Audit Manager for North Norfolk DC

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1. Background

1.1. This report reflects progress made regarding assignments featuring in the approved Annual Internal Audit Plan for 2018/19 which was endorsed by the Audit Committee on 27 March 2018.

2. Overall Position

2.1. The overall position in relation to the completion of the Internal Audit Plan is within the attached report.

3. Conclusion

3.1 The completion of the Internal Audit Plan is line with expectations; and positive assurances have been awarded in the audit review finalised in this period.

4. Recommendation

4.1 It is recommended that the Committee note the outcomes of the assurance audit completed between 5 March 2019 to 24 April 2019.

Appendices attached to this report:

Progress Report on Internal Audit Activity

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Eastern Internal Audit Services



North Norfolk District Council

Progress Report on Internal Audit Activity

Period Covered: 5 March 2019 to 24 April 2019

Responsible Officer: Faye Haywood – Internal Audit Manager for North Norfolk District Council

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1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
 - Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 27 March 2018 the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since the last Committee meeting in March 2019 there have no changes made to the internal audit plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.
- 3.2 In summary 168 days of programmed work has been completed, equating to 100% of the revised Internal Audit Plan for 2018/19.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

Substantial Assurance: Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

Urgent (priority one): Fundamental control issue on which action to implement should be taken within 1 month.

Important (priority two): Control issue on which action to implement should be taken within 3 months.

Needs attention (priority three): Control issue on which action to implement should be taken within 6 months.

4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

4.4 During the period covered by the report Internal Audit Services have issued five final reports:

Audit	Assurance	P1	P2	P3
Accounts Payable	Reasonable	0	2	3
Key Controls	Substantial	0	0	0
Environmental Health	Reasonable	0	2	4
Corporate Governance GDPR	Reasonable	0	0	2
HR and Payroll	Reasonable	0	3	5

The Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members.

4.5 As can be seen in the table above as a result of these audits 21 recommendations have been raised and agreed by management. In addition, two Operational Effectiveness Matters points have been proposed to management for consideration.

4.7 It is pleasing to note that all audits concluded in a positive opinion being awarded, indicating a strong and stable control environment to date, with no issues that would need to be considered at year end and included in the Annual Governance Statement.

5. PERFORMANCE MEASURES

5.1 The Internal Audit Services contract includes a suite of key performance measures against which the contractor will be reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas.

5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Manager to ensure that appropriate action is taken.

- 5.3 The 2018/19 Internal Audit plan has now been completed and a report on the performance measures provided to the Internal Audit Manager, performance is currently at green status with targets having been satisfactorily met.
- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
TOTAL		0	0	0							
Quarter 2											
Elections and Electoral Registration	NN1903	12	12	12	Final report issued 7 November 2018	Substantial	0	0	0	0	December 2018
Pier Pavilion	NN1904	10	10	10	Final report issued 21 November 2018	Reasonable	0	0	3	1	December 2018
Homelessness & Housing Options	NN1905	10	10	10	Final report issued 31 October 2018	Reasonable	0	1	3	0	December 2018
TOTAL		32	32	32							
Quarter 3											
Digital Transformation - benefits realisation	NN1902	6	6	6	Final report issued 9 January 2019	Substantial	0	0	0	3	March 2019
Accounts Payable	NN1906	12	12	12	Final report issued 5 March 2019	Reasonable	0	2	3	0	June 2019
Council Tax and NNDR	NN1907	15	15	15	Final report issued 17 January 2019	Substantial	0	0	1	0	March 2019
Local Council Tax Support & Housing Benefits	NN1908	15	15	15	Final report issued 7 February 2019	Substantial	0	0	0	0	March 2019
TOTAL		48	48	48							
Quarter 4											
Corporate Governance	NN1910	6	8	8	Final report issued 24 April 2019	Substantial	0	0	2	0	June 2019
Key Controls and Assurance	NN1911	10	10	10	Final report issued 6 March 2019	Substantial	0	0	0	0	June 2019
Payroll and Human Resources	NN1912	17	17	17	Final report issued 24 April 2019	Reasonable	0	3	5	2	June 2019
Affordable Housing & Housing Enabling	NN1913	10	0	0	Audit deferred 201920 plan						
Environmental Health	NN1914	18	18	18	Final report issued 11 April 2019	Reasonable	0	2	4	0	June 2019
TOTAL		61	53	53							
IT Audits											
Network Infrastructure & Security	NN1909	15	15	15	Final report issued 28 June 2018	Reasonable	0	1	10	1	September 2018
Business Support Arrangements	NN1901	15	10	10	Final position statement issued 20 November 2018						December 2018
TOTAL		30	25	25							
Follow Up											
Follow Up	NA	10	10	10							
TOTAL		10	10	10							
TOTAL		181	168	168			0	9	31	7	
Percentage of plan completed				100%							

Assurance Review of the Accounts Payable Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policy, Procedure and Systems	0	0	1	0
Raising and Authorisation of Purchase Orders	0	1	2	0
New Suppliers and Changes to Suppliers	0	0*	0	0
Credit Card Payments	0	1	0	0
Total	0	2	3	0

No recommendations were raised around receipt of goods, segregation of duties, authorisation of invoices, payment of invoices and reconciliation with the financial ledger.

*Recommendation raised in raising and authorisation of purchase orders linked.

SCOPE

The scope of this review covers; raising and authorisation of purchase orders, receipt of goods, segregation of duties, authorisation of invoices, payment of invoices, new suppliers & changes to suppliers, credit card payments and reconciliation with the financial ledger.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Accounts Payable (NN/17/11), issued in March 2017, also concluded in a 'Reasonable' assurance opinion, with two 'important' recommendations having been raised, indicating that whilst the overall assurance level is unchanged since the previous audit, there is movement within the area.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Segregation of duties exists between the raising of purchase orders and approval of invoices for payment with access levels aligned to officers' delegated levels of responsibility. Confirmation is obtained of goods received.
- Access profiles are in place, to ensure only restricted staff have access to the accounts payable module on the E-financial system.
- System controls are in place to prevent payments being receipted against purchase orders where funds are not available.
- System controls are in place to prevent duplicate invoices being registered and paid.
- Invoices are paid promptly and prior to the target payment period of 30 days, ensuring the Better Payment Practice Code (BPPC) is met.
- BACS payment runs are checked for accuracy and approved by an authorised signatory prior to being processed for payment, providing assurance over the accuracy of payments being made.
- Monthly control account reconciliations between the general ledger and the aged creditor report are completed timely and subject to independent review, providing assurance around the completion and accuracy of the accounts.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendations have been made.

Raising and Authorisation of Purchase Orders

- The creation of new suppliers and changes to suppliers bank details to be subject to independent verification, to ensure the details on the E-financials system matches independently source documentation, to minimise the risk of payments to incorrect bank accounts, fraud or error to the accounts. This recommendation was previously raised, implemented then reoccurred, as such the risk of potential fraud or error remains in the system.

Credit Card Payments

- VAT receipts for Council credit card expenditure to be requested from all card holders, or explanations obtained and recorded where not provided, to minimise the risk of VAT being incorrectly claimed and accounted for.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Policy, Procedure and Systems

- The accounts payable procedures to be subject to review and update, to address the risk of incorrect or inappropriate practices being followed that are not in accordance with managements wishes.

Raising and Authorisation of Purchase Orders

- DELL purchase orders are to either be raised prior to purchases being made or added to the purchase order exception list. If a decision is not made and action taken, purchases may be made inappropriately, exceed budgets and not properly accounted for.
- Purchase order limits raised through the Estates system interface with the E-financials system to be checked, to ensure they are within the assigned delegated limits, to minimise the risk of high value orders exceeding the signatory delegated limit and potential overspend on approved budgets.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The last Key Controls audit (NN1815) was undertaken in March 2018, this included one needs attention in relation to Accounts Payable. This was confirmed as implemented as part of the general follow up process. The previous audit on Accounts Payable (NN1711) raised two recommendations. One recommendation in relation to the independent verification of supplier change details has been raised in the last two audits of this area NN1609 and NN1711 and has been reported to internal audit as resolved both times.

Other Points to Note

The E-financials purchase order system contains a function that can be linked to individual budgets, to impose an automated restriction on placing purchase orders if it would result in an over spend on the code. This function has not been switched on as this would physically block the raising of a purchase order, rather than the Council's preferred method of providing a warning to staff. The Council are open to implementing this functionality in the future if a new system or upgrade could instigate a warning rather than a block. The Council has accepted the risks associated with this and any overspends are identified through retrospective budget monitoring. This was previously raised as a point to consider during the 2016/17 financial year, as such no further recommendation is raised.

Assurance Review of Key Controls and Assurance

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Total	0	0	0	0

No new recommendations have been made in this report in any areas within the scope of the audit.

SCOPE

The objective of the audit was to review the systems and controls in place within Key Controls to support the Annual Governance Statement, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of no recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Key Controls Testing

There are a number of key controls within the fundamental financial systems that are required to be covered by internal audit each year, in order to support the Annual Governance Statement (AGS) and the Head of Internal Audit's Annual Report and Opinion.

Under the agreed internal audit plan for 2018/19 a number of these material systems have been reported on in detail and those key controls have been addressed in each system reviewed. Recommendations have been raised in these individual audit reports. The areas this applies to are:

- NN1906 Accounts Payable;
- NN1912 Payroll and Human Resources;
- NN1908 Housing Benefit and Local Council Tax Support; and
- NN1907 Council Tax and National Non-Domestic Rates (NNDR).

In addition, the key controls in the material systems that were not covered as part of the agreed internal audit plan for 2018/19 have been reviewed as part of this audit. The areas to which this applies are:

- Accounts Receivable;
- Accountancy Services (general ledger, control accounts, asset management, treasury management and budgetary control); and
- Cash Income and Receipt.

During the internal audit of the above areas within this review, no recommendations have been made.

Assurance Framework

A review of the assurance framework within the Council was also undertaken as part of the internal audit review. This focused on the structure of the assurance statements, responsibility for completion, evidence retained, the mechanism for incorporating information into the Annual Governance Statement (AGS), senior officer and member review of the AGS and subsequent review and monitoring of action plans.

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The AGS included in the 2017/18 Statement of Accounts refers to the fact that Heads of Service completed assurance statements which feed into the assurance framework, highlighting the governance issues that need to be addressed.
- The AGS for 2017/18 was reviewed by the Audit Committee in July 2018.

Outstanding Previous Recommendations

Four recommendations were raised in the previous audit of Key Controls (NN/18/15), of which two related to Accountancy Services, one to Accounts Payable and one to Housing Benefit and Council Tax Support. All of these recommendations have been confirmed as implemented.

During 2018/19 key controls were also tested as part of the full reviews of Housing Benefit and Council Tax Support, Council Tax and NNDR and Accounts Payable. Two recommendations were made in relation to the key controls within the Accounts Payable audit, specifically relating to confirming supplier bank details prior to amendment and to ensuring that purchase orders raised through an interface are subject to the same authorisation process as those raised directly on the finance system. The first of these recommendations has been implemented and the second is due for completion by 30th September 2019. No recommendations relating to key controls were raised in the Council Tax and NNDR or Housing Benefit and Council Tax Support audits.

Other points to note

All staff in the Accountancy team can post journals with a value of less than £100k to the ledger without independent authorisation. The Council is happy to continue to accept the risk associated with this policy.

Assurance Review of the Environmental Health Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Licensing	0	1	0	0
Commercial Team	0	0	1	0
Environmental Protection	0	1	2	0
Public Spaces Protection Orders	0	0	1	0
Total	0	2	4	0

SCOPE

The audit focused on areas where the implementation of the environmental health business process review and IT upgrades are most advanced, these being licensing, commercial and environmental protection.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and four 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Environmental Health (NN/18/07) in October 2017 also concluded in a 'reasonable' opinion, indicating that level of assurance is unchanged.

POSITIVE FINDINGS

We found that the Council has demonstrated the following points of good practice as identified in this review and we will be sharing details of these operational provisions with other member authorities in the Consortium:

- The use of tablets when conducting food hygiene inspections saves officer time in writing up their findings and allows the business to receive a copy of the report and letter more promptly after the visit.

It is acknowledged there are areas where sound controls are in place and operating consistently:

- New and renewal licences are issued promptly on application and only after the correct fee has been received, to ensure that all licences are paid for.
- The Council investigates all reports of licence breaches, to ensure that all licence holders adhere to the conditions of their licence.
- Complaints about food are investigated promptly and followed up as necessary, to ensure that unsatisfactory practices are addressed.
- The Council works closely with local housing associations and other agencies, to ensure that anti-social behaviour in the district is addressed effectively.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendations have been made.

Environmental Protection

- A Service Level Agreement between the Council and Victory Housing Trust on the use of Community Protection Notices (CPNs) is created, to define the terms of this arrangement and reduce the risk of inappropriate use of CPNs.

Licensing

- The licence register on the Council's website is updated, to reduce the risk of the Council not fulfilling its legal obligations.

The audit has also highlighted the following areas where four 'needs attention' recommendations have been made.

Public Spaces Protection Orders

- The Council defines a policy on the creation and review of Public Spaces Protection Orders (PSPOs), to ensure that these processes are agreed and consistent.

Commercial Team

- Retrospective checks of banned food business operators are applied to cover the period when these checks could not be made, to ensure that no food businesses in the district are operated by a banned person.

Environmental Protection

- Waste offence investigations are closed promptly on the system once completed, to reduce the risk of ineffective monitoring of ongoing investigations.
- Complete and up to date information is provided by Victory Housing Trust on Community Protection Notices that it has issued on the Council's behalf, to reduce the risk of ineffective monitoring and response to anti-social behaviour.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous audit report on Environmental Health raised two 'important' and one 'needs attention' recommendations, all of which are still outstanding. These are being monitored through Internal Audit's separate follow up process and updates on progress were also obtained during this audit. One 'important' recommendation relates to updating procedure notes and other internal guidance across the service, which will be completed following completion of the business process review. The other 'important' recommendation relates to more efficient data sharing from Planning and Revenues to Environmental Health. The legal position on this with regards to data protection has been agreed and the work is now with IT to be actioned. The 'needs attention' recommendation relates to agreeing a documented process for

adding and removing users of the Assure system. At present, all requests for new staff to have access are made by their line manager in writing, so there is some level of control over the process. All three of these recommendations have target dates for completion of 31st March 2019.

Other points noted

The Council is currently behind schedule in completing routine food hygiene inspections for 2018/19. At the time of the audit, there are 40 routine inspections and 24 low risk inspections overdue. A plan has been produced to catch up on the overdue inspections, which has been agreed with, and is being monitored by, the Food Standards Agency (FSA).

The Council has experienced difficulties in implementing the Assure system in place of M3, with some expected functionality not working correctly, such as the public facing licensing register on the Council's website (see Recommendation 2). These problems have resulted in delays to the overall transition process, but the Council is working with the system provider in order to resolve these issues.

Assurance Review of the Corporate Governance Arrangements (GDPR)

Executive Summary

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OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Record of Processing Activity	0	0	1	0
Personal Data	0	0	1	0
Total	0	0	2	0

No recommendations arose in relation to the Data Protection Officer role, privacy statements, contracts with third parties, data subject rights, breaches / data protection risks, training, data sharing agreements, marketing and consent, and Data Protection Impact Assessments (DPIAs).

SCOPE

The review assessed compliance with the key GDPR elements of: Data Protection Impact Assessments, Data Subject rights, data classification and asset management, data security and breach management, governance, Data Controllers and Processors, and training for staff and members in preparation for GDPR.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Corporate Director and Head of Paid Service is the Senior Information Risk Owner (SIRO), and the Principal Lawyer (Eastlaw) is the Data Protection Officer (DPO). These roles have been well communicated, which helps to ensure that staff know where to seek data protection advice, guidance and decision making.
- There is a GDPR action plan in place, designed to include the ICO requirement and to incorporate advice provided by an organisation called Act Now, which helped the Council prepare for GDPR. The majority of actions have been completed, with remaining amber actions progressing as part of business-as-usual rather than a project. Good progress against a well written plan reduces the risk of any GDPR requirements being overlooked.
- The Record of Processing Activity (article 30) initial work is complete, and a tracker shows that all areas of the Council have completed spreadsheets, approved by the Information Audit Officer, and reviewed by Eastlaw. This reduces the risk of information assets not being properly managed, controlled and protected.
- Subject Access Request (SARs) processes have been updated to incorporate GDPR requirements and advertised through the Council's website, including the removal of charges. A performance report shows that all 23 SARS received in 2018/19 were responded to within 20 days, therefore meeting the new GDPR requirement.
- The data breach process has been updated in line with GDPR and communicated, helping to ensure data breaches are promptly investigated and disclosed. A review of the personal data breach log found 21 minor breaches listed, each recording details, risk assessment and measures taken. None were significant enough to need reporting to the Information Commissioner's Office (ICO).

- The risk of loss of information is logged on the Corporate Risk Register, the narrative of which incorporates inappropriate access or use, hacking, fraud, use of mobile technology, and the introduction of GDPR. The risk is currently scored as 12. Actions are set out to address the risk including policy update, raising staff awareness and GDPR training, SIRO reports, GCSX compliance, article 30 work, and IAO training to work towards a target score of eight.
- Evidence was seen of extensive communication of data protection and GDPR matters to staff. 'Introduction to GDPR' e-learning training has been provided, and training records show that all staff except those absent or very recent starters have passed this. Good staff understanding reduces the risk of data protection issues arising.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'needs attention' recommendations have been made.

Record of Processing Activity

- The legal basis for holding all information assets to be reviewed to fit the categories of consent, contract, compliance with a legal obligation, vital interests, public interest, official authority, or legitimate interests, reducing the risk of non-compliance with GDPR.

Personal Data

- The IAA and FOI Officer roles be drawn together and the expectations of these role-holders in respect of promoting data protection be clearly defined, helping to embed a culture of data protection and reducing the risk of issues and incidents arising.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

This area had not been audited previously.

Assurance Review of the Payroll and Human Resources (HR) Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and procedures	0	0	1	0
Legislative requirements	0	0	0	1
Changes to payroll records	0	0	1	0
Sickness absence	0	1	2	0
Officers' expenses	0	1	1	1
DBS checks	0	1	0	0
Total	0	3	5	2

No recommendations were raised in relation to starters and leavers.

SCOPE

The audit consisted of a regular review of payroll controls and additional testing relating to HR. Payroll controls tested included policies and procedures, legislative requirements, starters and leavers, changes to payroll records, pension contributions, reconciliations and payroll processing. HR testing focused on sickness absence, officers' expenses, DBS checks and staff appraisals.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and five 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised two 'operational effectiveness matters', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- The previous audit of Payroll and Human Resources (NN/17/06) also concluded in a 'Reasonable' assurance opinion, indicating that there is no change in the level of control. The number of recommendations has increased from the previous one 'important' and three 'needs attention' recommendations, indicating that further improvements could be made to the controls.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Starters, leavers and changes are updated on the payroll in a timely manner and independently reviewed, to ensure that changes to payroll data are accurate.
- Monthly returns are submitted to HMRC to ensure compliance with legislative requirements.
- Various reports, including errors and exceptions and net pay variance, are run and checked as part of the monthly pay run, to ensure that changes to payroll are legitimate and accurate.
- The annual appraisal process is being reviewed and amended, in order to improve completion rates.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where three 'important' recommendations have been made.

Sickness absence

- All sickness absence triggers be recorded on the HR system as soon as they are identified, to reduce the risk of ineffective response to absences.

DBS checks

- Disclosure and Barring Service (DBS) checks be renewed in a timely manner, to reduce the risk of staff working without an up to date DBS check.

Officers' expenses

- Managers to be reminded of the requirement to complete annual driver eligibility checks for their staff, to reduce the risk of employees driving on behalf of the Council without adequate licence or insurance.

The audit has also highlighted the following areas where five 'needs attention' recommendations have been made.

Policies and procedures

- Payroll procedure notes are updated, to reduce the risk that key payroll tasks cannot be completed when key staff are absent.

Changes to payroll records

- Heads of Service to review the establishment report for their service on a quarterly basis, to reduce the risk of incorrect data remaining on the payroll system.

Sickness absence

- Managers to be reminded of the importance of returning paperwork relating to sickness absence to HR promptly, to reduce the risk of ineffective response to absences.
- An induction process for managers to be introduced, including training on absence management and staff appraisals, to reduce the risk of these processes being conducted inconsistently within the Council.

Officers' expenses

- Receipts be provided and retained for all expense claims, to reduce the risk of inappropriate or inaccurate repayment of expenses.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- Consideration be given to delaying monthly payments to the pension fund until closer to the deadline date, in order to improve the Council's cash flow and interest from investments.
- Consideration be given to expanding access to MyView to members and as many staff as possible. This will reduce the number of paper forms received and allow more efficient absence recording and submission of expenses.

Previous audit recommendations

The previous audit of Payroll and Human Resources (NN/17/06) concluded in a 'Reasonable' assurance opinion, having raised one 'important' and three 'needs attention' recommendations. All of these recommendations have since been confirmed as implemented. The important recommendation related to driver eligibility checks, an issue which has arisen again in this audit – see Recommendation 3.

Other points noted

Appraisal completion rates are variable, with some teams having particularly poor response rates. The Council has reviewed the appraisal process and a new process is being implemented from September 2019.

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Follow Up on Internal Audit Recommendations 23 November 2018 to 31 March 2019

Summary: This report provides an overview of progress made in implementing agreed audit recommendations due for completion between 23 November 2018 to 31 March 2019.

Conclusions: Good progress continues to be made in addressing audit recommendations with a high percentage of these being actioned by management.

Recommendations: It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.

Cabinet member(s):	Ward(s) affected:
All	All
Contact Officer, telephone number, and e-mail:	Faye Haywood, Internal Audit Manager for North Norfolk DC 01508 533873, fhaywood@s-norfolk.gov.uk

1. Background

- 1.1. In accordance with agreed internal audit review and reporting cycles, we revisit the status of audit recommendations on a 6-monthly basis and last presented our findings in this area to the Audit Committee in November 2018.
- 1.2. This report now seeks to provide an update on the status of audit recommendations following recent verification work performed by the Contractor, which examined the level of activity concerning the delivery of audit recommendations falling due between 23 November 2018 to 31 March 2019.

2. Overall Position

- 2.1. The overall position in relation to the implementation of Internal Audit Recommendations is within the attached report.

3. Conclusion

- 3.1 Good progress has been made in addressing audit recommendations raised in 2018/19 however we recommend that officers now focus on completing recommendations raised during 2017/18 as these are now significantly overdue. As requested the Committee continue to observe the progress made against completion of the one remaining important recommendation made during the 2010/11 review of Development Management, in relation to the Section 106 Arrangements. This action will be reviewed during our 2019/20 audit of Section 106 Agreements.

4. Recommendation

- 4.1 It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.

Appendices attached to this report:

Follow Up Report on Internal Audit Recommendations

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Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 23 November 2018 to 31 March 2019

Responsible Officer: Faye Haywood –Internal Audit Manager for North Norfolk DC

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1. INTRODUCTION

- 1.1 This report is being issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
- The status of agreed actions.

2. STATUS OF AGREED ACTIONS

- 2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.
- 2.3 In relation to the historic recommendations (i.e. those prior to the 2016/17 financial year), there is one important recommendation from a 2010/11 review on Development Management. The most recent management response can be seen at **Appendix 2**.
- 2.4 In 2017/18 internal audit raised 50 recommendations; 40 of which have been implemented by the agreed date, 10 of which are outstanding (six important and four needs attention).

Number raised to date	50	
Complete	40	80%
Outstanding	10	20%

The management responses in relation to the seven important recommendations can be seen at **Appendix 3** to the report.

2.5 A total of 40 recommendations were raised during 2018/19. 14 have been completed. One important recommendation is outstanding from the Pier Pavilion report 25 are not yet due.

Number raised to date	40	
Complete	14	35%
Outstanding	1	2%
Not yet due	25	63%

2.6 Good progress has been made in addressing audit recommendations raised in 2018/19 however we recommend that officers now focus on completing recommendations raised during 2017/18 as these are now significantly overdue. As requested the Committee continue to observe the progress made against completion of the one remaining important recommendation made during the 2010/11 review of Development Management, in relation to the Section 106 Arrangements. This action will be reviewed during our 2019/20 audit of Section 106 Agreements.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 23/11//2018 to 31/03/2019			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
2010/11 Internal Audit Reviews															
NN1112	Development Management, Building Control and Land Charges	Adequate					1				1				
2017/18 Internal Audit Reviews															
NN1803	Land Charges	Reasonable					1				1				
NN1807	Environmental Health	Reasonable					1	1		1	3				
NN1811	Car Parking	Reasonable					1	1			2				
NN1812	Beach Huts	Substantial						1			1				
NN1815	Key Controls and Assurance	Reasonable			2						0				
NN1816	Procurement	Reasonable		1						1	1	2			
NN1817	Waste Management	Reasonable					1				1				
NN1818	Development Management	Reasonable			1						0				
2018/19 Internal Audit Reviews															
NN1905	Homelessness and Housing Options	Reasonable								1	1			3	
NN1909	Network Infrastructure & Security	Reasonable			5						0			3	
NN1904	Pier Pavilion	Reasonable									0			3	
NN1906	Accounts Payable	Reasonable		2	1						0			2	
NN1907	Council Tax and NNDR	Substantial			1						0				
NN1910	Corporate Governance	Substantial									0			2	
NN1914	Environmental Health	Reasonable									0		2	4	
NN1912	Payroll and HR	Reasonable									0		3	5	
TOTALS			0	3	10	0	5	3	0	3	1	12	0	5	22

APPENDIX 2 - OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2010/2011

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1112 Development Management	Written guidance detailing the roles and responsibilities for monitoring the key requirements of Section 106 Planning Agreements should be produced to ensure appropriate action is taken to enforce the conditions contained therein. The guidance should be accompanied by a collated record of all Section 106 Planning Agreements, detailing the trigger points and accompanying obligations. This should include key responsibilities and contacts for the obligation and state action to be taken as and when those trigger points are reached. Where trigger points have been reached, action should be taken in a timely manner to enforce those conditions.	2	Agreed	Head of Planning	30/11/2011	30/09/2019	Outstanding	The Planning service is currently drawing together a cross referenced list of all s106 agreements with legal service and land charges, which will be complete in summer 2019, and will then form the data to input into the Exacom system. The Exacom system will be hosted by the new Uniform planning applications software system (due for installation by December 2019). The introduction of the Uniform system has been delayed, which creates a potential knock on delay the delivery of the S106 Exacom system. In terms of risk assessment Finance advise on a quarterly basis of S106 receipts, legal services advise of progress on current live s106 negotiations. Local plans monitor house completions and housing services advise on progress with S106 housing clauses. The comprehensive s106 list available in summer 2019 will then form the reference for s106 enforcement until Exacom is installed Q2, 2020.

APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18 AUDIT REVIEWS

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1803 Land Charges	<p>Recommendation 1: Procedure notes be produced for all aspects of the local land charge service. These notes to be version controlled and reviewed on a regular basis.</p> <p>Rationale & risk: Ensuring procedure notes are in place and up to date for all aspects of the service will provide assurance to management that staff are following correct practices. This reduces the risk of errors being made within the process where staff follow incorrect practice, leading to reputational damage and financial loss for the Council.</p>	2	The service accept that the current procedural manual is incomplete and could be improved to include version control and recent changes that have occurred within the service.	Property Information Team Leader	31/12/2017	31/12/2019	Outstanding	The upgrade to the new system in planning, building control and land charges, has been delayed and is due for December 19, as per previous updates the service is planning to review and re-write procedure notes once new software is in place.
NN1807 Environmental Health	<p>Recommendation 1: All the Environmental Health procedures, policies and guidance, including those related to the scope of the audit, be reviewed and updated to ensure that current statutory and non-statutory requirements, where applicable, are included.</p> <p>Rationale and risk: The processes in the procedures may no longer be relevant as current statutory requirements and legislations may not be included in the procedures, policies and guidance. This may lead to non-compliance with the relevant statutes and legislations, errors and delays in processing licences and permits and inconsistent practice arising.</p>	2	The BPR and IT implementation are scheduled to continue until April 2018. Therefore, not all processes will have been completed within the timescale recommended. BPR will tackle the largest volume work first and so processes which deal with the most workload will be addressed first.	Head of EH	30/04/2018	31/03/2020	Outstanding	The BPR process is continuing on implementing the new IT system which is taking significantly longer than originally anticipated. New processes are being developed and reviewed with the separate teams of environmental health and once agreed the associated new procedure guides can be produced.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1807 Environmental Health	Recommendation 2: A process for sharing data relevant to the Environmental Health Team which can be used for identifying businesses requiring licences be agreed with other Council departments including Planning and Revenues (CTAX/NNDR). Rationale and risk: The risk of businesses operating illegally which may harm the members of the public or the environment through unregulated activities carried out by the businesses.	2	Agreed.	Head of EH	31/01/2018	31/07/2019	Outstanding	This has been delayed due to staff absence in IT, however the required crystal report development has been scheduled in over the next few weeks with the Application Support Team, so the reports should be available shortly after this.
NN1811 Car Parking	Recommendation 1: KLWNBC to provide a statement showing the total/breakdown of income received for PCNs; to be reconciled to PCNs paid at the discounted rate for payment within 14 days; those paid after 14 days at the increased cost; those not yet paid; and those cancelled within that month. Rationale and Risk: The provision of a full monthly breakdown of PCN income will enable management to more accurately monitor income received from PCNs issued each month. Where a full breakdown in relation to the amount of income received for PCNs issued is not provided, there is an increased risk that discrepancies through fraud or error will not be identified, leading to financial loss for the NNDC.	2	Agreed to ensure that KLWNBC provide necessary information and insert a standing item for this work to be on the regular client meeting agenda.	Leisure and Locality Services Manager	02/01/2018	17/05/2019	Outstanding	BCKLWN have still not provided the information required to complete this recommendation.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1816 Procurement	Recommendation 4: A new Procurement Strategy be produced, approved and communicated to staff. Rationale and risk: Clear communication of a strategy will provide officers responsible for procurement with the most up to date guidance when procuring goods and services on behalf of the Council. This will also help to confirm that the Council complies with its regulatory responsibilities.	2	The current Procurement Strategy will be reviewed and updated in time for the new 2019/20 financial year.	Procurement Officer	31/03/2019	31/07/2019	Outstanding	The current procurement strategy is being reviewed and updated.
NN1817 Waste Management	Recommendation 1: A review of M3 users is carried out and any accounts belonging to staff who have left the Council are deactivated. Future leavers should be deactivated when notification of their departure is received from HR. Rationale and risk: Promptly deactivating old user accounts will help manage systems access more effectively by ensuring only those requiring access actually have access. If users are not removed, especially from the administrators group, there is a risk of inappropriate changes being made using these accounts.	2	Agreed. Access Policy and Procedure to be written which covers granting access to new users and removal of leavers. This is being tied in to the implementation of the Assure System. In the meantime the Environmental Protection Manager is acting as the control point for all new user access.	Environmental Protection Manager	28/09/2018	31/07/2019	Outstanding	This is still in progress and will be actioned once the service is in a position to be able to do so as part of the IT implementation.

APPENDIX 4 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2018/19 AUDIT REVIEWS

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1905 Homelessness and Housing Options	Recommendation 1: Evidence of eligibility for assistance is retained for all homelessness cases.	2	Agreed	Housing Options Team Lead	31/01/2019	31/05/2019	Outstanding	This has not been fully actioned. Additional processes need to be built in to ensure that the team do capture proofs of eligibility at the point that the authority accepts an application under prevention/relief.

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Governance, Risk and Audit Committee Self-Assessment

Summary: The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees - practical guidance for local authorities and police” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice and incorporates the position statement previously issued.

It is good practice for audit committees to complete a regular self-assessment exercise, to be satisfied that the Committee is performing effectively.

Conclusion: Undertaking a review of its performance against best practice ensures that the Committee has properly assessed the way in which it discharges its duties.

Recommendation: That Members note the attached checklist at **Appendix 1** to this report.

Cabinet member(s):	Ward(s) affected:
All	All
Contact Officer, telephone number, and e-mail:	Faye Haywood, Internal Audit Manager for North Norfolk DC 01508 533873, fhaywood@s-norfolk.gov.uk

1. Background

- 1.1. The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees - practical guidance for local authorities and police” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice and incorporates the position statement previously issued. The guidance states “the purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes”.
- 1.2. The Section 151 Officer has overarching responsibility for discharging the requirement for sound financial management, and to be truly effective requires an audit committee to provide support and challenge.
- 1.3. Good audit committees are characterized by; balanced, objective, independent knowledgeable and properly trained members, a membership that is supportive of good governance principles, a strong independently minded chair, an unbiased attitude and the ability to challenge when required.
- 1.4. It is therefore good practice for audit committees to complete a regular self-assessment exercise, to be satisfied that the Committee is performing effectively.

- 1.5. In addition, the Public Sector Internal Audit Standards also call for the audit committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this Committee.
- 1.6. The Governance, Risk and Audit committee has regularly carried out the self-assessment exercise in the past and has taken action where necessary to ensure full compliance with best practice.
- 1.7. The updated guidance provides two tools against which the Committee can assess itself, the first (self-assessment of good practice) supports an assessment against recommended practice to inform and support the Committee. The second assessment tool (evaluating the effectiveness of the audit Committee) helps audit Committee members to consider where it is most effective and where there may be scope to do more. To be effective the Committee should be able to identify evidence of its impact or influence lined to specific improvements.
- 1.8. At a meeting on the 26 March 2019, Committee members reviewed and completed the two assessment tools.

2. Issues for discussion

- 2.1. The results of the assessment from the previous year were reviewed with a particular focus on the two areas whereby a “partly” answer had been provided in 2018.
- 2.2. In relation to question 4; is the role and purpose of the Audit Committee understood and accepted across the Authority?

This question had been answered as “partly” in 2017 & 2018. It was hoped it would be addressed by engaging new Councilors following 2019 Elections.

- 2.3. In relation to question 7 & 8; Do the Committee’s terms of reference explicitly address all the core areas identified in CIPFA’ position statement; and is an annual evaluation undertaken to assess whether the Committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas

The question was answered partly and it was agreed that the Governance Risk and Audit Committee’s terms of reference will be reviewed annually to ensure that it complies with the core areas of the CIPFA position statement.

- 2.4. In relation to question 14; Are arrangements in place to support the Committee with briefings and training and 15; has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory. Both were answered partly and it was agreed that following the results of the local elections. Governance Risk & Audit Committee members will be assessed against the CIPFA Core Knowledge and Skills Framework. Any areas for further training will be identified and a programme developed for new members where required.
- 2.5. **Appendix 1** is attached to this report, which reflects members position on adherence to best practice.

2.3. The assessment has highlighted the good performance of the Committee, with areas for improvement noted as appropriate.

3. Conclusion

3.1 Undertaking a review of its performance against best practice ensures that the Committee has properly assessed the way in which it discharges its duties.

4. Recommendation

4.1 That Members note the attached checklist at **Appendix 1** to this report.

Attachment

Appendix 1 – Self Assessment Checklist

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Eastern Internal Audit Services



North Norfolk District Council

Audit and Risk Committee Self-Assessment

Responsible Officer: Faye Haywood, Internal Audit Manager Broads Authority

1. Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) advocates that it is good practice for Audit Committees, or their equivalent, to undertake regular assessments. Thus, enabling members to gain an appreciation of what affords best practice, to confirm the level of compliance being achieved, and to identify any potential areas for enhancements to be made to arrangements.

2. Background

- 2.1 The CIPFA document “audit committees – practical guidance for local authorities and police” sets out the guidance in the function and operations of audit committees. It represents CIPFA’s view of best practice and incorporates the position statement previously issued.
- 2.2 The guidance states “the purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes”.
- 2.3 The Section 151 Officer has overarching responsibility for discharging the requirements for sound financial management, and to be truly effective requires an audit committee to provide support and challenge.
- 2.4 Good audit committees are characterised by;
- balanced, objective, independent, knowledgeable and properly trained members;
 - a membership that is supportive of good governance principles;

- a strong independently minded Chair;
- and unbiased attitude; and
- ability to challenge when required.

- 2.5** It is therefore good practice to complete a regular self-assessment exercise against a checklist, to be satisfied that the committee is performing effectively. In addition, the Public Sector Internal Audit Standards (PSIAS) also call for the committee to assess their remit and effectiveness in relation to; “Purpose, Authority and Responsibility”, to facilitate the work of this committee.
- 2.6** The Governance Risk and Audit Committee carries out this exercise annually.
- 2.7** The first part of the assessment is a yes / no response and covers:
- Purpose and Governance;
 - Functions of the Committee;
 - Membership and Support; and
 - Effective of the Committee.
- 2.8** The second part of the assessment requires an assessment as to how the committee displays it is effective through the reports it receives, and is broken down into the following key areas:
- Promoting the principles of good governance and their application to decision making;
 - Contributing to the development of an effective audit committee;
 - Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks;
 - Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
 - Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence;
 - Aiding the achievement of the authority’s goals and objective through helping to ensure appropriate governance, risk, controls and assurance arrangements;
 - Supporting the development of robust arrangements for ensuring value for money; and
 - Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.

3. Current Position/Findings

- 3.1** The self-assessment checklist has been reviewed and updated with the Committee at a meeting held 26 March 2019, the conclusions of which can be seen at **Appendix 1** to this report.

4. Proposals

- 4.1** The committee are requested to review the checklist at **Appendix 1** to ensure that this is an accurate reflection of the operations of the committee and to note any action that needs to be taken as a result of the conclusions.

5. Risks and implications arising

5.1 Not applicable to this report.

6. Recommendation

6.1 The committee is requested to note the attached checklist at **Appendix 1** to this report, and either (a) confirm that full compliance has been recognised in relation to each of the areas subject to scrutiny or (b) note action required to ensure full compliance.

Appendix 1 – Governance Risk and Audit Committee Self-Assessment

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Self-assessment of good practice

This evaluation will support an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle's then it is an indicator that the Committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

	Good Practice Questions	Yes	Partly	No
	Audit Committee purpose and governance			
1	Does the authority have a dedicated Audit Committee?	√		
2	Does the audit Committee report directly to full council?	√		
3	Do the terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's position statement?	√		
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?		√	
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	√		
6	Are the arrangements to hold the Committee to accounts for its performance operating satisfactorily?	√		
	Functions of the Committee			
7	Do the Committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement? <ul style="list-style-type: none"> - Good governance - Assurance framework - Internal audit - External audit - Financial reporting - Risk management - Value for money or best value - Counter fraud and corruption 		√	
8	Is an annual evaluation undertaken to assess whether the Committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?		√	
9	Has the audit Committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the Committee to undertake them?	√		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	N/a		

11	Has the Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√		
	Membership and support			
12	Has an effective Audit Committee structure and composition of the board been selected? This should include: - Separation from the executive - An appropriate mix of knowledge and skills among the membership - A size of Committee that is not unwieldy - Where independent members are used, that they have been appointed using appropriate process	√		
13	Does the chair of the Committee have appropriate knowledge and skills?	√		
14	Are arrangements in place to support the Committee with briefings and training?		√	
15	Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?		√	
16	Does the Committee have good working relationships with key people and organisations, including external audit, internal audit and the chief finance officer?	√		
17	Is adequate secretariat and administrative support to the Committee provided?	√		
	Effectiveness of the Committee			
18	Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?	√		
19	Has the Committee evaluated whether and how it is adding value to the organisation?	√		
20	Does the Committee have an action plan to improve any areas of weakness?	√		

Partially:

Question 4 has been recorded as partly because understanding of the role and purpose of the Committee is considered to be adequate, but it is felt that the Committee could engage Councillors following local elections to ensure the importance, role and value of the Audit Committee is enhanced.

Question 7 & 8. The Governance Risk and Audit Committee's terms of reference will be reviewed annually to ensure that it complies with the core areas of the CIPFA position statement.

Question 14 & 15. Following the results of the local elections. Governance Risk & Audit Committee members will be assessed against the CIPFA Core Knowledge and Skills Framework. Any areas for further training will be identified and a programme developed for new members where required.

Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

Assessment Key:

- 5 Clear evidence is available from a number of sources that the Committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The Committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2 There is some evidence that the Committee has supported improvements, but the impact of this support is limited.
- 1 No evidence can be found that the audit Committee has supported improvements in this area.

Areas where the audit Committee can add value by supporting improvement	Self evaluation examples, areas of strength & weakness	Assessment 1-5
1. Promoting the principles of good governance and their application to decision making	Annual Governance Report from the External Auditors – questions and queries are raised which shows review and scrutiny of financial information.	4

	<p>Effective scrutiny through receipt of internal audit reports quarterly where enough detail is provided for the Governance Risk and Audit Committee to evaluate the adequacy of the governance framework.</p> <p>Annual completion of self-assessment to evaluate effectiveness of governance processes of the Committee .</p> <p>The Committee's independence strengthens their effectiveness.</p> <p>Knowledge sharing across the internal audit consortium.</p> <p>Cross party working displayed at meetings.</p>	
2. Contributing to the development of an effective control environment	<p>Half yearly follow up reports are provided to the Audit Committee to show progress against completion of audit recommendations. The committee looks at responses from management and evaluates performance by questioning recommendation responses thoroughly.</p>	4
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<p>Corporate risk register is reviewed by the Committee quarterly.</p> <p>Risk management framework reviewed bi-annually.</p> <p>Examine financial accounts and risks associated. Every report received by the Committee has a commentary regarding risks.</p> <p>Reliance is placed on the work of the Risk Management Board and these minutes are available for all. The Chair has now requested that either the Chair or Vice Chair of the Committee be invited to sit on the board for future meetings to enhance risk management oversight at the Council.</p>	4
4. Advising on the adequacy of the	<p>Specifically covered through; follow up, progress on internal audit plan, corporate risk register and audit plans.</p>	4

assurance framework and considering whether assurance is deployed efficiently and effectively	Assurance mapping recognised as an area to explore. Head of Internal Audit to progress this.	
5. Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	Internal audit plans report includes the audit charter and audit strategy which covers these areas for Governance Risk and Audit Committee Consideration. Through regular reports received from the Head of Internal Audit and robust questioning thereof. Through external assessment report of internal audit and the annual report of the Head of Internal Audit.	5
6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	Through the reports received by the Committee. The Committee recognise the issues and take appropriate action. Comprehensive, far reaching reports are considered by the Committee. Intensive scrutiny is displayed. Assurance reviews received by Committee e.g. progress reports and corporate risk register identify key risks and where focus is needed.	4
7. Supporting the development of robust arrangements for ensuring value for money	The Committee reviews the External Audit plan of value for money and the auditing thereof. Key role in reviewing statement of accounts and ensuring value for money through this report. Key role in reviewing the annual governance statement and the assurances provided therein. Committee now has authority to approve the Statement of Accounts as per the Terms of Reference, thus ensuring that value can be added by the Committee and also ensures that the accounts can be signed off in time as per the new reporting deadlines.	4
8. Helping the authority to implement the values of good governance,	Counter Fraud, Corruption and Bribery Strategy, Whistleblowing and Money Laundering Policy received and reviewed by the Committee in Council in December 2018.	4

<p>including effective arrangements for countering fraud and corruption risks</p>		
<p>9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability</p>	<p>Minutes and agenda available on the website. Public are invited to audit committee meetings.</p> <p>Open and transparent reporting is displayed.</p> <p>Officer support is provided to the Committee in terms of democratic services officers and report authors.</p> <p>Decisions made by the Committee are within their remit and as part of terms of reference.</p>	<p>4</p>

Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Annual Report and Opinion 2018/19

Responsible Officer: Emma Hodds – Head of Internal Audit for North Norfolk DC

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1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive to provide a written report to those charged with governance (known in this context as the Governance, Risk and Audit Committee) to support the Annual Governance Statement (AGS). This report must set out:
- The opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control during 2018/19, together with reasons if the opinion is unfavourable;
 - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
 - Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
 - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA’s Statement on the Role of the Head of Internal Audit.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s Annual Governance Statement, but there are also a number of other important sources to which the Governance, Risk and Audit Committee and statutory officers of the Council should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 3**.

2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

2.1 Roles and responsibilities

- The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Leader of the Council and the Chief Executive that records and publishes the Council’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with the Corporate Leadership Team and key stakeholders and then approved by the Governance, Risk and Audit Committee at its meeting on 27 March 2018. Any justifiable amendments that are requested during the year are discussed and agreed with senior management, and reported through to Committee. This opinion does not imply that internal

audit has reviewed all risks and assurances, but it is one component to be taken into account during the preparation of the AGS.

The Governance, Risk and Audit Committee should consider this opinion, together with any assurances from management, its own knowledge of the Council and any assurances received throughout the year from other review bodies such as the external auditor.

2.2 The opinion itself

The overall opinion in relation to the framework of governance, risk management and control at North Norfolk District Council is **reasonable**.

It is encouraging to note that of the 12 assurance audits completed within the year, all resulted in a positive assurance grading with no urgent priority recommendations raised.

It is also important to note that substantial assurance was concluded in the area of:

- Elections and Electoral Registration
- Digital Transformation – Benefits Realisation
- Council Tax and NDR
- Local Council Tax Support and Housing Benefits
- Corporate Governance
- Key Controls and Assurance

In providing the opinion the Council's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified therefrom have been taken into account.

The opinion has been discussed with the Section 151 Officer prior to publication.

3. **AUDIT WORK UNDERTAKEN DURING THE YEAR**

3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition, **Appendix 2** is attached which shows the assurances provided over previous financial years to provide an overall picture of the control environment.

3.2 Internal audit work is divided into 4 broad categories;

- Annual opinion audits;
- Fundamental financial systems that underpin the Council's financial processing and reporting;
- Service area audits identified as worthy of review by the risk assessment processes within internal audit;
- Significant computer systems which provide the capability to administer and control the Council's main activities.

3.3 **Summary of the internal audit work**

The work undertaken by Eastern Internal Audit Services (TIAA Ltd) in 2018/19 has covered a wide range of services and has resulted in 12 assurance opinion reports being concluded out of 13 originally planned. All the reports issued have been given a positive assurance grading.

Internal Audit has also provided advice and guidance in the area of Business Support Arrangements. The conclusions were reported to management in a Position Statement, providing suggested actions and improvements.

The Executive Summary of all reports have been presented to the Governance Risk and Audit Committee, ensuring open and transparent reporting and enabling the Committee to review key service area controls and the conclusions reached.

In total 168 days were delivered from 181 days originally planned resulting in a reduction of 13 days. The changes to the internal audit plan for 2018/19 are included below:

Audit description	Nature of the change
Business Support Arrangements	A reduction of 5 days and position statement requested following discussions with management.
Affordable Housing and Housing Enabling	This 10 day audit has been deferred to 2019/20 due to recent staffing changes within the area.
Corporate Governance	Number of days for this review extended by 2 to allow for adequate coverage of GDPR compliance.

3.4 **Follow up of management action**

In relation to the follow up of management actions to ensure that they have been effectively implemented the position at year end is that of the 40 recommendations raised by TIAA Ltd in 2018/19; 14 have been implemented. One important recommendation remains outstanding in relation to ensuring that eligibility is retained for all homelessness cases and 25 recommendations are not yet due.

A total of 50 recommendations were raised in 2017/18 and 40 have now been complete. 10 recommendations remain outstanding (6 important, 4 needs attention). We would encourage officers to work on the completion of the 6 important recommendations as a priority. These recommendations relate to updating procedural guidance for Land Charges, updating procedures and data sharing protocols for Environmental Health, obtaining income information KLWNBC for PCNs relating to car parking, producing a procurement strategy, and reviewing M3 system users.

The important recommendation from 2010/11 Development Management, Building Control and Land Charges remains outstanding relating to Section 106 agreements. Arrangements will be reviewed and reported on as part of the 2019/20 Internal Audit Plan.

3.5 **Issues for inclusion in the Annual Governance Statement**

Internal Audit work has not identified any weaknesses that are significant enough for disclosure within the Annual Governance Statement.

4. **THIRD PARTY ASSURANCES**

4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

5.1 Quality Assurance and Improvement Programme (QAIP)

5.1.1 Internal Assessment

A checklist for conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note has been completed for 2018/19. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme.

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

On conclusion of completion of the checklist conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

The detailed internal assessment checklist has been forwarded to the Section 151 Officer for independent scrutiny and verification.

5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017.

The external assessment was undertaken by the Institute of Internal Auditors and it has concluded that ***“the internal audit service conforms to the professional standards and the work has been performed in accordance with the Internal Professional Practices Framework”***. Thus, confirming conformance to the required standards.

The external assessment report has previously been provided to the Section 151 Officer and the Committee.

Two improvement points were raised in relation to the assessment. The first relates to updating and documenting current risks relating to the delivery of the TIAA contract. The second relates to the Internal Audit Manager carrying out yearly deep dive assurance exercises on a sample of TIAA audit files to give assurance that audit procedures are being followed in line with the PSIAS. These actions have now been completed.

5.2 Performance Indicator outcomes

5.2.1 The Internal Audit Service is benchmarked against a number of performance indicators as agreed by the Governance Audit and Risk Committee. Actual performance against these targets is outlined below and within the table overleaf:

5.2.2 It is encouraging to that the majority of all performance measures have been achieved, with three of these exceeding targets. The target relating to completing reports to draft stage within 10 working days of quarter end was not met. The accounts payable report was issued 14 days past its deadline due to further verification work being required to substantiate reported findings. This issue was discussed with the contractor and we are pleased to report that the delay was taken very seriously, and a full review of auditor's work was undertaken as a result.

Client feedback has been provided, which has been positive recognising the professional service provided and also the value that internal audit has brought to the Council. The contractor has also provided the Council with a higher percentage of qualified/experienced staff to undertake the audit reviews, supported by new auditors to ensure continuity and resilience on the contract.

It is also extremely encouraging to note that all 12 internal audit reviews were at draft report stage by 1 April 2019 with all at final report by 24 April 2019. Thus, ensuring audits are completed within financial year and ensuring that this annual opinion can be completed in line with earlier reporting requirements associated with the audit of the accounts.

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	TBC	
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved
<u>Internal Audit Process</u>				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	92%	Not achieved. 1/12 assurance reports not received within deadline.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	100%	Achieved - All quarterly reports received with 15 working days of year end.
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	100%	Achieved
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Good	Exceeded, 5 responses received.
9. Percentage of recommendations accepted by management		90%	100%	Exceeds
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	100%	Exceeds
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA

5.3.1 This Statement sets out the 5 principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within.

The detailed checklist has been forwarded to Section 151 Officer for independent scrutiny and verification.

APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2018/19

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Elections and Electoral Registration	Substantial	0	0	0	0	0	0
Pier Pavilion	Reasonable	3	0	0	0	0	3
Homelessness & Housing Options	Reasonable	4	0	0	1	0	3
Digital Transformation - benefits realisation	Substantial	0	0	0	0	0	0
Accounts Payable	Reasonable	5	3	0	0	0	2
Council Tax and NNDR	Substantial	1	1	0	0	0	0
Local Council Tax Support & Housing Benefits	Substantial	0	0	0	0	0	0
Corporate Governance	Substantial	2	0	0	0	0	2
Key Controls and Assurance	Substantial	0	0	0	0	0	0
Payroll and Human Resources	Reasonable	8	0	0	0	0	8
Environmental Health	Reasonable	6	0	0	0	0	6
IT Audits							
Network Infrastructure & Security	Reasonable	11	10	0	0	0	1
Totals		40	14	0	1	0	25

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Assurance level definitions		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	6
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	6
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.	0

No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0
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Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.

APPENDIX 2 ASSURANCE CHART

	Current Contract				
	2015-16	2016-17	2017-18	2018-19	2019-20
Annual Opinion and Governance Audits					
Corporate Governance and Risk Management	Reasonable				
Corporate Governance		Reasonable		Substantial	
Risk Management			Substantial		X
Digital Transformation				Substantial	
Key Controls and Assurance	Reasonable	Substantial	Reasonable	Substantial	X
Project Management Framework					X
Fundamental Financial Systems					
Accounts Receivable	Reasonable		Reasonable		X
Income	Reasonable		Substantial		X
Accountancy Services	Reasonable		Substantial		X
Local Council Tax Support and Housing Benefits		Substantial		Substantial	
Council Tax / NNDR		Substantial		Substantial	
Accounts Payable		Reasonable		Reasonable	
Payroll / HR		Reasonable		Reasonable	
Cross Authority Review - Accounts Payable	n/a				
Cross Authority Review - Accounts Receivable		n/a			
Cross Authority Review - Payroll and HR			n/a		
Service Area Audits					
Procurement			Reasonable		X
Economic Growth					
Coastal Management					X
Housing Strategy and Affordable Housing	Reasonable				X
Private Sector Housing and Disabled Facilities Grants		Reasonable			
Localism and Communities					
Homelessness and Housing Options	Reasonable			Reasonable	

	Current Contract				
	2015-16	2016-17	2017-18	2018-19	2019-20
Development Management, Planning, s106 Agreements, Community Infrastructure Levy and Land Charges					X
Building Control			Substantial		
Land Charges			Reasonable		
Development Management			Reasonable		
Waste Management	Reasonable		Reasonable		
Environmental Health		Postponed to 2017-18	Reasonable	Reasonable	
Business Continuity		Reasonable			X
Sports Halls/Centres					
Leisure and Pier Pavilion	Reasonable				X
Property Services		Substantial			X
Parks and Open Spaces	Reasonable				
Car Parking and Markets					
Car Parking	Reasonable		Reasonable		X
Markets		Substantial			
Beach Huts			Substantial		
Elections / Electoral Registration				Substantial	
Performance Management, Corporate Policy and Business Planning, inc Annual Action Plans			Substantial		
Democratic Services		Reasonable			
Pier Pavillion				Reasonable	
Legal Services, Data Protection, Freedom of Information		See CG			
IT Audits					
Document Imaging and Workflow Application - Civica - Revenues and Benefits					
IT Security, Procurement and End User Controls					

	Current Contract				
	2015-16	2016-17	2017-18	2018-19	2019-20
Revenues and Benefits Application			Substantial		
Network Infrastructure				Reasonable	
Network Security				Reasonable	
Virus Protection / Spyware					
Firewalls					
Disaster Recovery	Reasonable		Reasonable		X
Software Licensing	Reasonable				
Register of Electors	Reasonable				
Cash Receipting Application	Reasonable				
Social Media		Reasonable			
e-financials Application		Reasonable			
Share Point		n/a			
Cyber Security					X
IT Hardware Asset Disposal		Limited			
Business Support Arrangements				Position Statement	
Contact Management System			Reasonable		

APPENDIX 3 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor's work

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Audit Committee, subject to the limitations outlined below.

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2018/19 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Internal Audit's assessment of controls relating North Norfolk District Council is for the year ended 31 March 2019. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Head of Internal Audit, has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA's examinations as the Council's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Draft Statement of Accounts 2018/19

Summary: As part of the current work programme, the Governance, Risk and Audit Committee will approve the Council's audited Statement of Accounts. To aid with this process, the draft Statement of Accounts is presented in this report for early scrutiny by the Committee.

Conclusion: The Draft Statement of Accounts as presented in Appendix A fulfils the Council's obligation to publish by 31st May each year.

Recommendation: That Members note the draft statements at **Appendix 1** to this report.

Cabinet member(s):	Ward(s) affected:
All	All
Contact Officer, telephone number, and e-mail:	Lucy Hume, Chief Technical Accountant 01263 516246, lucy.hume@north-norfolk.gov.uk

1. Background

- 1.1. The Council is required by the Accounts and Audit Regulations 2015 to publish a fully audited Statement of Accounts (complete with Auditor's opinion on the Statements), Annual Governance Statement and Narrative Statement by 31st July each year. Draft Statements must be published by 31st May, and can be found by members of the public on the Council's website.
- 1.2. The Governance, Risk and Audit Committee will approve the final audited Statement of Accounts at the July meeting. This report gives Committee members the opportunity to get early sight of the Statements and ask any questions they may have in advance of the audit.

2. Issues for discussion

- 2.1. IFRS 9 – A new accounting standard governing Financial Instruments (the Council's investments and borrowing) was introduced for financial years starting 1st April 2018, which has been reflected in the 2018/19 draft accounts. Because of this, Notes 39 and 40 look significantly different from previous years.
- 2.2. Borrowing – The Council has undertaken external borrowing during the year and had £3m outstanding at 31st March. This is a departure from recent years where the Capital programme funding and liquidity levels meant borrowing was not necessary. This is shown in the Statement of Accounts (note 39) as a new item for 2018/19.
- 2.3. Audit of Statements – EY, the Council's external auditors will be conducting the audit of the Statements commencing 1st July. This is scheduled to be completed to allow final sign off at the July GRAC meeting, although there is a risk that this may not happen if auditor resourcing continues to be an issue.

3. Conclusion

3.1 The Council is required to produce a Statement of Accounts each year, in draft by 31st May and fully audited by 31st July. This report the draft to Committee, which was published on 31st May in line with statutory guidance.

4. Recommendation

4.1 That Members note the draft statements at **Appendix 1** to this report.

Attachment

Appendix 1 – Draft Statement of Accounts

Draft Statement of Accounts



2018/2019

THE NARRATIVE STATEMENT

1. Introduction

1.1 The Statement of Accounts for 2018/19 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. This narrative statement aims to provide the reader with information on the authority, its main objectives and strategies and the principle risks we face and to provide a commentary on how the authority has used its resources to achieve our desired outcomes. It also helps to explain and highlight the linkages between the information contained within the narrative statement itself and the information presented within the financial statements. The accounting policies applied in production of the accounts can found on **pages 10 to 26**.

2. Statements included within the Accounts

2.1 The accounts consist of the following main statements:

- **Expenditure and Funding Analysis (pg 4)** – this shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates etc) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority’s directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- **Comprehensive Income and Expenditure Statement (pg 5)** – this statement shows the accounting cost of providing services in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation.
- **Movement in Reserves Statement (pg 6)** – this statement shows the movement in the year on the different reserves held by the Authority analysed between:
 - ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and;
 - ‘other reserves’ which are maintained for accounting purposes.

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

- **Balance Sheet (pgs 7 - 8)** – this statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. It sets out the financial position of the Authority at the year-end, showing its balances, resources and long-term indebtedness,

THE NARRATIVE STATEMENT

the net current assets employed in its operations, together with summarised information on the fixed assets held. The Balance Sheet is fundamental to the understanding of the Authority's year-end financial position.

- **Cash Flow Statement (pg 9)** - summarises all flows of cash from transactions with third parties for revenue and capital purposes. It shows the changes in cash and cash equivalents during the reporting period and how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.
- **Collection Fund (pg 97)** – As a billing authority the Authority is responsible for the billing, collection and distribution of council tax and National Non-Domestic Rates (NNDR). In accordance with the statutory requirement contained in Section 89 of the Local Government Finance Act 1988 (amended by Local Government Finance Act 1992 and the Local Government Finance Act 2012) billing authorities are required to establish and maintain a separate fund for the collection and distribution of amounts due in relation to council tax and NNDR. This statement, known as the Collection Fund, shows the total income collected by the Authority from council tax and NNDR and how this has been distributed to Central Government; the major precepting bodies of Norfolk County Council (NCC) and the Office of the Police and Crime Commissioner for Norfolk (OPCCN) and North Norfolk District Council (NNDC - which includes the local precepts for Parish and Town Councils). There will be a debtor or creditor position between the billing authority (NNDC), Central Government and the major preceptors (NCC & OPCCN) to be recognised at the end of each year. This is because the amounts paid out of the Collection Fund during the years will not exactly match the cash collected in council tax and NNDR.
- **Notes to the Accounts (pgs 10-96)** – The accounts are supported by various notes to the main statements which provide additional information to that contained in the core statements themselves.

3. Organisational overview and external environment

Our district

- 3.1 North Norfolk District consists of 962 km² of beautiful countryside and 73km of coastline. With a range of active village communities and seven busy market towns comprising of Wells-next-the-Sea, Fakenham, Holt, Sheringham, Cromer, North Walsham and Stalham, North Norfolk has a strong appeal for residents, visitors and businesses alike.
 - 3.2 North Norfolk's population is expected to grow from the current **105,600** in 2019 to **107,400** by 2022 and the number of resident households is projected to grow to from **49,100** to **50,300** over the same timeframe. A large proportion of residents live in one of the market towns with the remainder living in rural village homes. This means that the district has a low population density (**110 persons per square kilometre**)
-

THE NARRATIVE STATEMENT

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

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

Corporate Plan and priorities

3.4 The Authority has a Corporate Plan covering 2015 – 2019 and each year an Annual Action Plan is drawn up to cover the actions for the next year. The Annual Action Plan shows what the Authority will do to meet the needs and aspirations of residents and businesses. The plan sets out the Authority's priorities which are:

- **Jobs and the Local Economy** - A district with a thriving economy offering better jobs and prospects for local people.
- **Housing and Infrastructure** - To address housing and infrastructure for local people whilst meeting the market demand for housing.
- **Coast and Countryside** - A district where the beautiful natural environment is managed and protected for future generations.
- **Health and Well-Being** - A district with vibrant communities and where healthy lifestyles are accessible to all.
- **Delivering Service Excellence** - To make the Authority more efficient so that we can both deliver our priorities and offer value for money for local taxpayers.

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

Local government environment

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

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4. Governance

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

5. Operational model

- 5.1 Each year the Authority produces an Annual Report which highlights and celebrates the Authority's key achievements against the delivery of the Corporate Plan and Annual Action Plan and helps to demonstrate how the Authority has achieved its objectives and key priorities, the reports are available on the Authority's website and can be accessed [here](#).

6. Risks and opportunities

- 6.1 As mentioned above there is still considerable uncertainty around future years funding forecasts and this position will not improve until the outcome from the Fair Funding Review, which will set new baseline funding allocations and responding to spending pressures and changes in service demand, and the review of the Local Retention of Business Rates, are concluded. The Comprehensive Spending Review, which sets out the expenditure limits over the coming years had been scheduled to commence before the summer parliamentary recess. This was conditional on an orderly Brexit being delivered on 29th March 2019 which did not happen. It is therefore possible that the Chancellor will decide to delay the Spending Review, which will have a knock on effect on the Fair Funding Review and any changes to the Business Rates Retention system.
- 6.2 Local Authority funding from business rates is open to risks around funding fluctuations due to increases and decreases in the rateable values (RV) of non-domestic properties through alterations of lists and appeals against the RV. The Valuation Office Agency (VOA), who settle the checks, challenged and appeals, currently have a backlog and are slow to clear these items, increasing the risk of the Council needing to pay out large refunds. The 2017/18 accounts also highlighted a contingent liability in respect of a claim received for mandatory Business Rates relief from a local NHS Trust on the basis of charitable status. No decision to grant relief to the Trust has yet been made and the case nationally is subject to ongoing investigation. The view of the Authority is that the claim is unfounded. The timing, probability and amount of any relief given are therefore uncertain at the current time although this issue remains as contingent liability until the case appeal is finalised.
- 6.3 The one year extension for the waste contract with Kier is now in place to enable the joint procurement exercise to be undertaken with Breckland District Council and Kings Lynn and West Norfolk Borough Council. No savings have been assumed at this point which may arise as part of the joint procurement being undertaken, although it is hoped that significant economies of scale will ultimately result in a lower

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contract cost. Until the final tender prices are received however the extent of any potential savings will not be known and the outcome of the process is due to be reported during the 2019/20 financial year with the new contract commencing in April 2020.

- 6.4 The market for recyclate (such as glass and paper) remains very volatile at the current time. To access recyclate markets improvements have had to be made to the quality of the materials being processed which has resulted in increased waste which then has to be disposed of at additional cost. The position continues to be monitored and will be considered as part of the budget monitoring process for 2019/20.
- 6.5 Following the elections in May 2019 a new Corporate Plan will be developed in conjunction with Members over the coming months to set the organisational priorities over the next for years. This could result in the refocusing of resources in terms of both staffing and financing and it is anticipated the new plan and associated project delivery plan will be agreed an in place later this year.
- 6.6 The Authority currently holds in excess of £20m in reserves which if required, some of which could be made available to support service budgets in the short to medium term although the use of reserves does not represent a sustainable funding mechanism for the longer term as these are one-off resources.

7. Strategy and resource allocation

- 7.1 The budget for 2019/20 was approved in February 2019. At the same time financial projections for the following three years to 2022/23 were also reported. The budget for 2019/20 includes new savings and additional income totalling £728k for 2019/20 which are expected to increase to £744k in 2020/21 onwards. These savings are based on a number of work streams such as digital transformation/business process review, commercialisation, efficiency improvements etc. As mentioned above they do not yet include any additional savings/income from phase two of the digital transformation programme or the Property Investment fund and more information about the Authority's savings strategy can be found within the 2019/20 budget report and associated papers [here](#).
- 7.2 The forward financial projections from 2020/21 onwards make assumptions around funding from government and known commitments and changes to service expenditure. The table below provides a summary of the current reported funding gaps for the next three years.

Current Reported Funding Forecast			
	2019/20 £000	2020/21 £000	2021/22 £000
Current Funding Gap/(surplus) ¹	2,078	2,061	1,945

- 7.3 As part of the budget setting process for 2019/20 it was recommended that the Authority increase council tax by £4.95. Moving forward annual council tax increases were also recommended as another way to help address forecast budget deficits in future years, although these decisions will be taken annually in line with the budget setting process. The forward projections of expenditure and income will be updated to

¹ As reported in the 2019/20 Budget Report, February 2019

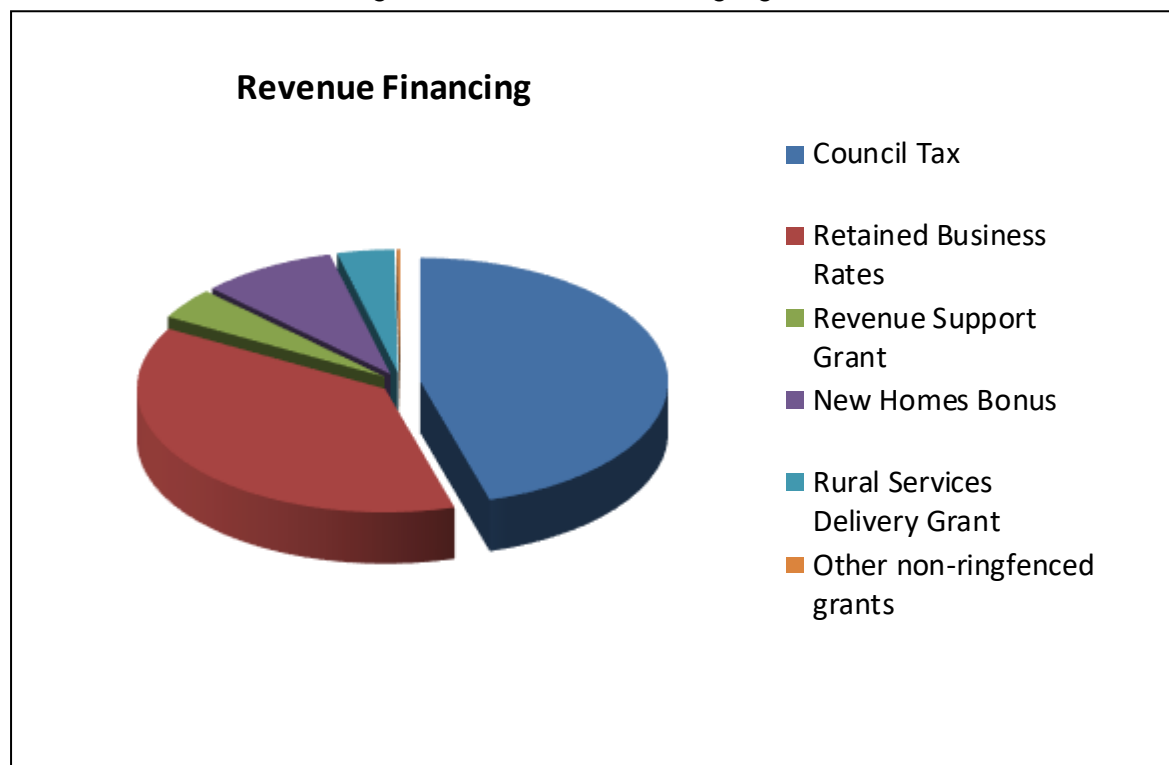
THE NARRATIVE STATEMENT

take account of the outturn position and also other spending/income pressures that have been identified outside of the budget process. These will be reported to Members during 2019/20 as part of the MTFS update to enable early preparation for the 2020/21 budget process, the current version can be found [here](#).

8. Performance

Revenue Activity

8.1 The following provides an overview of the resources available to the Authority during the year along with the outturn position compared to the budget. The tables below show how the revenue activity was financed during the year, highlighting that only around 16.8% of the net funding is from external sources, i.e. Revenue Support Grant (RSG), New Homes Bonus and Rural Services Delivery Grant, with the balance of 83.2% coming from council tax and locally retained business rates reflecting the continuing shift from central to local funding. This position is shown net of fees and charges service income and highlighted in the tables on the following page.



Revenue Financing

	2018/19 Actual £000	
Council Tax	(5,910)	45.5%
Retained Business Rates	(4,887)	37.6%
Revenue Support Grant	(536)	4.1%
New Homes Bonus	(1,150)	8.8%
Rural Services Delivery Grant	(484)	3.7%
Other non-ringfenced grants	(29)	0.2%
	(12,995)	

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Financial Performance Against Budget 2018/19

- 8.2 The financial performance of the Authority has been monitored throughout the year by officers and Members with regular reports being presented to Cabinet and Overview and Scrutiny Committee. The summary below provides an overview of the outturn position compared to the updated budget (i.e. updated for virements and approved in-year updates). The overall outturn position for the financial year against budget was an underspend of £969k.
- 8.3 Transfers to and from reserves in the year are made in line with the Authority's policy framework for earmarked reserves as approved as part of the annual budget setting process. In addition some roll forward requests of budget underspends have been approved as part of the outturn report where there is no annual budget provision in 2020/21.

2018/19 Subjective Analysis	2018/19 Updated Budget	2018/19 Outturn	Variance	
	£000	£000	£000	%
Employee Costs	11,483	12,581	1,098	9.6
Premises	2,734	2,980	246	9.0
Transport Related Expenditure	302	335	33	10.9
Supplies & Services	10,179	10,444	265	2.6
Transfer Payments	25,896	24,734	(1,162)	(4.5)
Support Services - Charges In	10,186	11,102	916	9.0
Support Services - Charges Out	(10,481)	(11,378)	(897)	8.6
Capital Financing Costs	1,344	2,389	1,045	77.8
Income	(36,659)	(37,513)	(854)	2.3
Total cost of services	14,984	15,675	690	4.6

- 8.4 The 2018/19 outturn report covers the final budget position for the year and provides a detailed commentary covering the budget variances and the reasons behind some of these, a copy of which can be found on the June Cabinet agenda [here](#). The reasons for some of the more significant movements included in the summary above in percentage terms are as follows:

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- **Employee Costs** – there is a significant adjustment of £1.1m relating to pension costs showing against the staffing costs for the year, this represents the difference between the actual payments the Council has made to the pension fund during the year and the actual benefit obligation resulting from employee service on the current period. This does not have a bottom line impact within the General Fund but is reflected on the Authority's Balance Sheet which can be found on pages 7 and 8.
- **Premises** – The majority of this increase in expenditure relates to repairs and maintenance both programmed and reactive across a number of the Council's key assets including the pier pavilion, parks and open spaces and a number of public conveniences. The notes covering the Authority's assets can be found on pages 67-77.
- **Capital Financing Costs** – The main variance relates to additional depreciation and amortisation, and payments from the Community Housing Fund which were treated as revenue expenditure funded from capital under statute (REFCUS) above what had been budgeted. Other minor variances relate to slippage and re-profiling of the capital programme.

Business Rates Retention

- Page 100
- 8.5 The actual funding from business rate income has exceeded the budget for the year. The total variance for the year under the Business Rate Retention Scheme was £696k. This sum includes increased amounts receivable in respect of reliefs funded by central government using Section 31 grants of £716k; an increased levy payable to Norfolk County Council of (£308k); additional income from renewable energy schemes and relief in enterprise zones of £80k and £287k respectively and other minor variances. The Collection Fund can be found on page 97 along with the associated notes on pages 98-100.
- 8.6 The Authority is a member of the Norfolk Business Rates Pool which enables growth in the business rates collected in Norfolk to be retained locally, rather than being passed to central government. The growth is paid over in the form of a levy payment to Norfolk County Council as the lead authority for the Pool. The budget for the levy was £575k but this has increased by £308k to £883k at outturn. The increase is due to a higher business rate income figure as a result of central government increases in reliefs compared to the anticipated position when the NNDR1 Return was completed.
- 8.7 The Authority can retain all the income from renewable energy schemes, provided it granted planning permission for the scheme. It must include each year the amount it anticipates it will receive when completing the NNDR1. Any variation will be carried forward to the following year. The actual income receivable in 2017/18 from renewable energy schemes was £80k above the NNDR1 figure for that year and this additional income has been included in the 2018/19 outturn.
- 8.8 The Government has provided additional reliefs to business in successive Autumn Statements. These reliefs have been dealt with outside the Business Rate Retention Scheme and funded by Section 31 grants payable to District Councils. The reliefs actually granted to businesses for the year have resulted in an increase of £716k in grant received.
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THE NARRATIVE STATEMENT

8.9 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. A surplus on the Collection Fund had been anticipated for 2018/19 and a significant Provision is required in the Accounts to cover against the provision for the alteration of lists and appeals following the rateable value revaluation exercise the results of which came into effect from April 2017 but due to capacity issues at the Valuation Office (VOA) these appeals have yet to come through.

9. Treasury Management and Economic Climate

9.1 The amount of surplus cash available for investment during the year was consistently higher than the level anticipated in the budget; although the overall rate of interest earned was 0.41% lower than budget. Slippage of £4.5m within the capital budget contributed to higher balances overall but the slight reduction in the rate of return forecast. In line with the Authority's Treasury Management Strategy for 2018/19 an additional £6m was invested in pooled funds. The income budget for 2018/19 anticipated £1.158m would be earned in interest from an average balance of £35.1m at a rate of 3.3%. A total of £1.295m was earned from investments over the year from an average balance of £44.7m at an average rate of interest of 2.89%. This resulted in a positive variance against the budget of £138k in respect of investment income.

9.2 The current economic climate along with the associated reductions in central government funding continues to have a direct impact on the finances of the Authority. Income from investments continues to deliver a revenue stream to the Authority and the key treasury management principles for investment continue to be security of the capital sum.

9.3 The Authority remained free of long term debt as at 31 March 2019. At present any short-term cash shortfall can easily be covered as short-term borrowing for cash flow purposes is readily available on the money markets, plus borrowing from other Local Authorities and the Public Works Loan Board.

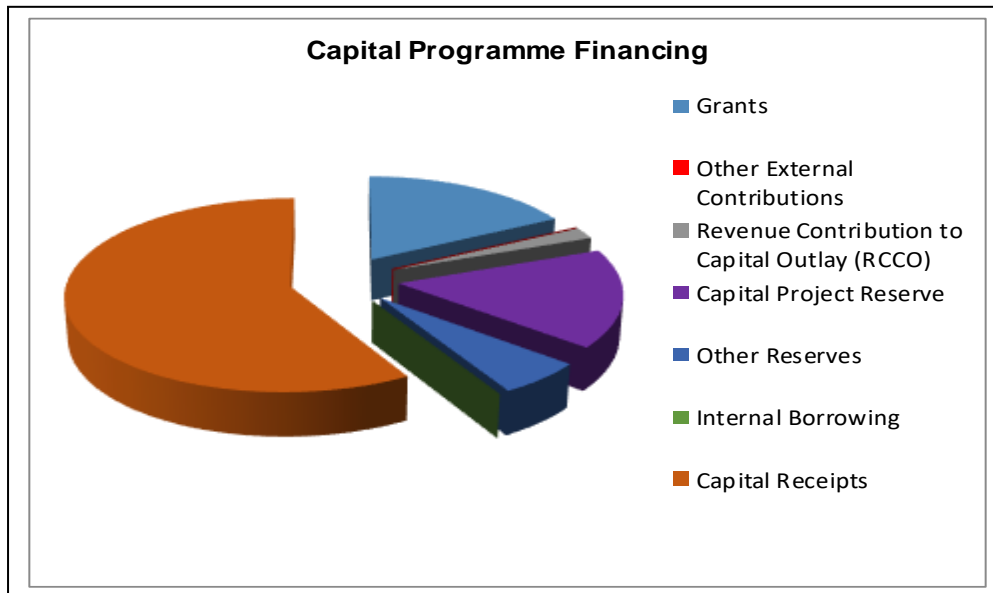
10. Capital

10.1 Capital expenditure in the year amounted to £6.32m (£7.64m 2017/18), examples of some of the individual schemes include community housing schemes (£229k), payment of Disabled Facilities Grants (£1.0m), Cromer pier (£380k) and expenditure on the acquisition of long term empty properties (£489k). Overall expenditure was incurred against the areas identified on the following page and again more detail is provided within the 2018/19 outturn report.

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Capital Activity Summary 2018/19 Outturn	2018/19 Updated Budget	2018/19 Outturn	Variance to Updated Budget
	£	£	£
Jobs and the Local Economy	942,566	947,182	4,616
Housing and Infrastructure	3,762,163	1,710,059	(2,052,104)
Coast, Countryside and Built Heritage	1,282,243	994,479	(287,764)
Health and Wellbeing	3,779,003	1,387,399	(2,391,604)
Service Excellence	1,672,498	1,280,794	(391,704)
Totals	11,438,473	6,319,913	(5,118,560)

10.2 Capital programme financing is shown below, of the £6.32m, £1.09m, equating to 17% (£1.61m or 21 % 2017/18) was financed externally from grants and contributions, with the balance of £5.23m (£6.03m 2017/18) coming from NNDC internal resources.



Capital Programme Financing	2018/19 Outturn £000	%
Grants	1,092	17.3%
Other External Contributions	-	0.0%
Revenue Contribution to Capital Outlay (RCCO)	123	1.9%
Capital Project Reserve	1,052	16.6%
Other Reserves	362	5.7%
Internal Borrowing	-	0.0%
Capital Receipts	3,691	58.4%
TOTAL FINANCING	6,320	100.0%

THE NARRATIVE STATEMENT

11. Reserves and Balances

- 11.1 The Authority holds a general reserve for which the recommended minimum balance is currently £1.9m, the balance at 31 March 2019 was £1.96m. The purpose of holding a general reserve is to provide a working balance to help cushion the impact of uneven cash flows to avoid temporary borrowing and to provide a contingency to help cushion the impact of unexpected events or emergencies. Each year alongside approval of the budget Members approve the policy framework for the earmarked reserves and assessment of the optimum level of general reserve. This is informed by a risk assessment of the budget that takes into account the context within which the budget has been established along with the financial risks facing the Authority. This will include factors such as, sensitivity of pay and price inflation and interest rates, levels of savings anticipated, demand led budgets (spend and income), future funding fluctuations and emergencies.
- 11.2 In addition to the general reserve the Authority holds a number of earmarked reserves held to meet known or predicted liabilities totaling £20m. The reserves also provides a means at the year-end for carrying funds forward to the new financial year to fund ongoing commitments and known liabilities for which no separate revenue budget exists, more detail can be found at note 9 on page 39-42 of the accounts.
- 11.3 There are a number of earmarked reserves that have balances, yet the timing of the use of the reserve is yet to be agreed. The Authority holds a 'Restructuring and Invest to Save Reserve', which the balance at 31 March 2019 was £1.9m. As the name suggests this reserve is held to fund one-off costs associated with restructuring which could include redundancy and pension strain, and also costs that will deliver future efficiencies and savings. This reserve is being used to fund costs associated with the Authority's Digital Transformation programme which will include one-off procurement costs and also some employee costs to support the programme. As part of the agreed programme individual business cases are brought forward for approval to release funds from this reserve.

12. Outlook

- 12.1 Several risks continue to face Local Authorities in terms of funding, i.e. local retention of business rates and responding to spending pressures and changes in service demand. Some of the more significant and current risks that continue to face the Authority are as follows:
- **Funding reductions** - Further funding reductions and the continued shift from central government support from Revenue Support Grant to local funding from retained business rate income and council tax and the potential impact of the ongoing Fair Funding Review and the Spending Review;
 - **New Homes Bonus (NHB)** – There was no clarity as part of the 2019/20 settlement announcement as to whether there would be any future funding in respect of the NHB and it has therefore been removed from the budget projections from 2019/20 onwards pending any further information;

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- **Business rates** – The risk of funding fluctuations from business rates continues to be a prevalent feature of the funding for local authorities. The impact of appeals only exacerbates this risk, although this is mitigated at a local level by the earmarked reserve. The implementation of localisation of business rates has also been delayed;
- **Savings/income** – the delivery of savings built into budget projections and income from demand led services i.e. planning;
- **Investment returns** – Interest rates continue to be low and the delivery of investment returns is problematic with the choice of counterparty and period of exposure needing to be weighed on a daily basis in line with the treasury management strategy. Sound principles underpinned by professional guidance from treasury management advisors allows for a cautious but not complacent approach to investment returns;
- **Housing benefit subsidy** – As a significant budget heading in the region of £25m per annum alone this presents a risk in terms of the accuracy of the claims and subsidy recovered. This is mitigated by an earmarked reserve that the Authority maintains;
- **Pay** – the budget has now been updated to reflect the pay review undertaken by the National Joint Council (NJC) along with annual increments;
- **Waste contract** – the one year extension with Kier is now in place to enable the joint procurement exercise to be undertaken with Breckland District Council and Kings Lynn and West Norfolk Borough Council. No savings have been assumed at this point which may arise as part of the joint procurement being undertaken, although it is hoped that significant economies of scales can be achieved and that ultimately this will result in a lower contract cost. Until the final tender prices are received however the extent of any potential savings will not be known.

12.2 The Authority does however have a number of work streams in place to help address these risks as discussed above within section 6 and also has a healthy reserve position to support in the short to medium term. Cash flows during the year were also positive with the interest received during the year being £138k over the original budget of £1.158m as outlined above. The cashflow can be found on page 9 with the associated notes on pages 51-52.

12.3 The disclosures required for the financial year ending 31 March 2019 in relation to the Authority's pension scheme are on pages 57 to 63 and show a Net Pension Liability of £49.8m as at 31 March 2019 (£40.9m at 31 March 2018). The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. At present the deficit on the scheme would be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

THE NARRATIVE STATEMENT

13. Basis of preparation and presentation

13.1 As part of preparing the accounts the Authority needs to consider how 'material' or important a transaction might be or the value of a transaction on the understanding of the accounts and for the 2018/19 accounts these levels are as follows;

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

14. Further information

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

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STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Certification

I confirm that this Statement of Accounts was approved by the Governance, Risk and Audit Committee at the meeting held on the 23rd July 2019.

Signed on Behalf of North Norfolk District Council

STATEMENT OF RESPONSIBILITIES

The Chief Finance Officers Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Certificate by the Chief Finance Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2019.

Dated: 31 May 2019



Duncan Ellis BSc Hons CPFA, Head of Finance and Assets

THE FINANCIAL STATEMENTS 2018/19

THE FINANCIAL STATEMENTS 2018/19

Expenditure and Funding Analysis (EFA)

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

	2017/18				2018/19		
	Net Expenditure chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000		£000	£000	£000
	261	100	361	CLT / Corporate	218	84	302
	1,561	484	2,045	Customer Services & ICT	1,086	467	1,553
	608	65	673	Legal & Democratic Services	555	77	632
	1,807	1,164	2,971	Community, Economic Development and Coast	2,960	1,087	4,047
	3,303	277	3,580	Environmental Health	3,215	335	3,550
	2,777	(101)	2,676	Finance & Assets	3,897	(597)	3,300
	1,758	178	1,936	Planning	2,069	249	2,318
	12,075	2,167	14,242	Cost of Services	14,000	1,702	15,702
	2,079	(1,884)	195	Other Operating Expenditure	2,210	(972)	1,238
	(505)	1,104	599	Financing and Investment Income and Expenditure	(1,266)	1,115	(151)
	(15,228)	(583)	(15,811)	Taxation and Non-Specific Grant Income	(15,205)	(466)	(15,671)
	(13,654)	(1,363)	(15,017)	Other Income & Expenditure	(14,261)	(323)	(14,584)
	(1,579)	804	(775)	(Surplus) or Deficit on Provision of Services	(261)	1,379	1,118
	21,472			Opening General Fund Balances	23,051		
	1,579			Plus Surplus on General Fund in year	261		
	23,051			Closing General Fund Balances at 31 March 2019	23,312		

THE FINANCIAL STATEMENTS 2018/19

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.

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2017/18			2018/19			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
749	(388)	361	CLT / Corporate	361	(59)	302
2,495	(1,065)	1,430	Customer Services & ICT	2,638	(1,085)	1,553
673	0	673	Legal & Democratic Services	632	0	632
7,174	(4,203)	2,971	Community, Economic Development and Coast	8,536	(4,489)	4,047
7,067	(3,487)	3,580	Environmental Health	7,347	(3,797)	3,550
30,069	(26,778)	3,291	Finance & Assets	29,053	(25,753)	3,300
3,573	(1,637)	1,936	Planning	3,981	(1,663)	2,318
51,800	(37,558)	14,242	Cost of Services	52,548	(36,846)	15,702
		195	Other Operating Expenditure			1,238
1,539	(940)	599	Financing and Investment Income and Expenditure	1,145	(1,296)	(151)
		(15,811)	Taxation and Non-Specific Grant Income			(15,671)
		(775)	(Surplus) or Deficit on Provision of Services			1,118
		(479)	(Surplus) or Deficit on revaluation of Plant, Property and Equipment Assets			84
		217	(Surplus) or Deficit on revaluation of Available for Sale Financial Assets			(255)
		(3,089)	Actuarial (gains)/losses on pension assets/liabilities			6,914
		(3,351)	Other Comprehensive Income and Expenditure			6,743
		(4,126)	Total Comprehensive Income and Expenditure			7,861

THE FINANCIAL STATEMENTS 2018/19

Movement in Reserves Statement (MIRS)

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves', (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority. The total Authority reserves at 31 March 2019 as shown in the MIRS agrees to the Balance Sheet value of £ 39.085 million.

2017/18 Figures	Note	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 2017		2,331	19,141	7,448	0	28,921	13,900	42,821
Movement in Reserves during 2017/18								
Total Comprehensive Income and Expenditure		775	0	0	0	775	3,351	4,126
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	804	0	1,563	0	2,367	(2,367)	0
Transfers (to)/from Earmarked Reserves	9	(1,714)	1,714	0	0	0	0	0
Increase or (decrease) in 2017/18		(135)	1,714	1,563	0	3,142	984	4,126
Balance at 31 March 2018 carried Forward		2,196	20,854	9,011	0	32,062	14,884	46,946
Movement in Reserves during 2018/19								
Total Comprehensive Income and Expenditure		(1,118)	0	0	0	(1,118)	(6,743)	(7,861)
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	1,379	0	(2,319)	0	(940)	940	0
Transfers (to)/from Earmarked Reserves	9	(2)	2	0	0	0	0	0
Increase or (decrease) in 2018/19		259	2	(2,319)	0	(2,058)	(5,803)	(7,861)
Balance at 31 March 2019 Carried Forward		2,456	20,856	6,692	0	30,004	9,082	39,086

THE FINANCIAL STATEMENTS 2018/19

Balance Sheet as at 31 March 2019

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

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31 March 2018		31 March 2019
£000	Note	£000
53,013 Property, Plant and Equipment	30	55,286
875 Investment Property	27	923
449 Intangible Assets	28	574
29,371 Long Term Investments	39	33,371
3,234 Long Term Debtors	33/39	2,958
86,942 Long Term Assets		93,113
2,527 Short Term Investments	39	4,498
13 Inventories		20
3,496 Short Term Debtors	33	4,345
3,580 Cash and Cash Equivalents	18	3,287
894 Assets held for sale	32	698
10,510 Current Assets		12,847
0 Bank Overdraft	18	0
0 Short Term Borrowing	39	(3,001)
(7,999) Short Term Creditors	34	(11,610)
(473) Capital Grants Receipts in Advance	38	(784)
(1,097) Short Term Provisions	35	(1,710)
(9,570) Current Liabilities		(17,105)
(40,936) Other Long Term Liabilities	24/39	(49,769)
(40,936) Long term Liabilities		(49,769)
46,946 Net Assets		39,086

THE FINANCIAL STATEMENTS 2018/19

31 March 2018 £000	Note	31 March 2019 £000
Usable Reserves:		
2,196 General Fund Balance		2,456
20,855 Earmarked Reserves	9	20,856
9,011 Capital Receipts Reserve		6,692
32,062 Total Usable Reserves		30,004
Unusable Reserves:		
17,743 Revaluation Reserve	14	17,501
1,116 Available for Sale Financial Instruments Reserve	14(a)	17,501
0 Financial Instruments Revaluation Reserve	14(b)	0
0 Pooled Fund Adjustment Account	14(c)	1,383
36,979 Capital Adjustment Account	14(d)	(12)
(40,936) Pensions Reserve	14(e)	39,829
212 Collection Fund Adjustment Account	14(f)	(49,769)
(230) Accumulated Compensated Absences Adjustment Account	14(g)	420
	14(h)	(270)
14,884 Total Unusable Reserves		9,082
46,946 Total Reserves		39,086

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The Statement of Accounts presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2019. The notes on pages 10 to 90 form part of the financial statements

Dated: 31 May 2019



Duncan Ellis BSc Hons CPFA, Head of Finance and Assets

THE FINANCIAL STATEMENTS 2018/19

Cash Flow Statement

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

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

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31 March 2018	Note	31 March 2019
£000		£000
775 Net Surplus on the provision of services	7	(1,118)
(22) Adjust Net Surplus/(Deficit) on the provision of services for non cash movements	15	5,675
(4,354) Adjust for items included in the Net Surplus/(Deficit) on the provision of services that are investing and financing activities	15	(3,671)
(3,601) Net Cash Flows generated from (used in) Operating Activities		886
(2,878) Investing Activities	16	(6,408)
299 Financing Activities	17	5,229
(6,180) Net Increase or (Decrease) in Cash and Cash Equivalents		(293)
9,760 Cash and Cash Equivalents at the beginning of the reporting period	18	3,580
3,580 Cash and Cash Equivalents at the end of the reporting period	18	3,287

NOTES TO THE ACCOUNTS

1. Accounting Policies

A General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

B Accruals of Income and Expenditure

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

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

NOTES TO THE ACCOUNTS

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

C Cash and Cash Equivalents

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

D Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There have been changes to the accounting policies in the year relating to Financial Instruments to reflect the changes brought about by IFRS 9. There were no material errors from previous year requiring restatement.

E Charges to Revenue for Non-Current Assets

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

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

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

F Employee Benefits

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

NOTES TO THE ACCOUNTS

render services to the Authority. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

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

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

Post-employment Benefits

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

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

- The liabilities of the Norfolk Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (2.7% in 2017/18). This rate is based on a corporate yield curve based on the constituents of the iBoxx Sterling Corporates AA index and using the UBS delta curve fitting methodology. In line with the adoption of IAS 19 – Employee Benefits, an individual discount rate is calculated for each employer, based on their own weighted average duration category. The weighted average duration is used to identify the appropriate category for each employer as shown in the table below:-

NOTES TO THE ACCOUNTS

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

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

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

NOTES TO THE ACCOUNTS

Discretionary Benefits

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

G Events after the Balance Sheet Date

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

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

H Exceptional Items

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

Financial Instruments

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

I Financial Liabilities

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

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

- Short term loans from other local authorities

NOTES TO THE ACCOUNTS

- Overdrafts with Barclays bank
- Lease payables
- Trade payables for goods and services received

J Financial Assets

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

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

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

Fair value through other comprehensive income (where cash flows are solely payments of principle and interest and the Authority's business model is to both collect those cash flows and sell the instrument; as well as equity investments which the Authority has chosen to elect into this category) comprising:

- Pooled bond, equity and property funds held as strategic investments

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

- Money market funds
- Pooled bond, equity and property funds which are not held as strategic investments

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

NOTES TO THE ACCOUNTS

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

K Government Grants and Contributions

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

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

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

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

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

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

L Intangible Assets

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

NOTES TO THE ACCOUNTS

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

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

M Inventories and Work in Progress

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

N Investment Properties

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

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

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

O Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but

NOTES TO THE ACCOUNTS

convey a right to use an asset return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

NOTES TO THE ACCOUNTS

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

NOTES TO THE ACCOUNTS

P Overheads and Support Services

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

Q Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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 20 years.
- Community and Surplus assets – The land element of these is not depreciated, any property is depreciated over its useful life.

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

Componentisation

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

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

The Authority recognises the following levels of components:

- Substructure
- Superstructure
- Internal services
- External works

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

NOTES TO THE ACCOUNTS

R Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

NOTES TO THE ACCOUNTS

S Reserves

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

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

T Revenue Expenditure Funded from Capital under Statute

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

U VAT

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

V Council Tax and Non-domestic Rate Income

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

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

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

NOTES TO THE ACCOUNTS

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

W Fair Value measurement

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

The Code of Practice on Local Authority Accounting in the UK 2019/20 has introduced the following changes in accounting policy, which will need to be adopted fully by the Authority in the 2019/20 Financial Statements from 1 April 2019.

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

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

- a) amendments to IAS 40 *Investment Property: Transfers of Investment Property*
- b) *Annual Improvements to IFRS Standards 2014-2016 Cycle*
- c) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- d) IFRIC 23 *Uncertainty over Income Tax Treatments*
- e) amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*.

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Asset Categorisation - The Code classifies assets according to certain criteria. For example investment properties are classified as those assets that are held primarily to generate rental income or for capital appreciation, surplus assets are those assets that are surplus to service needs and do not meet the criteria for investment property or assets held for sale. Assets held for sale is usually restricted to property that is expected to be sold in 12 months. For the Authority, industrial rental units have been treated as other land and buildings based on the judgement that they are held for a service objective of Economic Development and regeneration.
- NNDR ratings list alterations- are estimates made for the expected loss of income as a result of alterations of ratings lists following the Check, Challenge, Appeal process. This based on currently outstanding checks, challenges and appeals and as well as expected further ones based on historical values.

NOTES TO THE ACCOUNTS

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	Asset valuation in the current economic climate is subject to significant stress. Impairment reviews by the Authority of its asset base have been undertaken in a robust way to reflect the changes in its asset values. Depreciation charges are related to the useful life of the assets and dependant on the level of repairs and maintenance that will be incurred in relation to individual assets.	It is important that the asset values in the Balance Sheet are kept under review. If the useful lives of the assets are reduced depreciation increases and the carrying value of the assets falls. Whilst there is a risk in any valuation exercise changes to useful lives and depreciation do not impact the Authority's useable reserves as depreciation charges do not fall on the Tax payer.
Fair Value Measurements	Where the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or, the discounted cash flow). Where possible these inputs are based on observable data, but where this is not possible judgement is required in establishing fair values. This will typically include considerations such as uncertainty and risk. However changes to the assumptions used could affect the fair value of the Authority's assets and liabilities. Where Level 1 inputs are not available, the Authority has used relevant experts to identify the most appropriate valuation technique to determine fair value.	The authority uses the discounted cash flow (DCF), and 'market approach' (as defined in paragraphs B5 to B7 of IFRS 13) to measure the fair value of its assets. The inputs to this latter technique constitute Level 2 inputs, which are observable for the asset either directly or indirectly. If there were to be significant unobservable inputs, this could result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

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Pensions Liability	<p>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>	<p>The effects on the net pension liability of changes in individual assumptions can be measured, for example a 0.5% decrease in the real discount rate assumption would result in an increase of 10% in the pension liability which is approximately £12.46m.</p> <ul style="list-style-type: none"> (i) A one year increase in member life expectancy would result in an increase of approximately 3 to 5% in the pension liability. In practice, the actual cost will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). (ii) If salaries were to increase by 0.5% more than anticipated, the pension liability would increase by 1%, approximating to £1.721m. (iii) If pensions payable were to increase by 0.5% more than anticipated, the pension liability would increase by 9%, approximating to £10.531m.
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5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance and Assets on 31 March 2019. Events taking place after the accounts are authorised for issue are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There have been no unadjusted events after the Balance sheet date.

NOTES TO THE ACCOUNTS

6. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2018-19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net Change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
CLT / Corporate	(25)	103	6	84
Customer Services & ICT	239	245	(17)	467
Legal & Democratic Services	3	68	6	77
Community, Economic Development and Coast	928	146	13	1,087
Environmental Health	189	148	(2)	335
Finance & Assets	(530)	(91)	24	(597)
Planning	53	186	10	249
Net cost of services	857	805	40	1,702
Other Operating Expenditure	(972)	0	0	(972)
Financing and Investment Income and Expenditure	0	1,115	0	1,115
Taxation and Non-Specific Grant Income	(258)	0	(208)	(466)
Other Income & Expenditure from the Expenditure and Funding Analysis	(1,230)	1,115	(208)	(323)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(373)	1,920	(168)	1,379

NOTES TO THE ACCOUNTS

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

Adjustments between Funding and Accounting Basis 2017-18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net Change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
CLT / Corporate	(7)	107	0	100
Customer Services & ICT	192	292	0	484
Legal & Democratic Services	3	62	0	65
Community, Economic Development and Coast	1,027	137	0	1,164
Environmental Health	108	169	0	277
Finance & Assets	18	(119)	0	(101)
Planning	(27)	205	0	178
Net cost of services	1,314	853	0	2,167
Other Operating Expenditure	(1,884)	0	0	(1,884)
Financing and Investment Income and Expenditure	0	1,104	0	1,104
Taxation and Non-Specific Grant Income	(405)	0	(178)	(583)
Other Income & Expenditure from the Expenditure and Funding Analysis	(2,289)	1,104	(178)	(1,363)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(975)	1,957	(178)	804

NOTES TO THE ACCOUNTS

1) Adjustments for Capital Purposes

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

2) Net Change in Pensions Adjustments

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

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

3) Other Differences

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

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

NOTES TO THE ACCOUNTS

7. Expenditure and Income Analysed by Nature

EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2017/18	2018/19
Expenditure/ Income	£000	£000
Expenditure		
Employee Benefits expenses	12,903	13,736
Other Services Expenses	37,159	36,857
Support Service Recharges	11,310	11,941
Depreciation, amortisation, impairment, DRF	4,049	4,008
Interest payments	53	35
Precepts and Levies	2,080	2,210
Gain on the disposal of assets	(1,885)	(972)
Total Expenditure	65,669	67,815
Income		
Fees, Charges and other service income	22,512	24,854
Interest and Investment Income	940	1,296
Income from Council tax, Non-Domestic Rates, district rate income	12,364	13,216
Government Grants and Contributions	30,628	27,331
Total Income	66,444	66,697
Surplus or Deficit on the Provision of Services	(775)	1,118

NOTES TO THE ACCOUNTS

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

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

2018/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	2,139	0	0	(2,139)
Revaluation losses on Property, Plant and Equipment	189	0	0	(189)
Movements in the market value of Investment Properties	(4)	0	0	4
Amortisation of intangible assets	76	0	0	(76)
Capital Grants and Contributions that have been applied to capital financing	(258)	0	0	258
Revenue Expenditure Funded from Capital Under Statute	348	0	0	(348)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(971)	0	0	971
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(354)	0	0	354
Capital expenditure charged against the General Fund	(1,537)	0	0	1,537

NOTES TO THE ACCOUNTS

2018/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Receipts Reserve				
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	1,164	0	(1,164)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(3,483)	0	3,483
Adjustments involving the Pensions Reserve				
Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	4,177	0	0	(4,177)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,258)	0	0	2,258
Adjustments involving the Collection Fund Adjustment Account				
Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	(208)	0	0	208
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	40	0	0	(40)
Total Adjustments	1,379	(2,319)	0	940

NOTES TO THE ACCOUNTS

2017/18	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	2,126	0	0	(2,126)
Revaluation losses on Property, Plant and Equipment	166	0	0	(166)
Movements in the market value of Investment Properties	382	0	0	(382)
Amortisation of intangible assets	42	0	0	(42)
Capital Grants and Contributions that have been applied to capital financing	(405)	0	0	405
Revenue Expenditure Funded from Capital Under Statute	271	0	0	(271)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,885)	0	0	1,885
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(333)	0	0	333
Capital expenditure charged against the General Fund	(1,339)	0	0	1,339

NOTES TO THE ACCOUNTS

2017/18	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Receipts Reserve				
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	2,668	0	(2,668)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,105)	0	1,105
Adjustments involving the Pensions Reserve				
Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	4,047	0	0	(4,047)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,090)	0	0	2,090
Adjustments involving the Collection Fund Adjustment Account				
Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	(178)	0	0	178
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	0
Total Adjustments	804	1,563	0	2,367

NOTES TO THE ACCOUNTS

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

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

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

NOTES TO THE ACCOUNTS

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

This sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

	Balance at 1 April 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
Asset Management	501	(630)	987	858	(261)	960	1,557
Benefits	1,429	(134)	0	1,295	(13)	58	1,340
Broadband	1,000	0	0	1,000	0	0	1,000
Building Control	172	(12)	0	160	0	31	191
Business Rate Retention	2,527	(20)	0	2,506	(68)	0	2,438
Capital Projects Reserve	2,314	(264)	1,400	3,450	(1,064)	94	2,480
Coast Protection	203	0	0	203	(22)	0	181
Common Training	48	(48)	0	(0)	0	0	(0)
Communities	1,197	0	397	1,594	(63)	121	1,652
Economic Development & Regeneration	133	(37)	25	121	(10)	60	171
Election Reserve	43	0	40	83	0	40	123
Enforcement Board	103	(47)	141	197	(60)	0	137
Environmental Health	279	0	15	294	0	29	323
Grants	440	(7)	102	535	(112)	114	537
Grassed Area Deposits	350	0	21	371	0	0	371
Housing	2,522	(246)	225	2,500	(307)	341	2,534
Land Charges	233	0	41	274	0	15	289
Legal	144	(16)	0	129	(1)	1	129
LSVT Reserve	435	0	0	435	0	0	435
New Homes Bonus	1,835	(54)	225	2,006	(1,494)	0	512

NOTES TO THE ACCOUNTS

	Balance at 1 April 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
Organisational Development	345	(4)	0	340	(26)	0	314
Pathfinder	206	(63)	0	143	0	0	143
Planning - Revenue	168	(123)	11	56	(32)	86	110
Restructuring and Invest to Save	2,435	(261)	117	2,291	(1,251)	843	1,883
Property Investment Fund	0	0	0	0	0	2,000	2,000
Sports Hall Equipment/Sports Facilities	12	0	0	13	(7)	0	6
Treasury (Property) Reserve	67	(67)	0	0	0	0	0
Total	19,141	(2,033)	3,747	20,854	(4,791)	4,793	20,856

Total transfers out during 2018/19

(4,791)

Total transfers in during 2018/19

4,793

Net Movement in Earmarked Reserves in 2018/19

2

NOTES TO THE ACCOUNTS

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 ACCOUNTS

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.

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

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

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

NOTES TO THE ACCOUNTS

10. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2017/18	2018/19
£000	£000
2,080 Parish Council Precepts	2,209
(1,885) (Gains) on the disposal of non-current assets	(971)
195 Total	1,238

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

2017/18	2018/19
£000	£000
44 Interest payable and similar charges	23
1,104 Pensions interest cost and expected return on pensions assets	1,115
(931) Interest receivable and similar income	(1,285)
382 Changes in the fair value of investment property	(4)
599 Total	(151)

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

2017/18	2018/19
£000	£000
(7,669) Council Tax Income	(8,107)
(4,718) Non Domestic Rates	(5,108)
(936) Revenue Support Grant	(565)
(2,083) Other Non ringfenced government grants	(1,633)
(405) Capital grants and contributions	(258)
(15,811) Total	(15,671)

NOTES TO THE ACCOUNTS

13. Balance Sheet – Usable Reserves

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

14. Balance Sheet – Unusable Reserves

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

2017/18	2018/19
£000	£000
17,743 Revaluation Reserve	17,501
1,116 Available for Sale Reserve	0
0 Financial Instruments Revaluation Reserve	1,383
0 Pooled Fund Adjustment Account	(12)
36,979 Capital Adjustment Account	39,829
(40,936) Pensions Reserve	(49,769)
212 Collection Fund Adjustment Account	420
(230) Accumulated Compensated Absences Adjustment Account	(270)
14,884 Total Unusable Reserves	9,082

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14(a) Revaluation Reserve

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

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

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

NOTES TO THE ACCOUNTS

2017/18 £000	2018/19 £000
17,612 Balance at 1 April	17,743
1,035 Upward revaluation of assets	21
(556) Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(105)
(151) Difference between fair value depreciation and historical cost depreciation	(158)
(197) Accumulated gains on assets sold or scrapped	0
17,743 Balance at 31 March	17,501

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14(b) Available for Sale Reserve

This reserve is no-longer required under the new accounting standard for Financial Instruments, IFRS9. The 2017/18 accounts are not restated and the gains and losses recognised in the reserve have been moved in accordance with the Standard as shown below.

2017/18 £000	2018/19 £000
1,333 Balance at 31 March	1,116
Transition to IFRS9:	
0 Re-classification FVOCI (FI Revaluation Reserve)	(1,119)
0 Re-classification FVPL (Pooled Adjustment Account)	6
0 Re-measurement to Amortised Cost	(3)
1,333 Balance 1 April	0
(217) (Downward)/ Upward revaluation of investments not charged to the surplus/deficit on the provision of services.	0
1,116 Balance at 31 March	0

NOTES TO THE ACCOUNTS

14(c) Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its strategic investments that it has elected to account at fair value through other comprehensive income. 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

2017/18	2018/19
£000	£000
0 Balance at 31 March	0
0 Transition to IFRS9 - re-classification FVOCI	1,119
0 Balance at 1 April	1,119
0 (Downward)/ Upward revaluation of investments not charged to the surplus/deficit on the provision of services.	264
<hr/>	<hr/>
0 Balance at 31 March	1,383
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14(d) Pooled Fund Adjustment Account

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

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

NOTES TO THE ACCOUNTS

2017/18	2018/19
£000	£000
0 Balance at 31 March	0
0 Transition to IFRS9 - reclassified FVPL	(6)
0 Balance at 1 April	(6)
(Downward)/Upward revaluation of investments not charged to the	
0 surplus/deficit on the provision of services.	(6)
0 Balance 31 March	(12)

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14(e) Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

NOTES TO THE ACCOUNTS

	2017/18 £000	2018/19 £000
	37,219	Balance at 1 April
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
	(1,921)	Charges for Depreciation and impairment on non-current assets (2,139)
	(371)	Revaluation losses on Property, Plant and Equipment (189)
	(42)	Amortisation of intangible assets (76)
	(271)	Revenue expenditure funded from capital under statute (348)
	(586)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (192)
	<u>34,028</u>	<u>34,034</u>
	151	Adjusting amounts written out of the revaluation reserve 158
	<u>34,179</u>	<u>Net written out amount of the cost of non current assets consumed in the year</u> 34,192
	<u>Capital Financing applied in the year:</u>	
	1,105	Use of capital receipts reserve to finance new capital expenditure 3,483
	405	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statements that have been applied to capital financing 258
	333	Statutory provision for the financing of capital investment charged against the General Fund balance 355
	1,339	Capital expenditure charged against the General Fund Balance 1,537
	<u>37,361</u>	<u>39,824</u>
	(382)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement 4
	<u>36,979</u>	<u>Balance at 31 March</u> 39,829

NOTES TO THE ACCOUNTS

14(f) Pensions Reserve

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

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2017/18	2018/19
£000	£000
(42,068) Balance at 1 April	(40,936)
3,089 Actuarial gains/(losses) on pensions assets and liabilities	(6,914)
(4,047) Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(4,177)
2,090 Employer's pension contributions and direct payments to pensioners payable in the year	2,258
(40,936) Balance at 31 March	(49,769)

14(g) 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.

NOTES TO THE ACCOUNTS

2017/18 £000	2018/19 £000
33 Balance at 1 April Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement	212
179 Statement is different from Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	208
212 Balance at 31 March	420

14(h) 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.

2017/18 £000	2018/19 £000
(230) Balance at 1 April 0 Settlement or cancellation of an accrual made at the end of the preceding year 0 Amounts accrued at the end of the current year 0 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(230) 230 (310) 40
(230) Balance at 31 March	(270)

NOTES TO THE ACCOUNTS

15. Cash Flow Statement – Arising from Operating Activities

The cash flows for operating activities include the following items:

2017/18	2018/19
£000	£000
989 Interest Received	1,251
(44) Interest Paid	(23)
945 Net cash flows from operating activities	1,228

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2017/18	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements	2018/19
£000		£000
1,921 Depreciation		2,139
372 Impairment and downward valuations		189
42 Amortisation		76
(1,902) Increase in Creditors		2,171
(10) (Decrease) in Interest and Dividend Debtors		(37)
(3,647) Increase / (Decrease) in Debtors		(967)
13 Increase / (Decrease) in Inventories		(7)
1,957 Movement in Pension Liability		1,919
783 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		192
449 Movement in Investment Property Values		0
(22)		5,675

2017/18	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2018/19
£000		£000
(239) Capital Grants credited to surplus or deficit on the provision of services		(290)
(1,499) Net adjustment from the sale of short and long term investments		(2,250)
(2,616) Proceeds from the sale of property plant and equipment, investment property and intangible assets		(1,131)
(4,354)		(3,671)

NOTES TO THE ACCOUNTS

16. Cash Flow Statement – Investing Activities

2017/18	2018/19
£000	£000
(2,402) Purchase of property, plant and equipment, investment property and intangible assets	(4,363)
(47,750) Purchase of short-term and long-term investments	(24,133)
2,616 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,131
44,749 Proceeds from short-term and long-term investments	20,448
(91) Other receipts from investing activities	509
(2,878) Net cash flows from investing activities	(6,408)

17. Cash Flow Statement – Financing Activities

2017/18	2018/19
£000	£000
0 Cash receipts of short-term and long-term borrowing	3,001
(688) Cash payments for the reduction of the outstanding liabilities relating to finance leases.	(355)
987 Other payments for financing activities	2,583
299 Net cash flows from financing activities	5,229

18. Cash Flow Statement – Cash and Cash Equivalents

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

2017/18	2018/19
£000	£000
3 Cash held by officers	3
115 Bank current accounts	1,083
3,462 Investments in liquidity Money Market Funds	2,201
3,580 Total cash and cash equivalents	3,287

NOTES TO THE ACCOUNTS

19. Trading Operations

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

	2017/18		2018/19	
	£000	£000	£000	£000
<p>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.</p>	(61) <u>97</u>		(57) <u>83</u>	26
		36		
<p>The Council lets a total of 15 industrial units and self-occupies 2 over three sites in Catfield, North Walsham and Fakenham. The Catfield and North Walsham sites offer starter units which were developed jointly with EEDA, to provide opportunities for local business start-ups and developments. The trading objective is to minimise the deficit relating to the service.</p>	(128) <u>187</u>		(132) <u>134</u>	2
		59		
Net (surplus) / deficit on trading operations:		95		28

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

The reduced deficit is due to lower service charges which reflect a more accurate allocation of staff time.

	2017/18		2018/19	
	£000		£000	
Net deficit/(surplus) on trading operations	95		28	
Services to the public included in expenditure of continuing operations	(3)		(3)	
Net deficit / (surplus) debited / (credited) to other operating expenditure	92		25	

NOTES TO THE ACCOUNTS

20. External Audit Costs

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

	2017/18 Ernst Young £000	2018/19 Ernst Young £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	54	45
Fees payable for the certification of grant claims and returns for the year	26	3
Total	80	48

21. Members Allowances

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

	2017/18 £	2018/19 £
331,752 Allowances	331,752	319,009
25,721 Expenses	25,721	27,591
	357,473	346,600

NOTES TO THE ACCOUNTS

22. Officers' Remuneration

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

<u>For the period 1st April 2018 to 31st March 2019</u>		Salary, Fees and Allowance	Bonuses	Expenses Allowances	Compensation for Loss of Office	Sub-total	Pension Contribution	Total
<u>Job Title</u>		£	£	£	£		£	£
<u>1st April 2018 to 31st March 2019</u>								
Corporate Director and Head of Paid Service	2018/19	100,593	0	963	0	101,556	14,586	116,142
Corporate Director and Head of Paid Service	2018/19	100,593	0	963	0	101,556	14,586	116,142
Section 151 Officer	2018/19	72,963	0	963	0	73,926	10,580	84,506
Monitoring Officer	2018/19	72,963	0	963	0	73,926	11,738	85,664
<u>1st April 2017 to 31st March 2018</u>								
Corporate Director and Head of Paid Service	2017/18	98,621	0	963	0	99,584	14,300	113,884
Corporate Director and Head of Paid Service	2017/18	98,621	0	963	0	99,584	14,300	113,884
Section 151 Officer	2017/18	70,058	0	963	0	71,021	10,158	81,179
Monitoring Officer	2017/18	64,792	0	963	0	65,755	8,237	73,992

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:

2017/18		2018/19	
Number of Employees	Remuneration Band	Number of Employees	Remuneration Band
5	£50,000 - £54,999	5	£50,000 - £54,999
2	£55,000 - £59,999	4	£55,000 - £59,999
0	£60,000 - £64,999	0	£60,000 - £64,999
1	£65,000 - £69,999	1	£65,000 - £69,999

NOTES TO THE ACCOUNTS

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	2017/18				2018/19			
	Compulsory Redundancies	Other Departures	Total Number of Employees	Total Amount £	Compulsory Redundancies	Other Departures	Total Number of Employees	Total Amount £
	Number of Employees	Number of Employees			Number of Employees	Number of Employees		
£0 to £20,000	0	1	1	5,036	0	1	1	13,718
£20,001 to £40,000	0	1	1	35,000	0	0	0	0
£40,001 to £60,000	0	0	0	0	0	0	0	0
£60,001 to £80,000	0	0	0	0	0	0	0	0
£80,001 to £100,000	0	0	0	0	0	0	0	0
	0	2	2	40,036	0	1	1	13,718

24. Defined Benefit Pension Schemes

Participation in pension schemes

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

The Authority participates in two post- employment schemes:

- The Local Government Pension Scheme, administered locally by Norfolk County Council - this was a funded defined benefit final salary scheme up to 31/03/2014 then replaced with a Career Average Revalued Earnings (CARE) scheme from the 01/04/2014, The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit final arrangement; under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post-employment benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

NOTES TO THE ACCOUNTS

	Local Government Pension Scheme 2017/18 £000	Local Government Pension Scheme 2018/19 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services:</u>		
Current service cost	2,943	3,062
Past Service Costs loss	0	0
 <u>Financing and Investment Income and Expenditure:</u>		
Interest cost	2,846	2,979
Expected return on scheme assets	(1,742)	(1,864)
Total post-employment benefit charged to the surplus/deficit on the provision of services	4,047	4,177
 <u>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:</u>		
Actuarial gains and (losses)	3,089	(6,914)
Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement	(7,136)	2,737
 <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	(4,047)	(4,177)
 <u>Actual amount charged against the general fund balance for pensions in the year:</u>		
Employers' contributions payable to scheme	2,090	2,258

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2019 is a loss of £35.203m (£28.289m at 31 March 2018).

NOTES TO THE ACCOUNTS

Assets and liabilities in relation to post-employment benefits

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

	Funded Liabilities	
	Local Government	
	Pension Scheme	
	2017/18	2018/19
	£000	£000
Opening Balance at 1 April	109,451	110,282
Current service cost	2,943	3,062
Interest cost	2,846	2,979
Contributions by scheme participants	503	540
Actuarial (gains) and losses	(2,191)	9,219
Benefits paid	(3,034)	(3,097)
Unfunded Benefits paid	(236)	(249)
Past service costs	0	0
Closing Balance at 31 March	110,282	122,736

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

	Local Government	Local Government
	Pension Scheme	Pension Scheme
	2017/18	2018/19
	£000	£000
Opening balance at 1 April	67,383	69,346
Expected rate of return	1,742	1,864
Actuarial gains	910	2,300
Employers contributions	1,842	2,014
Contributions by scheme participants	503	540
Contributions in respect of Unfunded Benefits	236	249
Benefits paid	(3,034)	(3,097)
Unfunded Benefits paid	(236)	(249)
Closing balance at 31 March	69,346	72,967

NOTES TO THE ACCOUNTS

Fair Value of Employer Assets

	31 March 2018				31 March 2019			
	Quoted Prices in active markets £(000)	Quoted Prices not in active markets £(000)	Total £(000)	Percentage of Total Assets	Quoted Prices in active markets £(000)	Quoted Prices not in active markets £(000)	Total £(000)	Percentage of Total Assets
ASSET CATEGORY								
Equity Securities:								
Consumer	4,559.4	0.0	4,559.4	7%	4,523.0	0.0	4,523.0	6%
Manufacturing	3,888.6	0.0	3,888.6	6%	3,736.6	0.0	3,736.6	5%
Energy & Utilities	1,237.4	0.0	1,237.4	2%	1,633.6	0.0	1,633.6	2%
Financial Institutions	3,868.6	0.0	3,868.6	6%	3,956.2	0.0	3,956.2	5%
Health & Care	1,270.7	0.0	1,270.7	2%	1,755.9	0.0	1,755.9	2%
Information Technology	2,174.6	0.0	2,174.6	3%	3,570.6	0.0	3,570.6	5%
Other	0.0	0.0	0.0	0%	2.5	0.0	2.5	0%
Debt Securities:								
Corporate Bonds (Investment Grade)	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Corporate Bonds (Non-Investment Grade)	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
UK Government	1,043.8	0.0	1,043.8	2%	836.2	0.0	836.2	1%
Other	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Private Equity:								
All	0.0	3,831.1	3,831.1	6%	0.0	4,504.8	4,504.8	6%

NOTES TO THE ACCOUNTS

Fair Value of Employer Assets (cont'd)

	31 March 2018				31 March 2019			
	Quoted Prices in active markets £(000)	Quoted Prices not in active markets £(000)	Total £(000)	Percentage of Total Assets	Quoted Prices in active markets £(000)	Quoted Prices not in active markets £(000)	Total £(000)	Percentage of Total Assets
Real Estate:								
UK Property	0.0	6,083.2	6,083.2	9%	0.0	7,222.7	7,222.7	10%
Overseas Property	0.0	997.2	997.2	1%	0.0	1,394.2	1,394.2	2%
Investment Funds & Unit Trusts:								
Equities	18,565.6	0.0	18,565.6	27%	12,555.5	0.0	12,555.5	17%
Bonds	19,188.6	0.0	19,188.6	28%	25,265.4	0.0	25,265.4	35%
Derivatives:								
Foreign Exchange	105.8	0.0	105.8	0%	(20.1)	0.0	(20.1)	0%
Other	(52.7)	0.0	(52.7)	0%	208.2	0.0	208.2	0%
Cash & Cash Equivalents								
All	0.0	2,584.1	2,584.1	4%	0.0	1,821.7	1,821.7	4%
TOTALS	55,850	13,496	69,346	100%	58,024	14,943	72,967	100%

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

NOTES TO THE ACCOUNTS

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £49.77m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2019 is £1.93m.

Basis for estimating assets and liabilities

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

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

The principal assumptions used by the actuary have been:

NOTES TO THE ACCOUNTS

	Local Government Pension Scheme 2017/18	Local Government Pension Scheme 2018/19
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.7%	2.4%
Bonds	2.7%	2.4%
Property	2.7%	2.4%
Cash	2.7%	2.4%
Mortality assumptions:		
<u>Longevity at 65 for current pensioners:</u>		
Men	22.1	22.1
Women	24.4	24.4
<u>Longevity at 65 for future pensioners:</u>		
Men	24.1	24.1
Women	26.4	26.4
Pension Increase Rate (CPI)	2.4%	2.5%
Rate of increase in salaries	2.7%	2.8%
Expected Return on Assets	2.7%	2.8%
Rate of discounting scheme liabilities	2.7%	2.4%

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

	31 March 2018	31 March 2019
	%	%
Equities	57	50
Bonds	29	36
Property	10	10
Cash	4	4
	100	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2018/19 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2019.

	2019	2018	2017	2016	2015
	%	%	%	%	%
Difference between the expected and actual return on assets	3.2	1.3	7.2	(0.7)	8.3
Experience gains and losses on liabilities	0.2	(0.1)	(1.2)	(1.8)	0.4

25. Related Parties

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

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

Central Government

Central Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits). Grants received from Government departments are set out in the expenditure and income analysed by nature in note 7. Grant receipts outstanding at 31 March 2019 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 2018/19 is shown in note 19. During 2018/19, works and services to the value of £891,736 were commissioned from companies in which 32 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; £387,931 to Internal Drainage Boards in which seven members have an interest, £252,957 to NORSE in which one member has an interest and £102,219 to the RNLI in which one member had an interest.

In addition, the Authority paid grants totalling £246,236 to voluntary organisations in which 11 members had declared an interest. The most significant total values for grant expenditure were £109,000 to the Mid Norfolk Citizens Advice Bureau. There were no material expenditure transactions involving Chief Officers.

Income totalling £102,108 was received from entities in which 23 Members and 1 Corporate Director had an interest. There were no significant total values for income.

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

NOTES TO THE ACCOUNTS

26. Leases

Authority as Lessee

Finance Leases

The Authority has determined that the contracts with Kier Services - Environmental for waste collection and related services, and with the Borough Council of King's Lynn and West Norfolk for car parks management, contain embedded finance leases in respect of the vehicles and equipment used on the contracts. A deferred liability has been set up for the estimated lease rental charges included in the contract payments made to the contractors, and the assets are recognised on the balance sheet at net book value.

The vehicles subject to the lease are carried as property, plant and equipment in the balance sheet at the following net amounts:

	31 March 2018	31 March 2019
	£000	£000
Property, Plant and Equipment	278	0
	278	0

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the acquisition of the vehicles and finance costs which will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2018	31 March 2019
	£000	£000
<u>Finance Lease Liabilities (Net present value of minimum lease payments):</u>		
- Current	354	0
- Non current	0	0
Finance costs payable in future years	22	0
Minimum Lease Payments	376	0

The minimum lease payments will be payable over the following periods:

NOTES TO THE ACCOUNTS

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Not later than one year	377	0	354	0
Later than one year and not later than five years	0	0	0	0
	377	0	354	0

Operating Leases

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

	31 March 2018 £000	31 March 2019 £000
Not later than one year	66	70
Later than one year and not later than five years	36	171
Later than five years	8	206
	110	448

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

	31 March 2018 £000	31 March 2019 £000
Minimum Lease Payments	87	85
Contingent Rents	60	68
	146	153

NOTES TO THE ACCOUNTS

Authority as Lessor

Operating Leases

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

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

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

	31 March 2018 £000	31 March 2019 £000
Not later than one year	(216)	(257)
Later than one year and not later than five years	(706)	(748)
Later than five years	(92)	(411)
	<u>(1,013)</u>	<u>(1,417)</u>

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:

	2017/18 £000	2018/19 £000
Rental income from investment property	1	19
Direct operating expenses arising from investment property	(58)	(95)
Net gain/(loss)	<u>(57)</u>	<u>(76)</u>

NOTES TO THE ACCOUNTS

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

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

	2017/18	2018/19
	£000	£000
Opening Balance	515	875
Additions:		
- Purchases	582	237
Net gains/losses from fair value adjustments	(7)	(189)
Transfers:		
- To/from property, plant and equipment	(215)	0
Closing Balance	875	923

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

Fair Value hierarchy

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

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

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

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

These assets have been revalued as at 31st March 2019, by Norfolk Property Services.

NOTES TO THE ACCOUNTS

28. Intangible Assets

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

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

	Internally Generated	Other Assets
5 years	None	All Software

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £76,457 charged to Revenue in 2018/19 (£41,703 in 2017/18) was charged to the following lines within the income statement; Planning Services (£32,327), Finance and Assets (£2,254), Customer Services (£20,108), CLT / Corporate (£19,268) and Legal and Democratic Services (£2,500).

NOTES TO THE ACCOUNTS

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

	2017/18			2018/19		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Opening Balance:						
Gross carrying amounts	0	1,557	1,557	0	1,754	1,754
Accumulated amortisation	0	(1,264)	(1,264)	0	(1,305)	(1,305)
Net carrying amount at start of year	0	294	294	0	449	449
Additions:						
- Purchases	0	197	197	0	200	200
Amortisation for the period	0	(42)	(42)	0	(76)	(76)
Closing Balance	0	449	449	0	574	574

There is one item of capitalised software that is individually material to the financial statements. This is a replacement IT system for the Planning Department, which has a carrying amount of £112,000 and will be amortised over the next 4 years. No significant contracts have been entered into during the financial year 2018/19.

29. Impairment Losses

An impairment review was undertaken for the financial year 2018/19. The review identified that due to the type and use of properties, and taking into consideration their location with Norfolk and the Eastern region, it was not considered that any economic changes within the period would result in the assets being affected by economic impairment. As such the Authority has not recognised any impairment losses within the financial accounts for 2018/19 (£0 in 2017/18).

NOTES TO THE ACCOUNTS

30. Property, Plant and Equipment

Movement on Balances

Movement in 2018/19:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
At 1 April 2018	44,498	13,557	16,891	2,138	228	3,512	80,824
Additions	526	416	0	0	0	3,625	4,567
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	109	0	0	0	0	0	109
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(194)	0	0	0	5	0	(189)
Derecognition - disposals	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	2	0	0	0	0	(80)	(79)
At 31 March 2019	44,941	13,972	16,891	2,138	233	7,057	85,232

NOTES TO THE ACCOUNTS

Movement in 2018/19:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment £000
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment:							
At 1 April 2018	8,314	9,149	10,232	87	31	0	27,813
Depreciation charge	696	1,022	499	21	0	0	2,238
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	(103)	0	0	0	0	0	(103)
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0	0
Derecognition - disposal	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Eliminated on reclassification to assets held for sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
At 31 March 2019	8,907	10,171	10,731	107	31	0	29,946
Net Book Value							
At 31 March 2019	36,034	3,802	6,160	2,031	202	7,057	55,286
At 31 March 2018	36,184	4,409	6,660	2,052	197	3,512	53,013

NOTES TO THE ACCOUNTS

Comparative Movements in 2017/18:

	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	£000
Cost or Valuation:							
At 1 April 2017	43,879	12,878	16,636	2,098	228	3,198	78,899
Additions	105	409	255	80	0	976	1,824
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	90	0	0	20	0	0	110
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(112)	0	0	(60)	0	0	(173)
Derecognition - disposals	(0)	0	0	(0)	0	0	(0)
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	537	270	0	0	0	(662)	146
At 31 March 2018	44,498	13,557	16,891	2,138	228	3,512	80,824

NOTES TO THE ACCOUNTS

Comparative Movements in 2017/18:

	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	£000
Accumulated Depreciation and Impairment:							
At 1 April 2017	7,669	8,186	9,739	65	31	0	25,673
Depreciation charge	680	963	494	21	0	0	2,157
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	(35)	0	0	0	0	0	(35)
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0	0
Derecognition - disposal	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Eliminated on reclassification to assets held for sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
At 31 March 2018	8,314	8,186	9,739	65	31	0	26,335
Net Book Value							
At 31 March 2018	36,185	4,408	6,660	2,051	197	3,512	53,013
At 31 March 2017	36,210	4,692	6,897	2,033	197	3,198	53,228

NOTES TO THE ACCOUNTS

Capital Commitments

The major commitments relate to the following Schemes:

	2017/18	2018/19
	£	£
Bacton to Walcott Coast Management Scheme	500,000	500,000
North Norfolk Sports Hub	-	278,000
	<u>500,000</u>	<u>778,000</u>

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. During the intervening years reviews are conducted to ensure the carrying value of assets are not materially different from their fair values. Impairment reviews are also undertaken on the portfolio on an annual basis to ensure that the carrying value of assets is not overstated. For the 2018/19 accounts the programme of valuations have been carried out by Norfolk Property Services. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset. Further details regarding the valuations are provided within the Statement of Accounting Policies which starts on page 10.

All revaluations have been undertaken as at 31st March 2019.

NOTES TO THE ACCOUNTS

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	13,972	16,891	1,954	0	7,057	39,875
<u>Valued at fair value as at:</u>							
31 March 2019	1,552	0	0	0	8	0	1,560
31 March 2018	19,117	0	0	40	0	0	19,157
31 March 2017	4,964	0	0	144	0	0	5,108
31 March 2016	7,200	0	0	0	228	0	7,428
31 March 2015	4,690	0	0	0	0	0	4,690
31 March 2014	8,970	0	0	0	0	0	8,970
31 March 2013	0	0	0	0	0	0	0
Total Cost or Valuation	44,941	13,972	16,891	2,138	233	7,057	85,232

NOTES TO THE ACCOUNTS

31. Capital Expenditure and Capital Financing

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

	2017/18 £000	2018/19 £000
<i>Opening Capital Financing Requirement</i>	733	3,899
<u>Capital Investment:</u>		
Property, plant and equipment	1,627	4,377
Property, Plant and Equipment - embedded finance leases		
Investment properties	582	253
Intangible assets	390	296
Revenue expenditure funded from capital under statute	271	348
Long Term Debtor	3,500	0
<u>Sources of finance:</u>		
Capital receipts	(1,105)	(3,480)
Government grants and other contributions	(425)	(258)
Sums set aside from revenue:		
- Direct Revenue Contributions	(1,339)	(1,537)
- Minimum Revenue Provision	(333)	(355)
Sums set aside from Capital Receipts:		
- in lieu of MRP		(404)
Closing Capital Financing Requirement	3,899	3,140
 <i>Explanations of movements in year</i>		
Increase in underlying need to borrow (supported by government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by government financial assistance)	3,500	(0)
Capital receipts applied in lieu of MRP	0	(404)
Assets acquired under finance leases	(333)	(355)
(Decrease) in Capital Financing Requirement	3,167	(759)

NOTES TO THE ACCOUNTS

32. Assets Held for Sale

During the financial year, no assets have been reclassified as Assets Held for sale. One asset classified as Held for Sale at 1st April 2018 was sold during the year.

	2017/18 £000	2018/19 £000
Balance Brought Forward	1,680	894
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	0	0
Assets Sold	(783)	(192)
Other Movements	(3)	(4)
Balance Carried Forward	<u>894</u>	<u>698</u>

NOTES TO THE ACCOUNTS

33. Receivables

Receivables represent the amounts owed to the Authority at 31 March 2019 and are analysed below. This figure is split between Long term, amounts not falling due within 1 year and Short Term, amounts falling due within 1 year of the Balance Sheet date.

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

	Long Term		Short Term	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
Central government bodies	0	0	936	2,377
Other local authorities	0	0	530	338
Other entities and individuals*	3,234	2,958	3,416	2,977
Sub Total	3,234	2,958	4,882	5,692
Less: Bad Debt Provision				
General Fund	0	0	(1,208)	(1,180)
Collection Fund	0	0	(178)	(167)
Sub Total	0	0	(1,386)	(1,347)
Total	3,234	2,958	3,496	4,345

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

	31 March 2018	31 March 2019
	£	£
Insurance Contract Payment in Advance	161,079	174,552
Council Tax and Business Ratepayer Debtors	634,356	552,567
Housing Benefit Overpayments being recovered by invoice and deductions from ongoing benefit	1,322,682	1,255,137
Victory Housing Vat Sharing Agreement	84,543	21,272
Capital Contributions	0	182,382
Broadland Housing Association	290,730	134,615
Other smaller receivables	912,546	655,870
Total	3,405,936	2,976,395

NOTES TO THE ACCOUNTS

34. Payables

Payables represent the amounts owed by the Authority at 31 March 2019.

	31 March 2018	31 March 2019
	£000	£000
Central government bodies	(2,208)	(3,958)
Other local authorities	(2,968)	(3,429)
Public corporations and trading funds	(3)	0
Other entities and individuals*	(3,293)	(5,007)
Sub Total	(8,472)	(12,394)
Less: Capital Receipts in Advance		
Central government bodies	470	697
Other local authorities	0	87
Public Corporations and Trading Funds	3	0
Sub Total	473	784
Total	(7,999)	(11,610)

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

	31 March 2018	31 March 2019
	£	£
Waste and recycling contract payments	356,919	377,727
Rent Allowance payments to benefit claimants	22,422	1,767,311
Council Tax and Business Rate payer prepayments	317,913	391,786
Planning Developer Contributions Receipts in Advance	524,448	430,134
NNDC Employee Accumulated Absences provision	229,670	269,862
Capital Creditors	166,444	726,820
Other smaller	1,675,899	1,043,767
Total	3,293,715	5,007,407

NOTES TO THE ACCOUNTS

35. Provisions

The Authority has set aside a provision for potential liabilities as a result of alternations to Business Rates rateable values. The total liability is shared in accordance the Business Rate Retention Scheme proportionate shares of 40% for the Authority, 50% for Central Government and 10% for Norfolk County Council.

	Balance 1 April 2018	Additional Provisions Made in 2018/19	Amounts Used in 2018/19	Balance 31 March 2019
	£	£	£	£
NNDR Rating List Changes - Total Collection Fund	2,742,416	2,032,504	(498,676)	4,276,244
NNDC Share	1,096,966	813,002	(199,470)	1,710,498

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

36. Contingent Liabilities

At 31 March 2019, the Authority had the following material contingent liabilities:

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

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

To the extent that claims have to be met some time in the future beyond those covered by the environmental warranty insurance and the pension bond, the Authority discloses a contingent liability. An earmarked reserve of £435,000 is held to mitigate such claims.

- (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 £1,340,308 at 31 March 2019.

NOTES TO THE ACCOUNTS

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

37. **Contingent Assets**

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

- (a) **Freehold Reversions for Shared Equity Dwellings**– The Authority has acquired a share in the freehold reversions for shared equity dwellings. The Authority does not benefit from any ongoing rental income in relation to these properties, and will not realise the equity share unless the properties owners buy the Authority out of the agreement. As the value of these properties to the Authority is contingent upon this action the assets have not been recognised within the financial statements. The current market value of the properties is £4,880,011, with the Authority's share amounting to £1,396,536.

NOTES TO THE ACCOUNTS

38. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure accounts in 2018/19.

	2017/18	2018/19
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(936)	(536)
Business Rates	(4,718)	(5,109)
New Homes Bonus	(1,695)	(1,150)
Rural Services Delivery Grant	(388)	(484)
Council Tax Family Annexe Discount	0	(29)
Capital Grants and Contributions	(405)	(258)
Total	(8,142)	(7,564)
Credited to Services		
DWP - Rent Allowances	(25,411)	(24,466)
DWP - Admin Subsidy	(311)	(387)
DWP - IT Costs	(227)	0
	(25,949)	(24,852)
Arts Council England	(10)	(20)
Cabinet Office	(194)	(52)
Dept. for Environment, Food & Rural Affairs (DEFRA)	(284)	0
Ministry of Housing Communities and Local Govt (MHCLG)	(1,375)	(1,577)
Norfolk County Council	(881)	(599)
Sport England	9	(14)
Other Grants & Contributions	(69)	(121)
Total	(28,752)	(27,234)
Total Revenue Grants Received	(36,894)	(34,799)

NOTES TO THE ACCOUNTS

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

	31 March 2018	31 March 2019
	£000	£000
Capital Grants Receipts in Advance		
Travellers Site	100	61
DFG	370	586
Developers Contributions	3	0
Bacton Landscaping	0	51
Egmere	0	36
Cromer West Prom	0	50
Total	473	784

NOTES TO THE ACCOUNTS

39. Financial Instruments

Categories of Financial Instruments

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

FINANCIAL INSTRUMENTS - BALANCES

Long-term 31-Mar-18 £000	Current 31-Mar-18 £000	Financial Liabilities	Long-term 31-Mar-19 £000	Current 31-Mar-19 £000
0	0	Loans at amortised cost:		
0	0	- Principal sum borrowed	0	3,000
		- Accrued Interest	0	1
<u>0</u>	<u>0</u>	Total Borrowing	<u>0</u>	<u>3,001</u>
		Loans at amortised cost:		
0	0	- Bank overdraft	0	0
<u>0</u>	<u>0</u>	Total Cash Overdrawn	<u>0</u>	<u>0</u>
		Liabilities at amortised cost:		
0	2,978	- Trade payables	0	3,458
0	355	- Finance leases	0	0
<u>0</u>	<u>3,333</u>	Included in Creditors	<u>0</u>	<u>3,458</u>
<u>0</u>	<u>3,333</u>	Total Financial Liabilities	<u>0</u>	<u>6,459</u>

NOTES TO THE ACCOUNTS

Long-term 31-Mar-18 £000	Current 31-Mar-18 £000	Financial Assets	Long-term 31-Mar-19 £000	Current 31-Mar-19 £000
		At amortised cost:		
2,257	2,322	- Principal	0	4,254
0	39	- Accrued Interest	0	13
0	0	- Loss Allowance	0	-1
		At fair value through other comprehensive income:		
0	166	- Accrued Interest	0	232
21,119	0	- Equity investments elected at FVOCI	27,383	0
		At fair value through profit & loss:		
5,994	0	- Fair Value	5,988	0
<u>29,370</u>	<u>2,527</u>	Total Investments	<u>33,371</u>	<u>4,498</u>
		At amortised cost:		
0	0	- Principal	0	1,083
		At fair value through profit & loss:		
0	3,462	- Fair Value	0	2,201
<u>0</u>	<u>3,462</u>	Total Cash and Cash Equivalents	<u>0</u>	<u>3,284</u>
		At amortised cost:		
0	1,256	- Trade receivables	0	808
3,234	292	- Loans made for service purposes	2,958	135
<u>3,234</u>	<u>1,548</u>	Included in Debtors	<u>2,958</u>	<u>940</u>
<u>32,604</u>	<u>7,537</u>	Total Financial Assets	<u>36,329</u>	<u>8,722</u>

NOTES TO THE ACCOUNTS

The debtors and creditors lines on the Balance Sheet include £3,536,493 short term debtors and £8,936,112 short term creditors that do not meet the definition of a financial instrument as they are non-exchange transactions.

Offsetting Financial Assets and Liabilities

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

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	2017/18			2018/19		
	Assets	Liabilities	Net position on Balance Sheet	Assets	Liabilities	Net position on Balance Sheet
	£000	£000	£000	£000	£000	£000
Financial Assets						
- Bank accounts in hand	3,128	(3,013)	115	615	(507)	108
Financial Liabilities						
- Bank overdrafts	3,013	(3,013)	0	507	(507)	0

Equity Instruments elected to fair value through other comprehensive income

The Authority has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Authority's annual financial performance.

	Fair Value		Dividends	
	31/03/2019	31/03/2018	2018/19	2017/18
	£000	£000	£000	£000
CCLA Local Authorities Property Fund	6,722	6,619	291	305
M&G Securities UK Income Distribution Fund	1,921	1,907	95	64
M&G Securities Global Dividend Fund	2,037	962	49	29
Investec Diversified Income Fund	2,922	2,947	126	114
Schroder Income Maximiser Fund	1,936	958	87	71
Threadneedle Strategic Bond Fund	2,935	2,961	91	95
Threadneedle UK Equity Income Fund	1,881	1,856	79	53
M&G Securities Strategic Corporate Bond Fund	1,916	1,950	81	42
CCLA Diversified Income Fund	1,975	960	57	14
Kames Capital Diversified Monthly Income Fund	3,114	-	60	-
Total	27,359	21,120	1,016	787

NOTES TO THE ACCOUNTS

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:

	2017/18 Total	Financial Liabilities Amortised Cost	Amortised Cost	Financial Assets		2018/19 Total
				Elected to fair Value through OCI	Fair Value through Profit & Loss	
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(44)	(24)	0	0	0	(24)
Losses from changes in fair value	(217)	0	0	0	(6)	(6)
Impairment losses	0	0	(7)	0	0	(7)
Interest payable and similar charges	(261)	(24)	(7)	0	(6)	(37)
Interest income	28		25	0	0	25
Dividend income	904		0	1,016	60	1,076
Gains from changes in fair value	0		0	0	0	0
Impairment loss reversals	0		3	0	0	3
Interest and investment income	932	0	28	1,016	60	1,104
Net impact on surplus/deficit on provision of services	671	(24)	21	1,016	54	1,067
Gains on revaluation				371		371
Losses on revaluation				(106)		(106)
Impact on other comprehensive income	0	0	0	265	0	265
Net Gain/(Loss) for the year	671	(24)	21	1,281	54	1,332

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.

NOTES TO THE ACCOUNTS

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 2019. 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.

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Fair Value 31 March 2018 £000s	Fair Value Level	Balance Sheet 31 March 2019 £000s	Fair Value 31 March 2019 £000s
Financial liabilities held at amortised cost:			
3,333	Liabilities for which fair value is not disclosed	6,459	*
3,333 Total Financial Liabilities		6,459	
Recorded on the balance sheet as:			
0	Short-term borrowing	3,001	
3,333	Short-term creditors	3,458	
3,333 Total Financial Assets		6,459	

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

NOTES TO THE ACCOUNTS

Fair Value 31 March 2018 £000	Fair Value Level	Balance Sheet 31 March 2019 £000	Fair Value 31 March 2019 £000
Financial assets held at fair value:			
3,462 Money Market Funds	1	2,201	
27,280 Pooled Funds	1	33,604	
Financial assets held at amortised cost:			
4,618 Covered Bonds	1	2,259	2,251
35,360 Total		38,064	
4,781 Assets for which fair value is not disclosed		6,990 *	
40,141 Total Financial Assets		45,054	
Recorded on the balance sheet as:			
29,371 Long-term investments		33,371	
3,234 Long-term debtors		2,958	
2,527 Short-term investments		4,498	
1,547 Short-term debtors		943	
3,462 Cash and Cash Equivalents		3,284	
40,141 Total Financial Assets		45,054	

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

NOTES TO THE ACCOUNTS

Transition to IFRS 9

The Authority adopted the IFRS 9 Financial Instruments accounting standards with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets. The Authority had made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as a line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31/3/18	Reclassification	Remeasurement	Impairment	IFRS 9 1/4/18
FINANCIAL ASSETS					
Investments					
L&R / Amortised cost	0	4,618	(3)	(2)	4,614
Available for sale / FVOCI	31,897	(10,612)	0	0	21,285
FVPL	0	5,994	0	0	5,994
Total Investments	<u>31,897</u>	<u>0</u>	<u>(3)</u>	<u>(2)</u>	<u>31,893</u>
Debtors					
L&R / Amortised cost	4,782	0	0	(5)	4,777
Available for sale / FVOCI	0	0	0	0	0
FVPL	0	0	0	0	0
Total Debtors	<u>4,782</u>	<u>0</u>	<u>0</u>	<u>(5)</u>	<u>4,777</u>
Cash & cash equivalents					
L&R / Amortised cost	0	0	0	0	0
Available for sale / FVOCI	3,462	(3,462)	0	0	0
FVPL	0	3,462	0	0	3,462
Total cash & cash equivalents	<u>3,462</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,462</u>
TOTAL FINANCIAL ASSETS	<u><u>40,141</u></u>	<u><u>0</u></u>	<u><u>(3)</u></u>	<u><u>(7)</u></u>	<u><u>40,132</u></u>
FINANCIAL LIABILITIES					
Creditors	0	0	0	0	0
Amortised cost	3,333	0	0	0	3,333
TOTAL FINANCIAL LIABILITIES	<u><u>3,333</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>3,333</u></u>
NET FINANCIAL ASSETS	<u><u>36,808</u></u>	<u><u>0</u></u>	<u><u>(3)</u></u>	<u><u>(7)</u></u>	<u><u>36,799</u></u>

NOTES TO THE ACCOUNTS

40. Nature and Extent of Risks arising from Financial Instruments

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

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

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

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

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

Credit Risk- Treasury Investments

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

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

The credit quality of £2.25m of the Authority's investments is enhanced by collateral held. These investments are in the form of covered bonds collateralised by residential mortgages. The collateral significantly reduces the likelihood of the Authority suffering loss on these investments.

NOTES TO THE ACCOUNTS

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

Credit Rating	Long Term	Short Term	Long Term	Short Term
	31 March 2018 £000	31 March 2018 £000	31 March 2019 £000	31 March 2019 £000
AAA	6,757	5,989	4,497	2,201
AA+	0	0	0	0
AA	1,495	0	0	1,491
AA-	0	0	0	0
A+	0	0	0	0
A	0	0	0	0
A-	0	0	0	0
Unrated	0	0	0	2,007
Total	8,252	5,989	4,497	5,699
Credit Risk not applicable	21,119	0	27,359	0
Total Investments	29,371	5,989	31,856	5,699

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

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

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

Loss allowances on treasury investments have been calculated by reference to historic default data. A delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or equivalent. At 31st March 2019, £656 (2018 £0) of loss allowances related to treasury investments.

Credit Risk – Loans

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

NOTES TO THE ACCOUNTS

Borrower	Exposure type	Risk		Risk	
		Balance Sheet	Exposure	Balance Sheet	Exposure
		31/03/2019	31/03/2019	31/03/2018	31/03/2018
		£000	£000	£000	£000
Broadland Housing Association	Loan at market rates	3,096	3,096	3,500	3,500
TOTAL		3,096	3,096	3,500	3,500

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.

Credit Risk - Receivables

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

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

	31 March 2018 £000s	31 March 2019 £000s
Less than three months	456	27
Three months to one year	60	32
More than one year	24	73
	540	132

A loss allowance of £69,357 has been made against debts which are past their due date. The factors the Authority consider in determining if a trade debt is impaired include the age of the debt; the default history of the debtor; the proportion of the original debt which is still outstanding and the recovery stage of the debt. The Authority's maximum exposure to trade debts is £362,855.

Liquidity risk

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

NOTES TO THE ACCOUNTS

	2018/19			2017/18		
	Liabilities £000	Assets £000	Net Assets £000	Liabilities £000	Assets £000	Net Assets £000
Time to maturity (years)						
Not over 1	(6,459)	8,725	2,266	(3,333)	7,536	4,203
Over 10	0	2,958	2,958	0	0	0
No fixed maturity	0	33,371	33,371	0	29,371	29,371
Total	(6,459)	45,054	38,595	(3,333)	36,907	33,574

Market risk

Interest rate risk

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

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

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

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

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

NOTES TO THE ACCOUNTS

	31/03/2019	31/03/2018
	£000	£000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	37	0
Decrease in fair value of investments held at FVPL	(31)	(48)
Impact on the Surplus or Deficit on the Provision of Services	6	(48)
Decrease in fair value of investments held at FVOCI	(290)	(266)
Impact on Comprehensive Income and Expenditure	(284)	(314)
Decrease in fair value of loans and investments at amortised costs	(5)	0
Decrease in fair value of fixed rate borrowing	0	0

Price risk

The market prices of the Authority's bond investments and its units in pooled funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk. The Authority invests in funds with underlying assets in property, equity and bonds. A 1% rise in interest rate will reduce the fair value of pooled funds that invest in bonds by £321,059; a 5% fall in the price of equity would result in a £491,461 fall in fair value and a 5% fall in the price of property would result in a £353,795 fall. These changes would result in a charge to Other Comprehensive Income and Expenditure.

Foreign Exchange Risk

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

COLLECTION FUND

2017/18	COLLECTION FUND	Notes	2018/19	Total
£000			Council Tax £000	Business Rates £000
(1,034)	Opening Balance Surplus (-) / Deficit 1 April		(2,041)	978
	Income			
(65,923)	Council Tax	(4 & 5)	(71,381)	
(26,357)	Business Rates	(2)		(28,606)
	Contributions to Previous Year Estimated Deficit			
(193)	- North Norfolk District Council			(180)
(48)	- Norfolk County Council			(45)
(242)	- Central Government			(225)
(92,763)	Total Income		(71,381)	(29,056)
	Expenditure			
	Precepts and Demands:	(3)		
7,461	- North Norfolk District Council (including Parish Councils)		7,941	
48,355	- Norfolk County Council		52,703	
8,415	- Office of the Police & Crime Commissioner for Norfolk		9,130	
	Proportionate Shares:			
10,093	- North Norfolk District Council			10,014
2,523	- Norfolk County Council			2,504
12,616	- Central Government			12,518
	Disregarded Amounts:			
121	- Enterprise Zone Growth			61
673	- Renewable Energy			624
	Distribution of Previous Year Estimated Surplus:	(3)		
140	- North Norfolk District Council		179	
881	- Norfolk County Council		1,162	
157	- Office of the Police & Crime Commissioner for Norfolk		202	
216	Change in Allowance for Impairment	(7)	151	101
248	Allowance for Cost of Collection			248
(1,474)	Appeals Charged to Collection Fund			(499)
2,309	Change in Provision for Appeals			2,033
92,734	Total Expenditure		71,468	27,604
(29)	Movement in Collection Fund Balance During Year		87	(1,452)
(1,063)	Closing Cumulative Surplus (-) / Deficit 31 March	(6)	(1,954)	(2,428)

COLLECTION FUND

1. General

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

2. Income from Business Ratepayers

The Authority collects NNDR from ratepayers based on local rateable values provided by the Valuation Office Agency, multiplied by a uniform Business Rate in the £ set nationally by Central Government. The total rateable value for the District was £81,871,509 on 31 March 2019 (£80,351,699 on 31 March 2018). The national multipliers for 2018/19 were 48.0p for qualifying Small Businesses (46.6p in 2017/18), and the standard multiplier was set at 49.3p for all other businesses (47.9p in 2016/17).

The net income from Business Rate payers was £28,606,365 (£26,357,361 in 2017/18) after £1,926,190 of transitional protection payments due from Central Government. The transitional protection scheme provided protection to ratepayers from large changes in their bills following revaluations of their business by phasing in changes gradually. This meant that a billing authority collected more or less rates than would otherwise be the case, and Government Regulations make provision for adjusting payments to be made to or from billing authorities.

3. Precepts and Demands

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

Net Payment 2017/18 £000		Precept / Demand £000	Collection Fund Surplus £000	Net Payment 2018/19 £000
7,600	North Norfolk District Council (including Parish Precepts)	7,941	180	8,121
49,236	Norfolk County Council	52,703	1,162	53,865
8,572	Office of the Police & Crime Commissioner for Norfolk	9,130	202	9,332
65,408	Total	69,774	1,544	71,318

COLLECTION FUND

4. The Council Tax Base for 2018/19 is as follows:

Therefore each £1 of Council Tax set was calculated to produce income of £39,844 (£38,748 in 2017/18).

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
A	7,441	7,827	4,958	5,215	4,859	5,137
B	10,779	11,031	8,383	8,580	8,215	8,451
C	9,642	9,820	8,570	8,729	8,398	8,598
D	7,735	7,846	7,736	7,846	7,581	7,728
E	4,291	4,379	5,244	5,352	5,139	5,272
F	2,041	2,073	2,949	2,995	2,890	2,950
G	933	955	1,555	1,591	1,524	1,567
H	72	72	144	143	142	141
Total Tax Base	42,934	44,003	39,539	40,451	38,748	39,844

5. Band D Tax Rate

This Authority set a Council tax of £1,695.69 for a band D dwelling, (£1,603.98 in 2017/18), which consisted of £1,322.73 (£1,247.94 in 2017/18) for Norfolk County Council, £229.14 (£217.17 in 2017/18) for the Office of the Police & Crime Commissioner for Norfolk and £143.82 (£138.87 in 2017/18) for the District's requirements. Sums ranging from nil to £110.78 (nil to £109.42 in 2017/18) were charged in addition for parish and town council requirements.

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

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

COLLECTION FUND

6. Balances

The total balance is attributed as follows:

31 March 2018 Total £	Share of Balance	31 March 2019		
		Council Tax £	Business Rates £	Total £
155,325	North Norfolk District Council	(222,414)	(189,473)	(411,887)
(1,440,376)	Norfolk County Council	(1,474,196)	(47,368)	(1,521,564)
(267,384)	Office of the Police & Crime Commissioner for Norfolk	(257,437)	0	(257,437)
489,109	Central Government	0	(236,842)	(236,842)
(1,063,326)	Total	(1,954,047)	(473,683)	(2,427,730)

7. Bad Debt Provision

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

Subject to Audit

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

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

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

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

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

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

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

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

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

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

Contingent Liabilities - A Contingent Liability is a possible obligation that arises from past events and whose existence will be confirmed only by

GLOSSARY OF TERMS

the occurrence of one or more uncertain future events not wholly within the Authority's control.

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY OF ACRONYMS

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

Draft Statement of Accounts



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2018/2019

NORTH NORFOLK DISTRICT COUNCIL HOLT ROAD,
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LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2018/19

Summary: The Corporate Governance framework is made up of the systems and processes, culture and values by which an organisation is directed and controlled. For local authorities this includes how a Council relates to the community it serves. The Local Code of Corporate Governance is a public statement of the ways in which the Council will achieve good corporate governance. This is based on the development of the new '*Delivering Good Governance in Local Government: Framework*' (2016) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and focusses on the seven core principles and sub-principles of good governance. The Annual Governance Statement is prepared following a review of all the evidence available to the Council in seeking compliance with its Local Code.

Conclusions: The arrangements set out in the Local Code of Corporate Governance and the Annual Governance Statement will allow the Council to move ahead with its corporate planning processes confident that it can address the issues of governance and risk.

Recommendations: Members are asked to review and approve the Annual Governance Statement along with the updated Local Code of Corporate Governance.

Cabinet Member(s) Ward(s) affected

All All

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Duncan Ellis, 01263 516330, Duncan.ellis@north-norfolk.gov.uk

1. Introduction

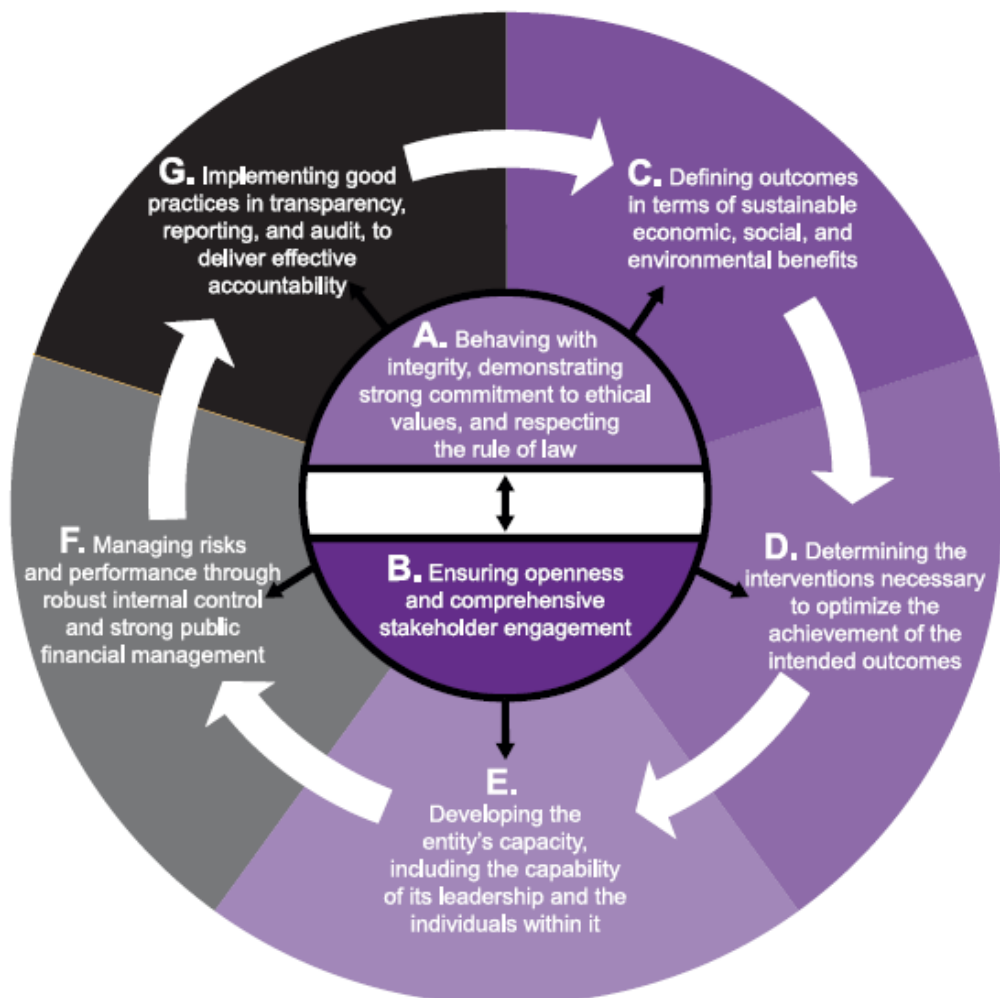
1.1 Attached to this report are two documents for consideration by the Governance, Risk and Audit Committee. These are;

- The Annual Governance Statement
- The Local Code of Corporate Governance (Appendix A)

2. The Local Code of Corporate Governance

2.1 The Local Code of Corporate Governance (the Local Code) is a public statement of how the Council seeks to achieve good corporate governance. It is best practice for each authority to adopt a Local Code of Corporate Governance which demonstrates how the Council will achieve good governance.

- 2.2 The 2016/17 financial year saw the introduction of the Local Code and was based on the development of the new '*Delivering Good Governance in Local Government: Framework*' (CIPFA/Solace, 2016) ('the Framework').
- 2.3 The Local Code has been updated for the 2017/18 financial year and an updated draft is included as part of this report for comment and consideration.
- 2.4 The main principle underpinning the emergence of the new Framework continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.5 The Framework follows the seven core principles and sub-principles of good governance as identified by CIPFA/SOLACE as shown below with principles A and B permeating the implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review. The updated Local Code can be found within Appendix A.



- 2.6 There are some key requirements that need to be met to demonstrate compliance with the core principles and these are listed along with 'evidences' and source documents. These evidences that must be reviewed regularly to ensure that they are up to date and remain sufficiently current. Any gaps in compliance are identified and form an action plan which is monitored throughout the year.

3. Annual Governance Statement

- 3.1 Also attached is the draft Annual Governance Statement (AGS) for 2018/19 which should be read and considered in conjunction with Appendix A (the Local Code). This statement provides assurances as to the in-year operation of the risk and governance arrangements adopted by the Council. It is prepared after reviewing all of the evidences available to the Governance, Risk and Audit Committee, Risk Management Board, the Council's Corporate Management Team, Head of Internal Audit, external audit and the statutory officers of the Council.
- 3.2 The Annual Governance Statement (AGS) sets out how the Council ensures that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, effectively and efficiently in the delivery of its services.
- 3.3 North Norfolk District Council has adopted its own Local Code of Corporate Governance which supports this AGS. The Local Code is compliant with the recommendations of the CIPFA/SOLACE *'Delivering Good Governance in Local Government: Framework'* as updated for 2016.
- 3.4 The AGS is signed by the Leader of the Council and the Corporate Directors and Joint Heads of Paid Service. The Governance, Risk and Audit Committee are asked to consider and approve the draft report as attached.

4. Review of Effectiveness

- 4.1 The Council is committed to a sound system of Governance that reflects:
- openness, accountability and integrity
 - compliance with laws, policies and regulations
 - the identification and monitoring of all strategic and operational risks
- 4.2 The key document for the Council is the Corporate Plan. The risks to its achievement are outlined in the comprehensive risk registers maintained by the Authority.
- 4.3 The review of the Governance arrangements is undertaken through a number of mechanisms including the report from the Head of Internal Audit and the Heads of Service annual assurance certificates as well as the various inspection regimes undertaken by the External Auditors, all of which feed into and support the overall review.

5. Conclusion

- 5.1 The arrangements set out within the updated Local Code of Corporate Governance and the Annual Governance Statement will allow the Council to move forward with its corporate planning processes and remain confident that it can address the issues of governance and risk.

6. Recommendations

- 6.1 Members are asked to review and approve the Annual Governance Statement along with the updated Local Code of Corporate Governance.

1. SCOPE OF RESPONSIBILITY

- 1.1. North Norfolk District Council (NNDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. NNDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, NNDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3. NNDC has approved and adopted a Local Code of Corporate Governance, and this has been updated for the 2018/19 financial year based on the development of the new '*Delivering Good Governance in Local Government: Framework*' (CIPFA/Solace, 2016) ('the Framework') which was introduced in 2016/17. A copy of the Council's current Local Code is on our website at www.northnorfolk.org or can be obtained from the Head of Finance and Assets at the Council Offices, Holt Road, Cromer. This statement demonstrates how NNDC has complied with the Framework and also supports the requirement of the Accounts and Audit (England) Regulations 2015 in relation to the approval (Part 2 regulation 6) and publication (Part 3 regulation 10) of an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control and is reviewed annually or more frequently as required. In addition NNDC's framework for delivering good Corporate Governance is embedded within its Constitution, policies and procedures.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to appropriate, cost-effective service delivery.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Annual Governance Statement 2018/19

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.

- 2.3. The governance framework has been in place at NNDC for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK – THE SEVEN CORE PRINCIPLES

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

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

B – Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

- 3.2. Revisions were required to the Council's Local Code of Corporate Governance in 2016/17 to ensure it reflected the changing context of the Council and that it was consistent with the principles and recommendations of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for English authorities. This Annual Governance Statement explains how the Council has complied with the terms of the new CIPFA/SOLACE Framework (2016) for the year ended 31 March 2018 and should be read in conjunction with the Council's updated Local Code of Corporate Governance (2018/19) which is attached to this document as Appendix 1 which sets out the framework and key principles, which are required to be complied with, to demonstrate effective governance.
- 3.3. The Local Code of Corporate Governance highlights how good governance supports the Council and demonstrates what we aim to achieve by following the seven core principles, along with the tools we use to support our compliance. It goes further to identify the behaviours and actions that can demonstrate our compliance with the code, how we put this into practice and the source documents, policies, procedures and frameworks that enable us to evidence compliance.
- 3.4. If there are any areas which require strengthening, these are highlighted within the Annual Governance Statement as part of the Action Plan within Section 5.

4. REVIEW OF EFFECTIVENESS

- 4.1. NNDC annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and from comments made by the external auditors and other inspection agencies.
- 4.2. Both during the year and at year end, reviews have taken place. In year review mechanisms include:
- 4.2.1. The Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

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- 4.2.2. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. In addition the Constitution Working Party is in place to review the constitution and make recommendations to Full Council as appropriate.
- 4.2.3. The Council has a Scrutiny Committee which can establish 'task and finish' groups, to look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Cabinet. Scrutiny can "call-in" a decisions of the Cabinet which are yet to be implemented, to enable it to consider whether the decision is appropriate. In addition the Scrutiny Committee can exercise its scrutiny role in respect of any Cabinet function, regardless of service area or functional responsibility, and will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing.
- 4.2.4. The Local Government and Public Involvement in Health Act 2007 include powers to enable Councillors to formally champion local issues where problems have arisen in their ward. North Norfolk has embedded the "Councillor Call for Action". This allows Councillors to ask for discussion at Overview and Scrutiny Committee on issues where other methods of resolution by the District Member have been exhausted.
- 4.2.5. The development of the procurement function across the public sector has led to the establishment of a number of framework agreements for purchasing where the detailed work on price and quantity with suppliers has already been carried out. Contracts for supply are only established when goods works or services are called off under the agreement.
- 4.2.6. The Council has now embedded the electronic procurement system (Delta) which will help improve the transparency of the Council's procurement processes and further support the audit trail for decision making. The Procurement Strategy is due to be updated during the 2019/20 financial year and this will include any changes that may be required to the Council's Contract Standing Orders as appropriate.
- 4.2.7. The Equality Framework builds on the work already undertaken in this area. It is based on three levels of "developing, achieving and excellent".

- 4.2.8. The Standards and Conduct provisions of the Localism Act 2011 came into force on 1st July 2012. The authority has appointed an Independent Person pursuant to the Act and has decided to have a Standards Committee (which is now not mandatory). The Committee has received a number of items during the year including a report on the consultation document issued by the Committee on Standards in Public Life.
- 4.2.9. The Governance, Risk and Audit Committee (GRAC) met five times during the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee received regular reports on, internal control and governance matters in accordance with its agreed work programme. During the year 12 (18 in 2017/18) internal audit assignments were completed delivered over 168 days (193 days in 2017/18), a reasonable audit opinion was given for the year overall. Of the audit reviews planned for the year 12 out of the 13 were completed, the Affordable Housing and Housing Enabling audit was deferred to 2019/20 due to key staffing changes.
- 4.2.10. The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The conclusions of the internal audit enable an opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control to be provided. In addition, Internal Audit can undertake fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. All significant weaknesses in the control environment identified by Internal Audit are reported to senior management and the GRAC. There have been no urgent (priority one) recommendations raised in the current financial year which is an extremely positive position to be in and also reflects last year’s position. It is also important to note that substantial assurance (the highest level of assurance that can be achieved) was concluded in 6 out of 12 audits which represents 50% of the audits completed (7 out of 17 (40%) for 2017/18) and covers the following areas:
- Elections and Electoral Registration
 - Digital Transformation – Benefits Realisation
 - Council Tax and Business Rates
 - Local Council Tax Support Scheme and Housing Benefit

- Corporate Governance - General Data Protection Regulations (GDPR)
- Key Controls Assurance

4.2.11. Internal Audit also carry out regular reviews of the status of implementation of Internal Audit recommendations. During the year there has been a drop in the number of recommendations raised as the result of audit reviews, compared to the previous year (50 in 2017/18 compared with 40 in 2018/19). At 31 March 2019 12 out of 13 actions due for implementation by that date had been completed, leaving only 1 still to be addressed compared with 3 at March 2018. For this outstanding recommendation revised implementation dates have been agreed between Internal Audit and Officers and will be followed up during 2019/20.

4.2.12. It should also be noted that the internal audit contract consortium either met or exceeded all but one of its performance indicators for the year.

4.2.13. GDPR came into force on 28 May 2018 replacing the Data Protection Directive (95/46/EC) and was designed to;

- Harmonise data privacy laws across Europe;
- Protect and empower all EU citizens data privacy;
- Reshape the way organisations across the region approach data privacy.

4.2.14. GDPR reshapes the way in which sectors manage data, as well as redefining the roles for key leaders in businesses, who must ensure that they have watertight consent management processes in place and that data is not lost or shared inappropriately.

4.2.15. The Council was aware of the significance of these changes and had raised the implementation and review of internal processes as an action as part of the 2017/18 Annual Governance Statement. This then formed part of the planned audit work for 2018/19 and was given a substantial (highest level) audit assurance and follows months of work and training across the Council to ensure these new more stringent data protection requirements can be met.

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- 4.2.16. The Council's Corporate Leadership Team have requested that an assurance piece of work be conducted on the Council's Project Management Framework to ensure that it complies with best practice and supports the Council's emerging Corporate Plan moving forwards.
 - 4.2.17. The External Auditor's Annual Audit Letter is considered by the GRAC and the Corporate Leadership Team (CLT).
 - 4.2.18. The RMB, and more recently CLT, monitor and also continually review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks.
 - 4.2.19. The Council continues to review its treasury management arrangements in line with best practice and in response to regular updates and advice from the Council's Treasury advisors, Arlingclose, who also provide training to both officers and Members on treasury management related issues.
 - 4.2.20. Management Team (Heads of Service and CLT) complete an annual Self-Assessment Assurance Statement which identifies non-compliance in a number of areas including procedures, risk and control, financial management and procurement. Any significant areas of non-compliance will either be taken account of in service plans or if corporate included in the AGS action plan.
- 4.3. The year-end review of the governance and the control environment arrangements by CLT included:
- 4.3.1. Obtaining assurances from Directors and Heads of Service that key elements of the control framework were in place during the year in their departments.
 - 4.3.2. The statement itself was considered and signed off by CLT and is supported by them as an accurate reflection of the governance arrangements in place for the year.
 - 4.3.3. Obtaining assurances from other senior management, including the Monitoring Officer that internal control and corporate governance arrangements in these essential areas were in place throughout the year.

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- 4.3.4. Reviewing any high level audit recommendations that remained outstanding at the year end and taking appropriate action if necessary (although as mentioned above none were issued for 2018/19).
- 4.3.5. Reviewing external inspection reports received by the Council during the year, the opinion of the Head of Internal Audit in her annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.
- 4.3.6. Reviewing the updated Local Code of Corporate Governance.
- 4.4. The GRAC received assurances from the Head of Internal Audit that standards of internal control, corporate governance arrangements and systems of risk management were all operating to an adequate standard, with a reasonable assurance being concluded.
- 4.5. The GRAC review the effectiveness of the governance framework as part of an annual review of the Local Code of Corporate Governance, and an improvement plan to address weaknesses and ensure continuous improvement of the system is in place.
- 4.6. The Council is due to have local elections in May 2019 and as part of the planning process a significant training and induction programme has been designed for Members. It will however be essential for the proper and efficient operation of the Council that appropriate priority is given to Member development, training and capability throughout the next 4 year term and not just immediately following the elections.
- 4.7. In terms of gaining assurance on risks associated with delivering services through third parties, the formal partnership known as Coastal Partnership East between NNDC, Great Yarmouth Borough Council and East Suffolk (Waveney and Suffolk Coastal District Council partnership) has now been in place for just over two years ago. This new approach is considered the best way for these Councils to address the challenges that are common to the whole coastline of Norfolk and Suffolk. By collaborating, rather than competing with one another for resources, we will be far better able to:

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

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

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

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

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5. GOVERNANCE ISSUES

- 5.1. Following from the review of the Annual Governance Statement for 2018/19 and the Self-Assessment Assurance Statements the following actions have been identified. There are still some Internal Audit recommendations not being implemented in accordance with the original timescales and this is an action that will continue to be monitored.

Action	Officer	Target Date
Implementation of Internal Audit Recommendations	Management Team (All Heads of Service and CLT)	31 March 2020
To undertake Member/officer training as required following the recent update of the Whistleblowing Policy	Head of Legal Services	31 March 2020
To update the Procurement Strategy and the Contract Standing Orders as appropriate	Head of Finance and Assets	31 March 2020
Complete the development of the new Corporate Plan and supporting strategies (Commercialisation, Environmental Sustainability, Community Engagement and Customer Service)	Cabinet Members/CLT	31 March 2020
Continue to improve the governance around project management, prioritisation and risk	CLT	31 December 2019
Update the current IT Strategy	Head of Business Transformation and IT	31 March 2020

6. CERTIFICATION

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

Leader of the Council:

Corporate Directors and Heads of Paid Service:

Cllr Sarah Bütikofer

Mr Nick Baker

Mr Steve Blatch

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**North Norfolk District Council
Local Code of Corporate Governance 2018/19**

North Norfolk District Council works to improve the lives of its residents while retaining and improving the quality of life and prosperity of the district for future generations – working with and for you, helping to make the District ‘A Better Place’. As a Local Authority, we are entrusted with public funds and aim to spend these wisely to improve outcomes in our District. Our Local Code of Corporate Governance is the framework of policies, procedures, behaviours and values which determine how we work to achieve our priorities, and is based upon the 7 core principles of the International Framework for Corporate Governance in the Public Sector which are as follows;

- Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of 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 entities capacity, including the capacity of its leadership and the individuals within it
- 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

Good governance supports the Council through:

- Enabling the Council to achieve its objectives in an open and accountable way
- Ensuring decisions are sound and lawful, upholding the Council's reputation and minimising the risk of financial loss
- Ensuring decisions take into account local people's needs and priorities
- Giving the public confidence in the work we do
- Underpinning our Code with our four corporate values which are as follows;
 - We respect people and treat everyone fairly
 - We are open and honest and listen
 - We strive to offer the best value for money service
 - We welcome new challenges and embrace change
- Each year, the Council reviews its governance arrangements through the Annual Governance Statement, ensuring these arrangements are adequate and operating effectively. Where reviews identify any gaps in corporate governance, or areas for improvement, recommendations for improvements are made

North Norfolk District Council – Local Code of Corporate Governance

Principle	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 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	Implementing good practices in transparency, reporting and audit, to deliver effective accountability
What we aim to achieve	We are accountable for the money entrusted to us. We can show decisions we take are appropriate and there are strong processes in place to encourage and enforce compliance with the Council's values and the law	Local Government is accountable to its public. We use clear channels of communication to engage with our residents and stakeholders, understanding their needs. We manage expectations and model Service delivery to respond to demand	We form clear, long term priorities in line with our long term ambitions. We balance the competing demands and priorities we face and allocate resources accordingly.	We have robust decision making processes to ensure defined outcomes can be achieved given the varying demands we face. We monitor our performance and delivery on an ongoing basis to ensure intended outcomes are achieved	We are a recognized investor in our people and work to develop our talent to maximize the potential of the resources we hold. We remain at the forefront of national developments to support our commitment to retaining viability.	We have robust management information procedures to ensure that outcomes are accurately reported and monitored. We welcome challenge to the way we operate, and actively learn in order to improve the way we deliver	We pro-actively make information available to give Stakeholders confidence in our decision making. We have strong systems of oversight, including audit and scrutiny, to maintain accountability for our delivery
The key tools we use to support our compliance	Codes of Conduct Constitution Corporate Values Financial Standing Orders Contract Standing Orders Staff/Member induction/training/appraisal Performance Management Framework Counter-Fraud, Corruption and Bribery Strategy Whistleblowing Policy Register of Interests/Gifts Compliments and Complaints Systems and Policy Procurement Policy Partnership Framework & Principles Guidance	Customer Service Strategy Publication of minutes and decision notices Customer Complaints, Compliments and Contacts Policy Consultation Exercises Communications Strategy Annual Report FOI scheme Council website Corporate Plan Committee timetables Performance Management Framework Statutory provisions Partnership Framework and Principles Guidance Staff/Member Bulletin	Corporate Plan Annual Action Plan Annual Service Planning Budget and Capital Programme Medium Term Financial Strategy Asset Management Plan Risk Management Framework/Business Continuity Plan/Policy Programme Management approaches Equality Assessments Performance Management Framework Communications Strategy Committee reports	Committee work Programmes/timetables Consultation exercises Risk Assessments/Framework Procurement Strategy Reviews of core services Medium Term Financial Strategy Communications Strategy Performance Management Framework Partnership Framework and Principles Guidance Budget framework Committee reports Annual Governance Statement	Digital Transformation Programme Service Reviews Investors in People (Gold) Scheme of Delegation Performance Management Framework Peer Reviews Appraisal and development systems Agile Working Policy Attendance & Absence Policy Employee Code of Conduct Diversity & Equality Policy Asset Management Plan Partnership Framework and Principles Guidance Job descriptions Benchmarking exercises	Risk Management Framework/Business Continuity Plan/Policy Business Plans Overview & Scrutiny Committee Governance, Risk & Audit Committee (GRAC) Internal/external audit Budget Management procedures Health and Safety Policies Information Management Strategy Performance Management Framework SIRO Officer Information Management Strategy Data Protection Policy Data Quality Policy Risk Assessments Corporate Risk Register	Internal/external audit External inspection of internal audit Corporate Governance Frameworks Annual Governance Statement Pay Policy Statement Transparency agenda Council website Annual Report Financial Statements Scrutiny Committee Annual Report Local Code of Corporate Governance Audit protocols Medium Term Financial Strategy

Principles of Good Governance	Behaviours and actions that can demonstrate this	How we put this in practice	Source Documents
<p><i>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</i></p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</p>	<p>The Council has approved Codes of Conduct which are included within induction packs. All officers are part of the Council's performance management framework and expected to perform in line with designated competencies appropriate to their role and job description. The authority's leadership style is underpinned by the Constitution, Policies, Protocols and Codes of Conduct. The values of the organisation are documented within the Corporate Plan. The Council has introduced and encourages public speaking at Committees and has invested in upgrading its website and Intranet, actively managing its content to ensure easy access to information.</p>	<p>Constitution, Articles in Staff / Members Bulletin, Head of Paid Service update emails, Corporate briefings held during the year to update staff of key issues and items, Appraisal and Development Scheme, Member/Officer Codes of Conduct, Member/Officer Protocol, Whistleblowing policy, Counter Fraud, Corruption and Bribery Strategy, Freedom of Information (statement and publication scheme), Planning Protocol, Standards Committee, Officer Register of Gifts and Hospitality, Member / Officer Registers of Interests, Annual Governance Statement, Local Code of Corporate Governance.</p>
	<p>Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</p>	<p>The Corporate Plan sets out our clear vision for the District, and our ambition. This is further supported by our Annual Action Plan which is monitored through the Council's Performance Management Framework.</p>	<p>Corporate Plan, Annual Action Plan, Performance Management Framework, Standards Committee Annual Report, Member/Officer Codes of Conduct, Member/Officer Protocol, Whistleblowing policy, Counter Fraud, Corruption and Bribery Strategy, Member / Officer Register of Gifts and Hospitality.</p>

	<p>Leading by example and using these standard operating principles or values as a framework for decision making and other actions</p>	<p>The values of the organization are documented within the Corporate Plan. Our decision making processes are embedded into the Council's Constitution which is periodically reviewed and endorsed by Councillors. Members are required to make any 'Declarations of Interest' where appropriate.</p>	<p>Corporate Plan, Constitution, Member/Officer Codes of Conduct, Whistleblowing policy, Counter Fraud, Corruption and Bribery Strategy, Planning Protocol, Member/Officer Register of Gifts and Hospitality, Member/Officer Registers of Interests, Financial Regulations, Contract Procedure Rules, Diversity and Equality Policy, Member / Officer Induction and Training Governance, Risk & Audit Committee (GRAC) terms of reference.</p>
	<p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<p>The Council has a number of documents which reinforce its commitment to best practice, including Whistleblowing policies, Counter-fraud and Corruption policies, Registers of Interests and Gifts and Hospitality and Complaints policies. These are all subject to periodic review. New staff are required to review the Council's key policies as part of the induction process and to sign to confirm this has been completed.</p>	<p>Member/Officer Codes of Conduct, Whistleblowing policy, Counter Fraud, Corruption and Bribery Strategy, Planning Protocol, Member / Officer Register of Gifts and Hospitality, Member / Officer Registers of Interests, Financial Regulations, Contract Procedure Rules, Combined Equalities Scheme, Member / Officer Induction and Training, Governance, Risk & Audit Committee (GRAC) terms of reference, Constitution.</p>

	<p>Seeking to establish, monitor and maintain the organisation's ethical standards and performance</p>	<p>The Nolan principles are embedded into Codes of Conduct. The Monitoring Officer produces an Annual Report on the activity of the Standards Committee and its activity to maintain the organisation's standards. The Council has achieved Investors in People Gold status, demonstrating its commitment to monitoring our organisation standards and performance. Shared values have been developed and are documented within the Corporate Plan. Leadership training is undertaken between the Corporate Leadership Team and the Cabinet to reinforce these values. Internal Audit provides assurance that policies built on ethical standards are being complied with. Ongoing monitoring of the application and effectiveness of the local standard regime is undertaken.</p>	<p>Staff and Member Briefings, Corporate Plan, Internal & External Audit Reports, Monitoring Officer's Annual Report.</p>
	<p>Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</p>	<p>New members and staff are provided inductions, which emphasises areas such as codes of conduct and appropriate behaviours. Ongoing training is then provided, for example through member training sessions</p>	<p>Internal Audit Reports, Competency framework, Appraisal system, Constitution, Staff & Member training and development.</p>

	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	In addition to policies identified above, the Constitution includes specific rules and procedures with respect to procurement; financial governance, and members sitting in a regulatory capacity. These are reviewed and updated on a regular basis.	Constitution, Member/Officer Codes of Conduct, Whistleblowing Policy, Counter Fraud, Corruption and Bribery Strategy, Procurement Strategy.
	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	As part of Council procurement exercises, service providers are required to provide statements confirming compliance with ethical standards and, for example, anti-money laundering statements. The Partnership Framework and Principles Guidance also further support this.	Council's Website, Constitution, Anti-money Laundering Policy, Procurement Strategy, Individual Partnership / Service Level Agreements, Partnership Framework and Principles Guidance.
	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	The Constitution is regularly updated to include new specific laws and regulations. Staff are required to hold relevant professional qualifications and comply with the law and codes of conduct. The Council has an appointed Monitoring Officer responsible for the maintenance of the Constitution and for guiding members on the information contained therein. The Council has appropriate legal advice both on the specific requirements of legislation and the general responsibilities placed on local authorities by public law. Induction training for new staff includes review of the Council's policies, which include provisions from legislation.	Constitution, Report Template requiring input from Monitoring Officer and S151 Officer (information quality for decision taking) / positive sign off, Legal advice to Licensing and Planning Committees, Statutory Provisions, Whistleblowing policy, Counter Fraud, Corruption and Bribery Strategy, Data Protection Policy, GDPR guidance and training, IT Policy.

	<p>Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</p>	<p>Staff are provided with key legal changes where relevant in addition to the Council holding a number of subscriptions to services to ensure staff are provided with appropriate professional support. Members making regulatory decisions are provided with training to ensure they are sufficiently aware of the legal requirements of their role. Areas for focus are highlighted as part of the appraisal process and provided as part of the corporate training plan.</p>	<p>Constitution, Monitoring Officer Provisions / Protocol, Report Template requiring input from Monitoring Officer and S151 Officer (information quality for decision taking) / positive sign off, Availability of legal advice to Licensing and Planning Committees, Appraisal framework, Job descriptions, Terms of Reference.</p>
	<p>Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</p>	<p>There are clear, defined decision making processes within the Council to ensure that all appropriate options are considered prior to any decisions being made.</p>	<p>Monitoring Officer Provisions / Protocol, Report Template, Standing Orders, Complaints and Compliments Procedures, Investigations, Records of Delegated Authority decisions, Planning protocol.</p>
	<p>Dealing with breaches of legal and regulatory provisions effectively</p>	<p>The Monitoring Officer and Section 151 Officer are informed of all key decisions to be made and any such occurrences are reported as required.</p>	<p>Monitoring Officer Provisions / Protocol, Records of Delegated Authority decisions, Constitution, Standing Orders.</p>
	<p>Ensuring corruption and misuse of power are dealt with effectively</p>	<p>The Council has a well-established Counter Fraud, Corruption and Bribery Strategy, access to which is available on the intranet.</p>	<p>Counter Fraud, Corruption and Bribery Strategy, Whistleblowing Policy, Constitution.</p>

<p><i>Ensuring openness and comprehensive stakeholder engagement</i> Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p>Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</p>	<p>The Council has a clear vision, demonstrated through its Corporate Plan. The website has undergone a number of improvements for 2018/19 and provides a large amount of information to the public, including a section dedicated to the requirements of the Transparency Code. The Council has an FOI policy in place and produces an Annual Report to highlight progress against the Annual Action Plan.</p>	<p>Constitution, Stakeholder Identification, Performance Management Framework, Communications Strategy Satisfaction Surveys, Councillor Call to Action, Council Tax online information, Norfolk Crime and Disorder Partnership, Council's Website including consultations page.</p>
	<p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p>	<p>All Committee reports are prepared using pre-agreed templates. If a Cabinet meeting has to consider anything under Part 2 business the press/public will be excluded for that item but the reasons for this need to be justified and is often on the basis of commercial sensitivity.</p>	<p>Meeting minutes, Communications Strategy, Statutory Provisions, Council's Website, Forums and Partnerships, Direct communication with Parish & Town Councils (121 newsletter)</p>
	<p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</p>	<p>The Committee schedule is prepared in advance of the year and is then subject to negotiation with key officers to ensure timely decisions can be made. All Committee reports are subject to pre-approval procedures, including pre-meetings with key members and consultation with portfolio holders to ensure relevant matters have been taken into account. Reports are based on agreed templates and must record key considerations and decisions.</p>	<p>Committee timetable, Council's Website, Constitution, Report template, Meeting minutes, Input from Monitoring Officer/S151 Officer.</p>

	<p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</p>	<p>The Council adapts its consultation procedures according to the relevant decision being made with the public on planning decisions. Decisions are considered on a case by case basis and in line with legal requirements.</p>	<p>Planning protocols, Communication Strategy, Legal requirements, Consultation workshops, Direct communication with Parish & Town Councils (121 newsletter), Local Development Framework.</p>
	<p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</p>	<p>Engagement practices are adapted to the environment rather than operating to a pre-defined strategy. Where appropriate, particularly where major change occurs that is likely to have a significant impact on the public, communication plans are developed to tailor engagement and to plan for responding to particular circumstances.</p>	<p>Communications Strategy, Consultation workshops, Local Development Framework consultation, Council's website.</p>
	<p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</p>	<p>This is an inherent part of the Council's operation. Partnerships are developed to support service delivery and link to activities within the Corporate Plan and Service Plans. Partnerships are subject to periodic review to ensure they remain effective and deliver Council outcomes.</p>	<p>Partnership Framework and Principles Guidance.</p>
	<p>Ensuring that partnerships are based on:</p> <ul style="list-style-type: none"> • trust • a shared commitment to change • a culture that promotes and accepts challenge among partners <p>and that the added value of partnership working is explicit</p>	<p>Partnerships are based on the Partnership Framework and Principles Guidance and include a Service Level Agreement (SLA) where appropriate. Each Partnership will normally have a defined agreement (SLA etc), which will detail the nature of the working relationship and how it operates, including any governance arrangements. Service Managers are accountable for ensuring the successful operation and monitoring or partnerships.</p>	<p>Partnership Framework and Principles Guidance, Service Plans.</p>

	<p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p>	<p>The Council has a clear Communications Strategy that details how we will engage, consult and listen to our community and stakeholders.</p>	<p>Communications Strategy.</p>
	<p>Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</p>	<p>Communications come through various forms. Communication Plans are developed for more significant changes that will have an impact on the public. Members receive a monthly bulletin informing them of key events ongoing in the Council of which they need to be aware. Staff receive a weekly Bulletin and Town and Parish Council's receive the 'One to One' monthly newsletter.</p>	<p>Communications Strategy, Members Bulletin, Staff Bulletin, One to One newsletter, Website, Head of Paid Service briefings Intranet.</p>
	<p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</p>	<p>As above, engagement comes through a variety of forms and is covered by the Council's Communications Strategy. Specific decisions will be subject to consultation – for example, the Local Plan Process has various forms of communication and engagement to ensure the public and wider stakeholders are fully consulted.</p>	<p>Communications Strategy, Planning Local Plan Review process/protocols, Consultation workshops (Cromer Sports Hub/Deep History Coast/Splash), Website consultations page.</p>

	<p>Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account</p>	<p>The Council welcomes customers to raise concern or compliments with any aspect of service provision. All complaints and compliments are recorded on a corporate database. A summary of complaints and compliments is published on a quarterly basis with decisions fed back to stakeholders.</p>	<p>Communications Strategy, Customer Complaints, Compliments & Contacts Policy, Customer Service Strategy.</p>
	<p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</p>	<p>This seeks to primarily address how the council can deal with competing demands in a community. The primary competing demand for the Council is the decreasing level of Council resources versus demands from customers for a high level of service.</p>	<p>Communications Strategy, Diversity & Equality Policy, Equality Impact Assessments (EQIA's).</p>
	<p>Taking account of the interests of future generations of tax payers and service users</p>	<p>This is considered on a case by case basis and balancing the various needs within the Council.</p>	<p>Committee reports, Budget setting process, Equality Impact Assessments (EQIA's).</p>

<p><i>Defining outcomes in terms of sustainable economic, social, and environmental benefits</i></p> <p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions</p>	<p>The Council's emerging Corporate Plan will clearly identify the organisation's vision and purpose. This is supplemented by the Annual Action Plan which identifies specific annual objectives and is reported upon regularly throughout the year. The Service Planning process is directly linked to these plans, and set out specific activities to achieve outcomes in the Plan. Each activity is linked to defined corporate plan objectives which then cascades into individual performance and service plan objectives.</p>	<p>Corporate Plan, Annual Action Plan, Service Plans, Performance and Risk system, Appraisal framework.</p>
	<p>Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p>	<p>The emerging Corporate Plan, Annual Action Plan and subsequent Service Plans will seek to identify specified performance measures to evaluate how the organisation will deliver its priorities and benefit its local environment and this is reported on regularly throughout the year</p>	<p>Corporate Plan, Annual Action Plan, Service Plans, Performance and Risk system.</p>
	<p>Delivering defined outcomes on a sustainable basis within the resources that will be available</p>	<p>The Service Plans feed into the budget setting process which identifies the level of cost and resources required to deliver the activity. There are frequent updates to committees in terms of budget monitoring and also performance against the targets and objectives contained within the Annual Action Plan to demonstrate how the Council is delivering against its objectives.</p>	<p>Corporate Plan, Annual Action Plan, Service Plans, Performance and Risk system, Budget monitoring protocols and reports, Committee reports, Medium Term Financial Strategy.</p>

	Identifying and managing risks to the achievement of outcomes	The Council has an agreed Risk Management Framework, and has embedded reporting of risk (to the Risk Management Board and more recently Corporate Leadership Team (CLT) alongside its performance and financial reporting to ensure these are reviewed on an ongoing basis. Individual service plans and key decisions are subject to risk assessment at the time to ensure that issues have been raised and mitigation plans developed.	Risk Management Framework, Risk Management Board reports, Committee reports, Performance and Risk system, Risk registers for major projects (waste procurement/leisure procurement/Splash/Cromer Hub).
	Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available	The Annual Action Plan and Service Plans define established performance measures to monitor how services are provided and the outcomes achieved. Service Planning helps to determine how resources should be allocated to defined activities, as well as the core 'business as usual' service delivery. The Communications Strategy and plans help to set expectations to service users on their potential user experience.	Corporate Plan, Annual Action Plan, Service Plans, Performance and Risk system, Communications Strategy, Budget process, Medium Term Financial Strategy.
	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	The Council takes into account a wide range of factors when considering the impact of policies and plans when making decisions about service delivery. For example, the capital bidding process requires managers to complete a capital budget template which details not only the cost of their proposals but also any wider benefits in terms of service delivery, environmental enhancements etc. This is supported by the Capital Strategy and the budget framework and monitoring processes.	Medium Term Financial Strategy, Capital bidding process, Budget framework, Capital Strategy, Diversity and Equality Policy.

	<p>Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</p>	<p>All decision making should be linked to the Council's longer term Corporate Plan and Medium Term Financial Strategy. The Service Planning process helps to support this in that all activities should be identified in the Service Plan and any additional activities would have to be subject to appropriate consideration, taking into account the ability to deliver already identified priorities. This can be evidenced through decisions taken at Cabinet.</p>	<p>Corporate Plan, Medium Term Financial Strategy, Budget setting process, Annual Outturn report, Committee reports.</p>
	<p>Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p>	<p>Decisions made have to necessarily balance the public interest and achievement of outcomes, as can be evidenced through various committee reports.</p>	<p>Communications Strategy, Committee reports and minutes, Annual Governance Statement.</p>
	<p>Ensuring fair access to services</p>	<p>The Council evaluates equality impacts as appropriate within its decision making, ensuring due regard is given to enabling groups to access services. Our Customer Strategy seeks to support this through identifying how customers access services and ensuring that the Council's service provision responds to this.</p>	<p>Diversity and Equality Policy, Equality Impact Assessments (EQIA's), Statutory guidance, Customer Strategy.</p>

Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

<p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided</p>	<p>This can be evidenced through papers presented to Cabinet and to the Council's Scrutiny Committee which helps to ensure this is put into practice by engaging with members at the earliest possible stage in the development of plans and strategies, enabling their input into the potential options and ensuring these have been considered before key decisions are made.</p>	<p>Committee reports and minutes, report template.</p>
<p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<p>This is covered within the Council's Communications Strategy and can be further evidenced through the consultation processes involved with the update of the Local Plan. The Council's Medium Term Financial Strategy also enables the Council to prioritise competing demands with limited resources.</p>	<p>Communications Strategy, Medium Term Financial Strategy, Local Plan protocols.</p>
<p>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p>	<p>The annual committee programme is developed in advance of the calendar year. Pre-Committee meetings discuss forthcoming reports with key officers and members to ensure these are programmed, with each Committee having its own specified work programme. There are clear programmes in place for the business planning and financial planning cycle, which are complementary to each other.</p>	<p>Committee timetable, Committee reports, Budget setting framework, Corporate Plan process.</p>

	<p>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</p>	<p>This is a necessary part of our planning, and can be evidenced through the ongoing work on the development of the new Local Plan.</p>	<p>Communications Strategy, Local Plan protocols.</p>
	<p>Considering and monitoring risks facing each partner when working collaboratively including shared risks</p>	<p>This is a necessary part of planning for partnership working. Each partnership has associated protocols or agreements (SLA's) to outline how it will operate, which would be subject to agreement with each partner to ensure their risks and challenges have been taken into account.</p>	<p>Partnership Framework and Principles Guidance, Risk Management Framework.</p>
	<p>Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances</p>	<p>Change procedures, poor performance and termination is embedded into agreements and contracts to ensure that the Council is not locked into arrangements which are not effective. Performance targets for individuals and partnerships are reviewed regularly and incorporated within service plans.</p>	<p>Partnership Framework and Principles Guidance, Performance and Risk system, contract key performance indicators (KPIs).</p>
	<p>Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</p>	<p>This is firmly embedded into the Annual Action Plan and Service Planning process. Each year, and then as part of quarterly reporting, key performance indicators are subject to review to ensure to introduce new / amendments to the indicators, and ensure they remain SMART.</p>	<p>Annual Action Plan, Service Plans, Annual Report, Quarterly and monthly performance reports.</p>

	Ensuring capacity exists to generate the information required to review service quality regularly	The Council has a Policy & Performance Management Officer who works with officers and Members to monitor and track performance cascading down from the Corporate Plan, Annual Action Plan and into the Service Plans. There are quarterly performance reports to Committee to monitor performance, highlighting any corrective action that might be required where appropriate.	Corporate Plan, Annual Action Plan, Service Plans, Annual, quarterly and monthly reports.
	Preparing budgets in accordance with organisational objectives, strategies and the Medium Term Financial Strategy	The Budget and Service Planning process is fully integrated, with priorities cascading down from the Corporate Plan and Annual Action Plan into Service Plans. Managers develop their budgets and resource requirements with the finance team to ensure these objectives are deliverable.	Corporate Plan, Annual Action Plan, Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.
	Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	The service planning and budget cycles are fully integrated and informed by the production of the Medium Term Financial Strategy, which sets out how the Council will address the future funding challenges.	Corporate Plan, Annual Action Plan, Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.
	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	The Medium Term Financial Strategy is updated ahead of the Service Planning and budget setting process to ensure it remains deliverable. Budgets and Service Plans are then based on this work to take account of any potential issues as required.	Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.

	<p>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p>	<p>As above, the budget and Service Planning process comprehensively links service demands and activities to the projected cost of service delivery.</p>	<p>Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.</p>
	<p>Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</p>	<p>This is covered within the Council's Medium Term Financial Strategy which considers issues ongoing service delivery costs and issues in the context of the ever changing external environment to ensure resources are optimised and that efficiency plans are developed where appropriate.</p>	<p>Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.</p>
	<p>Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes"</p>	<p>The Council has committed, through its Procurement Strategy, to supporting social value. The completed procurement for the new Leisure contract helps to demonstrate this with some of the scoring being allocated to Social Value.</p>	<p>Procurement Strategy, Leisure tender documents, Diversity and Equality Policy.</p>

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

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfill its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness

There are currently two Business Process Reviews (BPR) reviews being undertaken within the Planning and Environmental Health service areas to increase efficiency and improve performance. All changes in staffing are subject to robust procedures to ensure that resources are right for the relevant service. The Council has a defined Asset Management Plan supported by a number of other policy and supporting documents including; the Commercial Property Investment Strategy, The Acquisition Policy, The Disposal Policy, Assets of Community Value procedure and guidance, Asset Proposal process and use of Council property assets for events. This suite of documents was reviewed, updated and agreed by Committee in March 2018. All of these policies and guidance documents combine to help ensure that property assets are effectively utilised while supporting the Council's developing Commercialisation agenda which is a key theme within the Council's efficiency plans.

Asset Management Plan, Disposal, Investment and Acquisitions Policy, Commercial Property Investment Strategy, The Acquisition Policy, The Disposal Policy, Assets of Community Value procedure and guidance, Asset Proposal process, Use of Council property assets for events.

	<p>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently</p>	<p>The Council is currently undertaking a Digital Transformation Programme, to enable the most efficient forms of service access. There are two BPR reviews being undertaken in Planning and Environmental Health service areas to increase efficiency and improve performance. These are facilitated by an external company who are helping to redesign services based on best practice and benchmarking from other external high performing Councils. The Council also participates in peer reviews to support further improvements. Benchmarking using LG Inform data takes place on a regular basis.</p>	<p>Peer reviews, Digital Transformation initiative, Business planning Reviews.</p>
	<p>Recognising the benefits of partnerships and collaborative working where added value can be achieved</p>	<p>Partnership agreements are subject to a robust review to ensure they deliver against Council priorities. Services are required to identify within business planning processes the financial resources required to deliver through partnership means as opposed to internal service delivery.</p>	<p>Partnership Framework and Principles Guidance, Service Plans, Budget protocols.</p>
	<p>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</p>	<p>The Council currently holds IIP Gold although following changes to the assessment process this will reduce to silver. There are numerous Organisational Development plans, strategies and policies in place to help support the Council's staff such as the Agile Working Policy, which supports staff to work more flexibly. The Appraisal and Development scheme is fully integrated into the Council's planning processes.</p>	<p>Appraisal and Development scheme, IIP Gold award, Agile Working Policy, Employee Code of Conduct.</p>

	<p>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</p>	<p>The Council had 2 leaders from different political groups during 2018/19. New Working Arrangements Protocols were developed to help adjust to this new position and support has been provided by the Local Government Association (LGA). The Corporate Directors and joint Heads of Paid Service have regular meetings with the Leader and also the Leaders of the two other Groups and continue to hold Business Planning meetings which follow on from Cabinet to discuss forthcoming issues and reports. These meetings help to clarify objectives and outcomes at an early stage and are supported by the various Cabinet and Portfolio Members. They are strongly empowered to support Portfolio Holders and Heads of Service in developing their roles and relationships. Shadow Portfolio holders have also been elected to aid with transparency.</p>	<p>Job descriptions, Member and Officer protocols, Working Arrangements Protocol, Member training, LGA support.</p>
	<p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p>	<p>The Council has a Scheme of Delegation which is periodically reviewed to ensure it remains current. Standing Orders and Financial Regulations are also periodically reviewed. This process is undertaken by the Constitution Working Party.</p>	<p>Constitution, Constitution Working Party.</p>

	<p>Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</p>	<p>As outlined above, the relationship between the Corporate Directors and joint Heads of Paid Service and Leader is clear as regards their respective roles and responsibilities are clearly defined.</p>	<p>Job descriptions, Member and Officer Protocols, Working Arrangements Protocol.</p>
	<p>Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <p>ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</p> <p>ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</p> <p>ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</p>	<p>The Council has been well recognised for developing the leadership of staff at all levels in the organisation. The Council currently holds IIP Gold although following changes to the assessment process this will reduce to silver A robust performance programme is in place to encourage open and honest communication with staff, enable effective performance management discussions and identify future development needs. This is fully supported by the Appraisal Framework which is fully embedded within the Council's processes. Training requirements flowing from the appraisal process feed into the corporate training needs assessment undertaken by the Organisational Development team.</p> <p>Members are provided induction training on commencing their roles at the Council, and encouraged to identify training needs. Ongoing training is held on a knowledge and competency basis, enabling members to develop their skills at all levels. An annual member training programme is produced to support their development.</p>	<p>Appraisal framework, Corporate Training programme, Service specific training requirements, Training update courses/briefings, IIP Gold, Staff/Member induction protocols.</p>

	Ensuring that there are structures in place to encourage public participation	The Council welcomes members of the public to engage in decision making, with meetings being held in public where possible and consultations undertaken on relevant decisions.	Committee minutes.
	Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	The Council periodically has peer reviews and takes part in benchmarking and other relevant processes to evaluate leadership effectiveness. Feedback is welcomed and considered to ensure that it can be implemented.	Peer review, 360 Degree Appraisal, Appraisal framework.
	Holding staff to account through regular performance reviews which take account of training or development needs	The Council has a clearly defined performance management framework and appraisal system. All staff undertake an annual appraisal which is further supported by a 6 monthly review. Objectives and personal development plans are established for staff at all levels.	Appraisal framework.
	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	The Council places strong emphasis on employee health and wellbeing. The Council's Staff Focus Group and the Health and Wellbeing Group help senior leadership implement health and wellbeing initiatives, such as active workplace events which staff are encouraged to take part in at all levels. There is a section dedicated to Health and Wellbeing on the Council's intranet which staff and Members can access.	Health and Wellbeing Group, Staff Focus Group, Various Organisational Development policies and strategies, Intranet.

<p><i>Managing risks and performance through robust internal control and strong public financial management</i> Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p>	<p>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</p>	<p>The Council has an agreed Risk Management Framework and operates a Risk Management Board along with the Governance, Risk and Audit Committee (GRAC). The Committee report templates which must be used for all Committee reports include a specific section on risk and staff and managers are encouraged to raise risks, and how these should be managed / mitigated as part of key decision making processes. At an operational level, staff are encouraged to take personal accountability for risks. Risk reviews are held in each service twice a year with significant risks assessed for inclusion in the Corporate Risk Register. The Council has a Business Continuity Framework with Business Continuity Plans in place for key service areas which are subject to annual review.</p>	<p>GRAC reports/minutes, Committee report template, Health and Safety Policy, Risk assessments, Business Continuity Framework, Business Continuity Plans, Risk Management Board, Performance and Risk system.</p>
<p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.</p>	<p>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</p>	<p>The Risk Management Framework has been agreed through the relevant decision making processes and is subject to regular review and updating. On a quarterly basis, key risks are formally evaluated and monitored by the Risk Management Board, however services are expected to maintain a watching brief on all operational level risks on a daily basis. In addition Risk reviews are held in each service twice a year with significant risks assessed for inclusion in the Corporate Risk Register. Health and Safety risks are also monitored as part of this process.</p>	<p>GRAC reports/minutes, Health and Safety Policy, Risk assessments, Business Continuity Framework, Business Continuity Plans, Risk Management Board, Corporate Risk Register, Performance and Risk system, Risk registers for major projects (waste procurement/leisure procurement/Splash/Cromer Hub).</p>

<p>It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>Ensuring that responsibilities for managing individual risks are clearly allocated</p>	<p>Each risk within the Risk Register has been formally allocated to individual responsible owners.</p>	<p>Corporate Risk Register, Performance and Risk system, Risk registers for major projects (waste procurement/leisure procurement/Splash/Cromer Hub).</p>
	<p>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</p>	<p>The Annual Action Plan and Service Planning process identifies performance measures for services. Services are subject to periodic review to ensure delivery remains efficient and effective. Previously the Major Projects Board, and more recently CLT, considers and monitors key corporate projects in terms of key project aims, targets/benefits, milestones, progress, risks, financial position etc. At the end of projects there is a formal review process to consider 'lessons learnt' that can be fed back into future projects.</p>	<p>Annual Action Plan, Annual Report, Service Plans, Performance framework, Project Management framework, Project Initiation Documents (PIDs), Project review documents.</p>

	<p>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</p>	<p>Quarterly reporting of risks at a strategic level highlights core risk factors that may influence the council's ability to deliver objectives over the longer term. Significant decisions are subject to robust challenge and clear processes to ensure that all relevant factors have been considered.</p>	<p>Risk Management Board, GRAC reports/minutes, Committee report template, Budget planning process.</p>
	<p>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p>	<p>The Council's Overview and Scrutiny Committee operates to scrutinize, challenge and debate policies and objectives. The Committee also has its own work programme and will often review previous initiatives to ensure that decisions have been implemented as intended and clear benefits have resulted.</p>	<p>Overview and Scrutiny Committee reports and minutes, Overview and Scrutiny Committee terms of reference, Member training.</p>
	<p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p>	<p>Quarterly reports are presented to Cabinet containing updates on finance, performance and risks for the Council's agreed plans.</p>	<p>Cabinet reports and minutes, Committee timetable.</p>
	<p>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)</p>	<p>The quarterly reports evaluate budgetary positions, seeking approval to significant variances and highlighting major changes to agreed programmes. The final quarter reports then seek to align to financial reporting with the outturn position.</p>	<p>Budget reports, Outturn report, Financial Statements, Financial Standing Orders.</p>

	<p>Aligning the risk management strategy and policies on internal control with achieving the objectives</p>	<p>The Risk Management Framework seeks to establish how organisational risk is managed. Risks form the basis of internal control evaluation through the annual audit programme, and will be subject to ongoing evaluation through each programmed internal audit.</p>	<p>Risk Management Framework, Internal Audit Plan, Audit reports, External review of effectiveness, Annual Governance Statement, Internal Audit Annual Report and Opinion, Local Code of Corporate Governance.</p>
	<p>Evaluating and monitoring the authority's risk management and internal control on a regular basis</p>	<p>Corporate Risks are subject to quarterly reviews, and the Risk Management framework is periodically reviewed to ensure it remains current. The internal audit programme is subject to an annual review and formal review, with planning over the longer term, balancing the Council's priorities and risks. The GRAC undertake regular self- assessments of their performance, regular updates on progress towards the audit plan and implementation of recommendations are provided to the Committee on a quarterly basis along with and Annual Report and Opinion. The internal audit contract is also subject to an external quality control review.</p>	<p>GRAC self-assessment, Risk Management framework, Internal Audit Plan, Audit reports, External review of effectiveness, Head of Internal Audit Statement of Compliance, Annual Governance Statement, Internal Audit Annual Report and Opinion, Local Code of Corporate Governance.</p>
	<p>Ensuring effective counter fraud and anti-corruption arrangements are in place</p>	<p>The Council takes part in national initiatives to reduce the potential for fraud and to identify fraud that may have occurred.</p>	<p>Counter Fraud, Corruption and Bribery Strategy, National Fraud Initiatives.</p>

	<p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p>	<p>The Council is part of the South Norfolk Internal Audit Consortium. The Consortium is currently subject to External Review to ensure it is delivering in accordance with best practice. Internal Audit plans are developed and the Internal Audit Service is resourced according to these plans.</p>	<p>External review of effectiveness, Annual Governance Statement, Internal Audit Annual Report and Opinion, Head of Internal Audit Statement of Compliance, Local Code of Corporate Governance.</p>
	<p>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon</p>	<p>The Council has elected to develop the Governance, Risk and Audit Committee (GRAC) to have oversight of internal control while taking responsibility for good governance practice. The Committee has strong oversight and is empowered to hold the organisation to account.</p>	<p>GRAC terms of reference, GRAC reports and minutes, Member training, GRAC self-assessment.</p>
	<p>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</p>	<p>The Council has a Data Protection Policy and a Data Quality Policy and is also Public Sector Network Code of Connection Compliant (PSN), to ensure the most sensitive data it holds is held securely. This is further supported by the Council's IT Security Policy. The Council has a Senior Information Risk Officer (SIRO) with the Corporate Director and Joint Head of Paid Service being assigned to this role. A SIRO role description identifies key responsibilities, further supported by a new Information Risk Policy and work is ongoing in relation to the new General Data Protection Regulations (GDPR) requirements which came into effect from 25 May 2018 and received a substantial audit assurance during 2018/19.</p>	<p>Data Protection Policy, Data Quality Policy, IT Security Policy, PSN compliance, SIRO role description Information Risk Policy, Internal audit.</p>

	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	Information sharing is subject to defined information sharing protocols.	Data Protection Policy, Data Quality Policy, IT Security Policy, PSN compliance.
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	The Council does not have formal data validation programmes, however data validity and quality is evaluated through internal audit assessment and during the BPR service review work.	BPR protocols, Data Quality Policy, Audit reports.
	Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	This is embedded into the Medium Term Financial Strategy, which has been developed alongside the Service Plans and budget planning processes. Financial reporting is strongly linked to performance and risk reporting to ensure it correlates to service delivery.	Medium Term Financial Strategy, Service Plans, Budget monitoring reports and protocol.
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Management accounts are produced on a monthly basis for service analysis, and to ensure budgets remain on track to those established within business planning. Significant variances are reported to key decision making.	Budget monitoring reports and protocol.
<p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p>Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</p> <p>Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</p>	<p>Report templates have been designed to help highlight key information quickly and easily. Reports undertake review processes to ensure they remain succinct and effective in imparting their messages. All reports are available for the public to review from the Council directly or on the Council's website with contact details for key officers prominently placed. The Council's Annual Report also provides a high level review of the Council's achievements during the year in an easy to understand high level format.</p>	<p>Council website, Annual Report, Committee template, Committee reports.</p>

	Reporting at least annually on performance, value for money and the stewardship of its resources	The Council's statement of accounts includes a "narrative" report which outlines how the Council has delivered against its objectives and financial targets during the year. The report makes extensive use of charts to aid users to quickly understanding the information. As part of the audit process the external auditor (Ernst & Young) is also required to give a view on value for money. The Annual Governance Statement provides a key oversight of the Council's governance arrangements and how these can be developed.	Statement of accounts, Annual and Quarterly Reports, Annual Governance Statement.
	Ensuring members and senior management own the results	On a quarterly basis, Cabinet receives performance and finance reports outlining how the Council has performed against corporate objectives. Significant areas of concern are highlighted with recommendations for corrective action where appropriate. All actions and targets in the Annual Action Plan and Service Plans have an identified lead officer.	Performance reports/framework, Annual Report, Budget monitoring reports, Minutes highlighting appropriate approvals, Outturn report, Performance and Risk system.
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	The CIPFA Code of Corporate Governance principles have been benchmarked, and this will be subject to evaluation by both the Risk Management Board and also the Governance, Risk and Audit Committee. Necessary actions will then be reviewed and incorporated into the Annual Governance Framework as required.	Annual Governance Statement, Local Code of Corporate Governance, GRAC minutes.

	Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	The Council is not presently involved with any shared service arrangements. The Council is however part of Coastal Partnership East and this framework has been applied to the partnership.	Annual Governance Statement, Local Code of Corporate Governance, Terms of Reference.
	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations	The Council's financial statements are prepared in accordance with best practice to help support comparison with similar organisations. The Council has accelerated timeframes for evaluated finance and performance outcomes, with the Outturn Report now being produced within 6 weeks of the year end to ensure decisions can be made on a timely basis with insight to the performance and so that this information can then support the production of the Statement of Accounts.	Statement of accounts, Outturn Report.
	Ensuring that recommendations for corrective action made by external audit are acted upon Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	Recommendations made by external and internal auditors are reported to the GRAC as part of the Statement of Accounts approval process. The Internal Audit Consortium Manager has access to report directly to the GRAC with outcomes from her work and any key concerns she may have.	Statement of accounts, External audit opinion, GRAC reports/minutes, Internal Audit Opinion.
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	Peer challenge is undertaken periodically to evaluate how the Council is performing. Regulators will undertake periodic inspections and the outcomes of their reports escalated as appropriate.	Peer review, Regulatory review.

	<p>Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</p>	<p>The Annual Governance Statement includes a section on the “Review of Effectiveness” which includes consideration of governance arrangements for service delivery through third parties.</p>	<p>Annual Governance Statement, NNDC Self-assessment Assurance Statement.</p>
	<p>Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met</p>	<p>Partnerships are subject to relevant agreements to ensure the nature of the partnership and reporting frameworks / objectives are clear.</p>	<p>Communication Strategy, Partnership Framework and Principles Guidance, Terms of Reference, Service Level Agreements (SLA’s).</p>

Agenda Item 14

GOVERNANCE, RISK & AUDIT COMMITTEE ON 23rd March 2019 - ACTIONS ARISING FROM THE MINUTES

Minute No.	Agenda item and action	Action By
54.	EY CERTIFICATION OF CLAIMS ANNUAL REPORT 2017/18	
	To note the Report.	GRAC March meeting
55.	EY EXTERNAL AUDIT PLAN	
	To note the EY Audit Plan.	GRAC March meeting
56.	PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY	
	To note the outcomes of the assurance audit completed between 23 rd November 2018 and 5 th March 2019.	GRAC March meeting
57.	STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2019/20	
	<ol style="list-style-type: none"> 1. To note and approve the Internal Audit Charter. 2. To note and approve the Strategic Internal Audit Plans 2019/20 to 2021/22. 3. To note and approve the Annual Internal Audit Plan 2019/20. 	GRAC March meeting
58.	CORPORATE RISK REGISTER	
	<ol style="list-style-type: none"> 1. To recommend that the GRAC Chairman sits on the Risk Management Board. 2. To note the Report and changes made to the CRR. 	GRAC RMB – 2019/20 March meeting
59.	RISK MANAGEMENT FRAMEWORK	
	To note the Risk Management Framework.	GRAC March meeting
60.	ACCOUNTS CLOSEDOWN 2018/19 – TECHNICAL UPDATE	
	To note the update	GRAC March meeting

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GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2019/2020

Date/Completed	Item	Lead Officer/Member	Objectives & Additional Comments	Cycle
11th June 2019				
	Progress report on Internal Audit Activity	Internal Auditors – Emma Hodds/Faye Haywood		Quarterly
	Follow up on Internal Audit Recommendations	Internal Auditors – Emma Hodds/Faye Haywood	To include update on historical recommendations	Six Monthly
	Annual Report/ Opinion & Review of the Effectiveness of Internal Audit	Internal Auditors – Emma Hodds/Faye Haywood		Annual
	Self-assessment feedback	Internal Auditors – Emma Hodds/Faye Haywood		Annual
	Monitoring Officer’s Report	Monitoring Officer – Emma Duncan		Annual
	Annual Governance Statement 2018/19	Chief Technical Accountant – Lucy Hume		Annual
	GRAC Annual Report	Committee Officer – Matt Stembrowicz		Annual
	Draft Statement of Accounts	Chief Technical Accountant – Lucy Hume		Annual
23rd July 2019				
	Audit Results Report	External Auditors - EY		Six Monthly
	Letter of Representation	Head of Finance & Asset Management – Duncan Ellis		Annual
	Final Statement of Accounts	Chief Technical Accountant – Lucy Hume		
10th Sept 2019				
	EY Annual Audit Letter	External Auditors - EY		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Emma Hodds/Faye Haywood		Quarterly
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register	Six Monthly
3rd Dec 2019				
	Progress Report on Internal Audit Activity	Internal Auditors – Emma Hodds/Faye Haywood		Quarterly
	Follow Up Report on Internal Audit Recommendations	Internal Auditors – Emma Hodds/Faye Haywood	To include update on historical recommendations	Six Monthly
	Anti-money laundering policy	Internal Auditors – Emma Hodds/Faye Haywood		Annual
	Civil Contingencies Update	Internal Auditors – Emma Hodds/Faye Haywood		Annual

GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2019/2020

24 th March 2020				
	EY Audit Plan (with overview) Annual Grant Certification Report from EY	External Auditors - EY		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Emma Hodds/Faye Haywood		Quarterly
	Undertake self-assessment	Internal Auditors – Emma Hodds/Faye Haywood		Annual
	Strategic and Annual Audit Plans	Internal Auditors – Emma Hodds/Faye Haywood		Annual
	Technical update for accounts closedown 2019/20	Chief Technical Accountant – Lucy Hume		Annual
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register	Six Monthly
	Risk Management Framework	Head of Finance & Asset Management – Duncan Ellis	To review the Council's risk management framework	Annual