Public Document Pack

Governance, Risk and Audit Committee

NORTH NORFOLK DISTRICT COUNCIL

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21st September 2020

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **remotely via Zoom** on **Tuesday, 29 September 2020** 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 J Rest, Mr S Penfold, Mr T Adams, Mr C Cushing, 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

IN TRAN
communication for all

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

A G E N D A

1. TO RECEIVE APOLOGIES FOR ABSENCE

2. SUBSTITUTES

3. PUBLIC QUESTIONS

To receive public questions, if any.

4. ITEMS OF URGENT BUSINESS

To determine any items of business which the Chairman decides should be considered as a matter of urgency pursuant to section 100B(4)(b) of the Local Government Act 1972.

5. DECLARATIONS OF INTEREST

Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The code of conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest.

6. MINUTES 1 - 8

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 4th August 2020.

7. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 9 - 16

Summary:	This report examines the progress made between 4 June 2020 to 18 September 2020 in relation to delivery of the Annual Internal Audit Plan for 2020/21.
Conclusions:	Progress in relation to delivery of the internal audit plan is line with expectations.
Recommendations:	**It is recommended that the Committee notes the outcomes of the assurance audit completed between 4 June 2020 and 18 September 2020.**

Cabinet member(s): All	Ward(s) affected: All
Contact Officer, telephone number, and e-mail:	Fiona Dodimead fiona.dodimead@tiaa.co.uk

Appendices attached to this report:
Progress Report on Internal Audit Activity

8. **ANNUAL GOVERNANCE STATEMENT & LOCAL CODE OF CORPORATE GOVERNANCE** 17 - 68

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. For this year both of these documents have been considered in light of the ongoing Covid-19 pandemic.

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

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

9.	**FINAL STATEMENT OF ACCOUNTS 2018-19**	69 - 196
	To approve the final Statement of Accounts for the 2018-19 financial year.	
10.	**LETTER OF REPRESENTATION**	197 - 204
	To receive the Letter of Representation from the Chief Financial Officer.	
11.	**AUDIT RESULTS REPORT**	205 - 248
	To receive the Audit Results Report for the 2018-19 financial year, ended 31st March 2019.	
12.	**DRAFT STATEMENT OF ACCOUNTS 2019-20**	249 - 368
	To review and comment on the 2019-20 Draft Statement of Accounts.	
13.	**CORPORATE RISK REGISTER**	369 - 380
	To review and note the Corporate Risk Register.	
14.	**GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST**	381 - 382
	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**	383 - 384
	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 AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 4 August 2020 at the remotely via Zoom at 2.00 pm

Committee Members Present:	Mr J Rest (Chairman) Mr S Penfold (Vice-Chairman) Mr C Cushing Mrs J Stenton Mr J Toye Mr H Blathwayt (substitute)
Members Present:	Mr N Dixon (Observer) Mrs A Fitch-Tillett (Observer) Mrs P Grove-Jones (Observer)
Officers in Attendance:	Democratic Services and Governance Officer (Scrutiny) (DS&GOS), Internal Audit Manager (IAM), Chief Technical Accountant (CTA), Head of Legal & Monitoring Officer (HLS), Head of Finance and Asset Management/Section 151 Officer (HFAM), Chief Executive (CE), Democratic Services Manager (DSM) and Head of Business Transformation & IT (HIT)

14 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr T Adams.

15 SUBSTITUTES

Cllr H Blathwayt for Cllr T Adams.

16 PUBLIC QUESTIONS

None received.

17 ITEMS OF URGENT BUSINESS

None received.

18 DECLARATIONS OF INTEREST

None declared.

19 MINUTES

The minutes of the meeting held on 16th June 2020 were approved as a correct record and sign by the Chairman.

20 MONITORING OFFICER'S REPORT 2019/20

The MO introduced the report and informed Members that it covered the lawfulness of the Council's decision making, and its adherence to the governance framework. It was reported that there had been no findings of maladministration, and that the register of gifts and hospitality was also included for review. The MO stated that the report also covered complaints of misconduct, which had remained stable, with the majority of these complaints relating to Town and Parish Councils as a result of unclear governance arrangements and processes. In such cases, an assessment framework was applied to determine how to progress complaints, and it was often the case no breaches were found. It was reported that no cases had been referred for further investigation at district level, and there had been no breaches of the Council's own protocols. The MO informed Members that preventative training was provided to avoid breaches at both district and parish level, and that the Standards Committee had met and discussed initial proposals for changes to the Model Member Code of Conduct, with a briefing for Members planned in the coming weeks. It was noted that there was a separate code of conduct for officers, and that the Employment and Appeals Committee were available to consider any disciplinary action when required. In terms of probity, the MO reported that she had been consulted on most policy proposals, the Council's accounts and any matters of legal concern, in order to provide advice alongside the Section 151 Officer. It was noted that there had been a review of the Council's project management framework, and further action had been recommended for improvements in this area, in addition to the significant improvements to the risk management framework that had already been made. The MO noted that any exemptions to standing orders were listed in appendix 2.

<u>Questions and Discussion</u>

In reference to reports of misconduct, the Chairman asked whether these cases should be referred to as alleged misconduct, to which the MO replied that she would be happy to review and rephrase the wording. The Chairman then stated that 27 complaints had been received for Parish and Town Councils, and asked if this was due to a lack of training. The MO replied that this could be a cultural issue, but with most Parish and Town Councils only having one officer, it could also result from a lack of HR support. She added that it was difficult for some Councillors to separate criticism of processes from individuals, which often led to confrontation, but the LGA were in the process of reviewing the Members code of conduct to improve civility in public debate.

The Chairman referred to key issues raised on p14, and asked whether any of the issues would be missed due to the current circumstances of Covid-19. The MO replied that some of these issues, such as reviewing the Anti-Fraud, Corruption and Bribery Policy were already in progress and it was hoped that they would be completed soon.

RESOLVED

To note the report.

21 COUNTER FRAUD, CORRUPTION AND BRIBERY POLICY

The IAM introduced the report and informed Members that the policy had now been reviewed and updated, with changes outlined in the report. She added that there had not been many significant changes, besides changing job titles and references to the latest GDPR legislation.

<u>Questions and Discussion</u>

The Chairman stated that he was happy with the report and policy included. It was proposed to recommend the policy to Cabinet for approval by Cllr J Rest and seconded by Cllr J Toye.

RESOLVED

To recommend the updated Counter-Fraud, Corruption and Bribery Policy to Cabinet for approval.

22 REVISED INTERNAL AUDIT PLAN 2020/21

The IAM introduced the report and informed Members that the original Internal Audit Plan had been scheduled for approval at the March meeting, however due to Covid-19 the meeting was cancelled and the plans had required significant adjustment. It was noted that the time available to complete the year's audit work was limited, hence the report included a revised plan to provide assurance of the governance, risk management and control framework of the Council. It was hoped that the revision would allow officers time to focus on recovery, whilst preparing the Council for a more thorough plan in 2021/22. The IAM stated that new risks had arisen as a result of the pandemic, such as working from home which placed increased pressure on HR, new business grants which would have to be closely monitored, and increased demand for IT. It was reported that the plan's assurance had been split into five key themes, which included assurance mapping, key controls, response and recovery, partnerships and essential assurance. The full plan was listed in appendix 1, which included eleven reviews over 129 days, with a full description of each review in appendix 2.

Questions and Discussion

Cllr C Cushing referred to appendix 1 and noted that the review of the project management framework had been moved to next year with reduced detail. He questioned why this was not being treated as a more urgent requirement for the current year, given the organisation's inherent weakness in project management. The IAM replied that the following year was only a rough guide at present, and this could be bolstered if required.

The Chairman sought clarification on the furloughing of TIAA staff, and asked if they had now returned to work. The IAM replied that they had returned on July 1st and were ready to start work as soon as possible. The Chairman referred to a questionnaire under the first assurance key theme, and asked who this would be completed by, to which the IAM replied that it would be undertaken by the auditor and would be sent to all service areas to address all key risks identified, with answers fed into key controls to ensure the correct risks were covered.

Cllr H Blathwayt referred to the £52m in business grants, and asked who was responsible for ensuring the advocacy and distribution. The IAM replied that this was still to be confirmed as the Government were yet to provide guidance on the matter, and added that auditors were currently looking to CIPFA for guidance. It was noted that there was an associated risk with the grants, and it was hoped that future guidance would resolve these issues. The CE stated that BASE had issued some guidance, and that the last date for grant approvals was the 28th August, with any unpaid funds required to be returned to Central Government by 30th September. He added that during this time there were a number of assurance statements that the Council was required to complete that would be subject to audit. The CTA stated that BASE had supplied a fraud risk assessment template for the discretionary grant funding scheme which aided the Council's own risk assessment.

Cllr J Toye proposed to take the recommendations en bloc and Cllr S Penfold seconded the proposal.

RESOLVED

To note and approve:

1. **The approach to providing assurance for 2020/21 due to the Coronavirus Pandemic.**

2. **The revised Strategic Internal Audit plan 2020/21-2022/23.**

3. **The revised Annual Internal Audit Plan 2020/21.**

23 EGMERE PROJECT AUDIT REPORT

The Chairman informed Members that he had requested that the report be included on the agenda as it had not yet been provided in full for review by the Committee. The IAM added that both the Egmere and Splash project audits had been completed at the request of the Committee, alongside planned work to review the project management framework. It was noted that the conclusion of both audits suggested that a new project management framework was needed to improve project management at the Council.

Questions and Discussion

Cllr N Dixon stated that it was important to learn lessons from the past and ensure that they were used to develop policy in the future, as had been the case with improvements made to the corporate risk register. He added that he had previously noted the weaknesses in project planning and management, then referred to p54 of the report which included a suggestion for project boards to include officers with the requisite skills from the outset, where appropriate. In order to achieve this, Cllr N Dixon suggested that the Council should consider developing a long-term relationship with an external business consultancy that could provide independent advice on matters of project management, due diligence and project viability.

Cllr C Cushing stated that in relation to revising the project management framework, most frameworks still relied on Prince2 which specified the need for project management boards with sponsors, which could be fulfilled by the relevant Cabinet portfolio holder. It was noted that under new arrangements the project board for Splash had been disbanded, which Cllr C Cushing suggested was extremely alarming. Cllr A Fitch-Tillett noted her agreement with the points raised by Cllr Cushing, and stated that this was the approach used for coastal management projects, which always used projects boards. She added that expertise was also sought from neighbouring authorities for projects such as the Bacton Sandscaping Scheme.

The MO stated that previous projects boards had been run on a hybrid basis with no formal minutes and complex decision making processes, which had not provided adequate governance arrangements. As a result, she stated it would be her advice as Monitoring Officer not to return to the previous project board arrangements, but noted that she could be supportive if a different style of project board was sought.

In response to a request from the Chairman, the CE stated that there was some valuable lessons that could be taken from the projects being discussed, and suggested that it might be helpful to discuss proposals with Cabinet and SLT and bring it back to the Committee. He added that at other authorities across the County, business partner arrangements had caused issues. The CE noted that the Bacton Sandscaping Scheme had shown that a project board approach with increased stakeholder engagement and partnering arrangements could work, though in order to achieve this on other projects it would require careful consideration and planning.

Members discussed a potential recommendation to SLT to request that they consider developing improved project board arrangements, which could be reported back to the Committee at a later date. Cllr N Dixon stated that it was crucial to recognize that many business linked projects were often unsuccessful, and this had to be taken into account when considering new arrangements. Cllr P Grove-Jones added that businesses often sought to take advantage of local authorities, and any project board proposals had to ensure the Council was protected against this.

It was proposed by Cllr C Cushing and seconded by Cllr J Stenton that the Committee request SLT consider new project board arrangements, with the exact wording of the recommendation to be agreed subsequent to the meeting.

RESOLVED

1. **To receive and note the Egmere Project Audit Report.**

2. **To recommend to SLT/Cabinet that consideration is given to appointing project boards at the initiation of all NNDC projects, to be chaired by a sponsor who should be the Cabinet member whose portfolio is most impacted by the outcomes of the project. Other Project Board members should be key stakeholders impacted by the changes or who have specialist knowledge that will contribute to the governance of the project. For projects with significant risk exposure this should include an independent professional person providing business case and project viability advice.**

24 SHERINGHAM LEISURE CENTRE PROJECT AUDIT REPORT

The IAM introduced the report and informed Members that the action points again included improvements to the project management framework in a way that was appropriate for the Council.

Questions and Discussion

The Chairman noted that much of the discussion from the previous item was equally applicable, as was the recommendation for the consideration of improved project boards.

RESOLVED

To receive and note the Sheringham Leisure Centre Audit Report.

25 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The DS&GOS informed Members that the annual sign-off of accounts had been expected for the meeting, though due to ongoing delays with the external auditor, an update would be provided. The HFAM stated that there were capacity issues with the external auditors, and as the accounts had still not been signed off, there was a requirement for an ongoing concern note to state that the Council was able to continue operating for the next financial year. He added that due to current circumstances, the impact of Covid-19 now had to be considered as part of the sign-off, and evidence had been supplied to the auditors for this. It was expected that the accounts sign-off would take place at the September meeting.

Cllr N Dixon stated that the delays had begun to raise questions about the value of the external audit service. He questioned whether the external auditors needed to be asked to explain the delays. Cllr H Blathwayt noted that this was not a problem exclusive to NNDC, as many other local authorities had suffered similar delays caused by EY.

26 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The DS&GOS informed Members that the Annual Governance Statement and Local Code of Corporate Governance had been expected at the meeting, however these reports would now come to the September meeting subject the approval of the Leader and Chief Executive. The CE stated that he would aim to bring an item on project board proposals to the September meeting.

27 EXCLUSION OF THE PRESS AND PUBLIC

It was proposed by Cllr J Toye and seconded by Cllr J Stenton 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.

REOLVED

To exclude the press and the public.

28 MANAGEMENT RESPONSE TO INTERNAL INVESTIGATION - DIGITAL MAIL ROOM

The HIT introduced the report and informed Members of the circumstances that led to the investigation. It was noted that all recommendations made by the Internal Audit Team had been accepted and implemented. It was suggested that a move to more digital transactions would further reduce any associated risks.

Questions and Discussion

Cllr J Toye asked if a budget had been established for more regular collections, to which the HIT replied that he did not have this information to hand, though collections had been increased at no significant additional cost.

Cllr J Stenton suggested that the Council should consider moving to digital payments only.

The Chairman asked if there was any identifiable costs associated with the investigation, to which the HIT replied that it was mainly the associated staff costs.

The IAM added that she would share further details after to the meeting.

RESOLVED

To receive and note the report.

The meeting ended at 3.35 pm.

Chairman

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Progress Report on Internal Audit Activity: 4 June 2020 to 18 September 2020

Summary:	This report examines the progress made between 4 June 2020 to 18 September 2020 in relation to delivery of the Annual Internal Audit Plan for 2020/21.
Conclusions:	Progress in relation to delivery of the internal audit plan is line with expectations.
Recommendations:	It is recommended that the Committee notes the outcomes of the assurance audit completed between 4 June 2020 and 18 September 2020.

Cabinet member(s): All	Ward(s) affected: All
Contact Officer, telephone number, and e-mail:	Fiona Dodimead fiona.dodimead@tiaa.co.uk
Appendices attached to this report: Progress Report on Internal Audit Activity	

1. Background

1.1. This report reflects progress made regarding assignments featuring in the revised Annual Internal Audit Plan for 2020/21 which was approved by the Audit Committee on 4 August 2020.

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.

4. Recommendation

4.1 It is recommended that the Committee note the outcomes of the assurance audit completed between 4 June 2020 and 18 September 2020.

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Eastern Internal Audit Services

North Norfolk District Council

Progress Report on Internal Audit Activity

Period Covered: 4 June 2020 to 18 September 2020

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

CONTENTS

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 4 August 2020 the revised Internal Audit Plan 2020/21 for the year was approved due to unprecedented circumstances surrounding the Coronavirus Pandemic. Since the last Committee meeting there has been no further changes made to the revised 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 2 days of programmed work has been completed, equating to 2% of the revised Internal Audit Plan for 2020/21.

3.3 The Executive Summary of all reports finalised in this period can be found at **Appendix 2.**

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 0 Internal Audit reports have been finalised as details by the table below;

Audit	Assurance	P1	P2	P3

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

4.5 As can be seen in the table above as a result of these audits 0 recommendations have been raised and agreed by management.

4.6 A total of 0 operational effectiveness matters have been raised for management consideration.

5. PERFORMANCE MEASURES

5.1 The Internal Audit Services contract includes a suite of key performance measures against which TIAA is 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 TIAA and agreed with the Internal Audit Manager to ensure that appropriate action is taken.

5.3 Quarter two of the 2020/21 Internal Audit plan has now been completed and a report on the performance measures provided to the Head of Internal Audit, performance is currently at green status with targets having been satisfactorily met.

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											
Assurance Mapping	NN2101	8	8	2	In progress						
TOTAL		**8**	**8**	**2**							
Quarter 3											
Corporate Governance	NN2102	4	4	0	Scheduled						
Accounts Payable	NN2103	12	12	0	Scheduled						
Council Tax and NNDR	NN2104	15	15	0	Scheduled						
Local Council Tax Support and Housing Benefit	NN2105	15	15	0	Scheduled						
Payroll and HR	NN2106	15	15	0	Scheduled						
Procurement Contract Management	NN2107	10	10	0	Scheduled						
TOTAL		**71**	**71**	**0**							
Quarter 4											
Key Controls and Assurance	NN2108	10	10	0							
Coronavirus Response and Recovery	NN2109	15	15	0							
Private Sector Housing DFG	NN2110	10	10	0							
TOTAL		**35**	**35**	**0**							
IT Audits											
Remote Access	NN2111	10	10	0							
TOTAL		**10**	**10**	**0**							
Follow Up											

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Follow Up	NA	5	5	0							
TOTAL		**5**	**5**	**0**							
TOTAL		**129**	**129**	**2**			0	0	0	0	
Percentage of plan completed				**2%**							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2019/20

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. For this year both of these documents have been considered in light of the ongoing Covid-19 pandemic.
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

Contact Officer, telephone number and email:
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

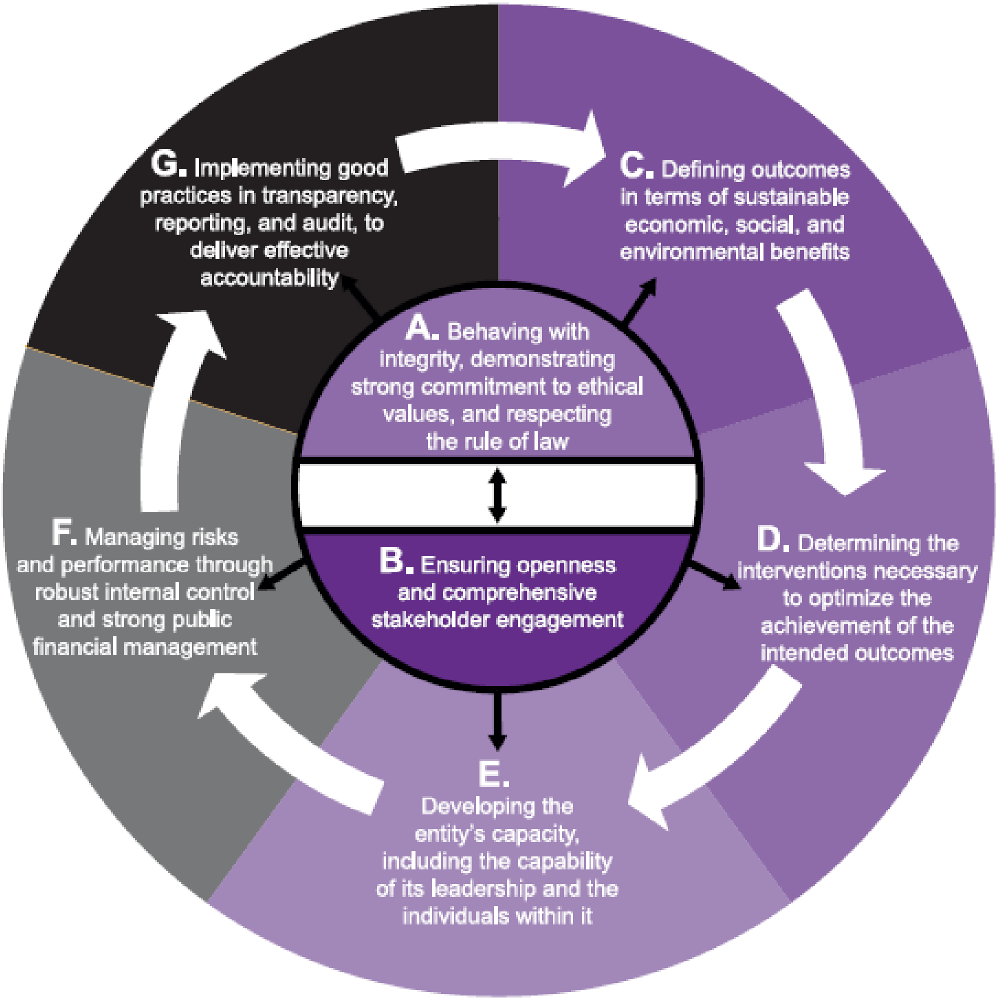
2.1 The Local Code of Corporate Governance (the Local Code) is a public statement of how the Council seeks to achieve good corporate governance. It is best practice for each authority to adopt a Local Code of Corporate Governance which demonstrates how the Council will achieve good governance.

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 2019/20 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 2019/20 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, the Council's Strategic Leadership 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 This year both the Local Code and the AGS have been considered in light on the ongoing Covid-19 pandemic. In line with CIPFA best practice the review process this year has been expanded to include asking managers to consider and comment on any significant issues which have been caused by the COVID-19 pandemic or of the impact has identified any areas of weakness in governance.

3.5 There has been a significant increase in Delegated Decisions as a result of the crisis, particularly though the Gold reporting group as would be expected during a crisis situation, however there is a standing report on the Cabinet agenda to report on these instances. It will be important to move this decision making back to the traditional channels as part of the recovery process as soon as feasible to regularise the processes again. A COVID specific risk register has been developed and shared with Members and SLT and it is also included on the Corporate Risk Register.

3.6 The AGS is signed by the Leader of the Council and the Chief Executive. 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.

4.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) have developed a new Code of Practice for local authorities focussing on embedding good practice in Financial Management. This new document is a principles based Code which is designed to help Councils show they are financially sustainable. Early adoption of the Code is encouraged, but all Councils will be expected to be able to demonstrate they are working towards full implementation of the Code by the start of the 2021/22 financial year. This means that detailed plans for implementation must be in place by 31st March 2021, with implementation occurring before 31st March 2022 and the completion of an implementation plan is included within the recommendations of the AGS.

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.

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1. SCOPE OF RESPONSIBILITY

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

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

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

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

3. THE GOVERNANCE FRAMEWORK – THE SEVEN CORE PRINCIPLES

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

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

B – Ensuring openness and comprehensive stakeholder engagement;

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

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

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

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

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

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

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

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

4. REVIEW OF EFFECTIVENESS

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

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

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

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

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

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

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

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

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

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

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

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

- Coastal Management
- Accountancy Services

- Leisure
- Key Controls Assurance

4.2.11. Internal Audit also carry out regular reviews of the status of implementation of Internal Audit recommendations. There has been a slight increase in the number of recommendations (44) raised as the result of audit reviews compared to the previous year (40). At 31 March 2020 a total of 12 recommendations were overdue compared with only 1 as at March 2019. In relation to prior year recommendations 7 remain outstanding from 2018/19, 6 from 2017/18 and 1 dating back to 2010/11 in relation to Section 106 agreements.

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

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

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

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

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

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

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

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

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

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

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

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

4.3.6. Reviewing the updated Local Code of Corporate Governance.

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

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

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

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

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

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

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

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

5. GOVERNANCE ISSUES

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

Action	Officer(s)	Target Date

All service plans need to be re-aligned to the new Corporate Plan and Delivery Plan for 2020/21 to ensure corporate objectives are met and delivered. The service planning timetable needs to be updated and communicated to the wider organisation to ensure updates are completed in a timely manner and can feed into the budget setting cycle	SLT/Operational Management Team (OMT)	31 October 2020
All performance targets need to be re-aligned where appropriate to the new Corporate Plan and Delivery Plan for 2020/21 to ensure corporate objectives are met and delivered. This should include consideration of any impacts of the COVID-19 pandemic and be recorded and monitored through the new InPhase system	SLT/Operational Management Team (OMT)	31 October 2020
Update the Performance Management Framework to reflect the new performance and service planning improvements	Policy & Performance Management Officer	31 October 2020
Undertake a review of the Corporate Plan and Delivery Plan priorities and objectives in light of the COVID-19 pandemic and the changed financial context	SLT/Cabinet	31 August 2020
Review Terms of Reference and operation of Employment and Appeals Committee based on learning and experience during 2019	Head of Human Resources	31 December 2020
The appraisal process should be reviewed to ensure that it remains fit for purpose for the organisation. This should be supported by an updated People Strategy	Head of Human Resources	31 August 2020
Review and update the Equality and Diversity Policy	To be confirmed	31 December 2020

Update corporate policies where required to reflect new management structure	Policy & Performance Management Officer	31 March 2021
Implementation of Internal Audit Recommendations	SLT	31 March 2021
Review and implement the requirements from the new CIPFA code of Financial Management	Head of Finance and Assets	31 March 2022 (required completion date for implementation)
Undertake team based training for SLT to develop the capabilities of the team and to enable us to respond successfully to changing legal and policy demands as well as economic, political and environmental changes	SLT/HR Manager	31 December 2020
Implement actions and recommendations from the various audit position statements undertaken during 2019/20 in respect of project management	SLT	31 December 2020
Review the Member Officer Protocol	Head of Legal	31 December 2020
Engage with Members on the new Member Code of Conduct currently being consulted upon	Head of Legal	31 December 2020
Update the current IT Strategy and combine with the Digital Strategy	Head of Business Transformation and IT	31 March 2021

6. CERTIFICATION

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

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Leader of the Council:

Cllr Sarah Bütikofer

Chief Executive

Mr Steve Blatch

North Norfolk District Council
Local Code of Corporate Governance 2019/20

North Norfolk District Council works to improve the lives of its residents while retaining and improving the quality of life. prosperity and the environment 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 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 recognised 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 Constitution Performance Management Framework Statutory provisions Partnership Framework and Principles Guidance Staff/Member Bulletin	Corporate Plan Delivery 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 (Silver) 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 Capability Review	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

						Service Risk Register	

Principles of Good Governance	Behaviours and actions that can demonstrate this	How we put this in practice	Source Documents
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law 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.	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	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.	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.
	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)	The Corporate Plan sets out our clear vision for the District, and our ambition. This is further supported by our Delivery Plan which is monitored through the Council's Performance Management Framework.	Corporate Plan, Delivery 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.

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	Leading by example and using these standard operating principles or values as a framework for decision making and other actions	The values of the organisation 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.	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.
	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	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 polices as part of the induction process and to sign to confirm this has been completed.	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.

	Seeking to establish, monitor and maintain the organisation's ethical standards and performance	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 Silver status, demonstrating its commitment to monitoring our organisation's 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. On-going monitoring of the application and effectiveness of the local standard regime is undertaken.	Staff and Member Briefings, Corporate Plan, Internal & External Audit Reports, Monitoring Officer's Annual Report.
	Underpinning personal behaviours with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	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	Internal Audit Reports, Competency framework, Appraisal system, Constitution, Staff & Member training and development.

	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 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.

	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	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.	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, Committee Terms of Reference.
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	There are clear, defined decision making processes within the Council to ensure that all appropriate options are considered prior to any decisions being made.	Monitoring Officer Provisions / Protocol, Report Template, Standing Orders, Complaints and Compliments Procedures, Investigations, Records of Delegated Authority decisions, Planning protocol.
	Dealing with breaches of legal and regulatory provisions effectively	The Monitoring Officer and Section 151 Officer are informed of all key decisions to be made and any such occurrences are reported as required.	Monitoring Officer Provisions / Protocol, Records of Delegated Authority decisions, Constitution, Standing Orders.
	Ensuring corruption and misuse of power are dealt with effectively	The Council has a well-established Counter Fraud, Corruption and Bribery Strategy, access to which is available on the intranet.	Counter Fraud, Corruption and Bribery Strategy, Whistleblowing Policy, Constitution.

Ensuring openness and comprehensive stakeholder engagement 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.	Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	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 Delivery Plan.	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.
	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	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.	Meeting minutes, Communications Strategy, Statutory Provisions, Council's Website, Forums and Partnerships, Direct communication with Parish & Town Councils (121 newsletter)
	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	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.	Committee timetable, Council's Website, Constitution, Report template, Meeting minutes, Input from Monitoring Officer/S151 Officer.

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	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	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.	Planning protocols, Communication Strategy, Legal requirements, Consultation workshops, Direct communication with Parish & Town Councils (121 newsletter), Local Development Framework.
	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	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.	Communications Strategy, Consultation workshops, Local Development Framework consultation, Council's website.
	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	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.	Partnership Framework and Principles Guidance.
	Ensuring that partnerships are based on: • trust • a shared commitment to change • a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	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 of partnerships.	Partnership Framework and Principles Guidance, Service Plans Self-Assessment Assurance Statements.

	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.	The Council has a clear Communications Strategy that details how we will engage, consult and listen to our community and stakeholders.	Communications Strategy, Website - consultations page.
	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	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.	Communications Strategy, Members Bulletin, Staff Bulletin, One to One newsletter, Website, Head of Paid Service briefings Intranet.
	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	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.	Communications Strategy, Planning Local Plan Review process/protocols, Consultation workshops (Cromer Sports Hub/Deep History Coast/Splash), Website consultations page.

	Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	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. The outcome from consultation activities are published on the Council website.	Communications Strategy, Customer Complaints, Compliments & Contacts Policy, Customer Service Strategy, Website consultations pages.
	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	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.	Communications Strategy, Diversity & Equality Policy, Equality Impact Assessments (EQIA's).
	Taking account of the interests of future generations of tax payers and service users	This is considered on a case by case basis and balancing the various needs within the Council.	Committee reports, Budget setting process, Equality Impact Assessments (EQIA's).

Defining outcomes in terms of sustainable economic, social, and environmental benefits 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.	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	The Council's Corporate Plan clearly identifies the organisation's vision and purpose. This is supplemented by the Delivery Plan which identifies specific 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.	Corporate Plan, Delivery Plan, Service Plans, Performance and Risk system, Appraisal framework.
	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	The Corporate Plan, emerging Delivery Plan and subsequent Service Plans will 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.	Corporate Plan, Delivery Plan, Service Plans, Performance and Risk system.
	Delivering defined outcomes on a sustainable basis within the resources that will be available	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 Delivery Plan to demonstrate how the Council is delivering against its objectives.	Corporate Plan, Delivery Plan, Service Plans, Performance and Risk system, Budget monitoring protocols and reports, Committee reports, Medium Term Financial Strategy.

	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 Governance, Risk and Audit Committee and the Strategic Leadership Team (SLT) 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, , SLT reports and minutes, Committee reports, Performance and Risk system, Risk registers for major projects such as the re-provision of the Splash leisure complex
	Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available	The Delivery 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, Delivery 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.
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	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.	Corporate Plan, Medium Term Financial Strategy, Budget setting process, Annual Outturn report, Committee reports.
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	Decisions made have to necessarily balance the public interest and achievement of outcomes, as can be evidenced through various committee reports.	Corporate Plan, Communications Strategy, Committee reports and minutes, Annual Governance Statement.

	Ensuring fair access to services	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.	Diversity and Equality Policy, Equality Impact Assessments (EQIA's), Statutory guidance, Customer Strategy.
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.	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	This can be evidenced through papers presented to Cabinet and to the Council's Overview & 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.	Committee reports and minutes, report template.
	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	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.	Communications Strategy, Medium Term Financial Strategy, Local Plan protocols, Delivery Plan.

	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	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.	Committee timetables and work plans, Committee reports, Budget setting framework, Corporate Plan process.
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	This is a necessary part of our planning, and can be evidenced through the ongoing work on the development of the new Local Plan.	Communications Strategy, Local Plan protocols.
	Considering and monitoring risks facing each partner when working collaboratively including shared risks	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.	Partnership Framework and Principles Guidance, Risk Management Framework.

	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	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.	Partnership Framework and Principles Guidance, Performance and Risk system, contract key performance indicators (KPIs).
	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	This is firmly embedded into the Delivery 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.	Delivery Plan, Service Plans, Annual Report, Quarterly and monthly performance reports.
	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, Delivery 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, Delivery Plan, Service Plans, Quarterly and monthly reports. Continuous reporting to the public on the Council website.
	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 Delivery Plan into Service Plans. Managers develop their budgets and resource requirements with the finance team to ensure these objectives are deliverable.	Corporate Plan, Delivery 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, Delivery 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.
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	As above, the budget and Service Planning process comprehensively links service demands and activities to the projected cost of service delivery.	Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.
	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	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.	Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.
	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"	The Council has committed, through its Procurement Strategy, to supporting social value. The completed procurement for the waste contract helps to demonstrate this with some of the scoring being allocated to Social Value.	Procurement Strategy, Leisure tender documents, Diversity and Equality Policy.

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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 and use of assets on a regular basis to ensure their continuing effectiveness	There are currently two Business Process Reviews (BPR) 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 financial sustainability and growth agenda which is a key theme within the Council's corporate plan.	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, Corporate Plan, Capability Review.

	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	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.	Peer reviews, Digital Transformation initiative, Business Planning Reviews.
	Recognising the benefits of partnerships and collaborative working where added value can be achieved	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.	Partnership Framework and Principles Guidance, Service Plans, Budget protocols.
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	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 polices 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.	Appraisal and Development scheme, IIP Silver award, Agile Working Policy, Employee Code of Conduct.

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	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	In May 2019 a new Council was elected with one party achieving a majority. The Council undertook a Capability Review with the aim of ensuring the Council and its management had the resources and capabilities to deliver on the new administrations agenda. The action plan that resulted from this review is currently in the process of being implemented. The Corporate Plan 2019 – 2023 has been agreed and adopted and the Delivery Plan has started to be implemented. The Chief Executive has 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	Job descriptions, Member and Officer protocols, Working Arrangements Protocol, Member training, LGA support, Capability Review actions plans on InPhase, Corporate Plan, Delivery Plan.

	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	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.	Constitution, Constitution Working Party.
	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	As outlined above, the relationship between the Chief Executive and Leader are clear as regards their respective roles and responsibilities are clearly defined.	Job descriptions, Member and Officer Protocols, Working Arrangements Protocol.

	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: 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 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 ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external	The Council has been well recognised for developing the leadership of staff at all levels in the organisation. The Council currently holds IIP 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. 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.	Appraisal framework, Corporate Training programme, Service specific training requirements, Training update courses/briefings, IIP Silver, Staff/Member induction protocols. Briefings for Members
	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, Website consultations pages. E democracy channels

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	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, Capability Review.
	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 agendas and minutes, Staff Focus Group, Various Organisational Development policies and strategies, Intranet.

Managing risks and performance through robust internal control and strong public financial management 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.	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	The Council has an agreed Risk Management Framework and risk is managed by SLT 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. Specific risk training has been undertaken with Members including establishing the Council's risk appetite.	GRAC reports/minutes, Committee report template, Health and Safety Policy, Risk assessments, Business Continuity Framework, Business Continuity Plans, SLT reports/ minutes Performance and Risk system.

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.	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	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 Governance, Risk and Audit Committee (GRAC), 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.	GRAC reports/minutes, Health and Safety Policy, Risk assessments, Business Continuity Framework, Business Continuity Plans, SLT reports/ minutes Corporate Risk Register, Performance and Risk system, Risk registers for major projects (waste procurement/leisure procurement/Splash/Cromer Hub).
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.	Ensuring that responsibilities for managing individual risks are clearly allocated	Each risk within the Corporate Risk Register has been formally allocated to individual responsible owners. Service risks are owned by the relevant service manager.	Corporate Risk Register, Performance and Risk system, Risk registers for major projects (waste procurement/leisure procurement/Splash/Cromer Hub).

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	Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	The Delivery 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 SLT, 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.	Delivery Plan, Annual Report, Service Plans, Performance Framework, Project Management Framework, Project Initiation Documents (PIDs), Project review documents, Performance and Risk System.

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	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	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.	SLT, GRAC reports/minutes, Committee report template, Budget planning process.
	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	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.	Overview and Scrutiny Committee reports and minutes, Overview and Scrutiny Committee terms of reference, Member training.
	Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	Quarterly reports are presented to Cabinet containing updates on finance, performance and risks for the Council's agreed plans.	Cabinet reports and minutes, Committee timetable.
	Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)	The quarterly budget 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.	Budget reports, Outturn report, Financial Statements, Financial Standing Orders.

	Aligning the risk management strategy and policies on internal control with achieving the objectives	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.	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.
	Evaluating and monitoring the authority's risk management and internal control on a regular basis	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.	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.
	Ensuring effective counter fraud and anti-corruption arrangements are in place	The Council takes part in national initiatives to reduce the potential for fraud and to identify fraud that may have occurred.	Counter Fraud, Corruption and Bribery Strategy, National Fraud Initiatives.

	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	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.	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.
	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	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.	GRAC terms of reference, GRAC reports and minutes, Member training, GRAC self-assessment.
	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	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 Head of Legal Services 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.	Data Protection Policy, Data Quality Policy, IT Security Policy, PSN compliance, SIRO role description Information Risk Policy, Internal audit.

	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.
Implementing good practices in transparency, reporting, and audit to deliver effective accountability 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.	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 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	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.	Council website, Annual Report, Monthly and quarterly performance reports, Committee template, Committee reports.

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	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 Governance Statement, Monthly and Quarterly Performance Reports, Continuous performance reporting to the public through the Council's website.
	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 Delivery Plan and Service Plans have an identified lead officer.	Performance reports/framework, Quarterly performance 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 SLT 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, SLT reports/ 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, Coastal Partnership East 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. Capability Review.

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	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	The Annual Governance Statement includes a section on the "Review of Effectiveness" which includes consideration of governance arrangements for service delivery through third parties.	Annual Governance Statement, NNDC Self-assessment Assurance Statement.
	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	Partnerships are subject to relevant agreements to ensure the nature of the partnership and reporting frameworks / objectives are clear.	Communication Strategy, Partnership Framework and Principles Guidance, Terms of Reference, Service Level Agreements (SLA's).

Statement of Accounts

2018/2019

NORTH NORFOLK DISTRICT COUNCIL

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 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 99)** – 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 10-97)** – The accounts are supported by various notes to the main statements which provide additional information to that contained in the core statements themselves.

3. Organisational overview and external environment

Our district

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

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

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.

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 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

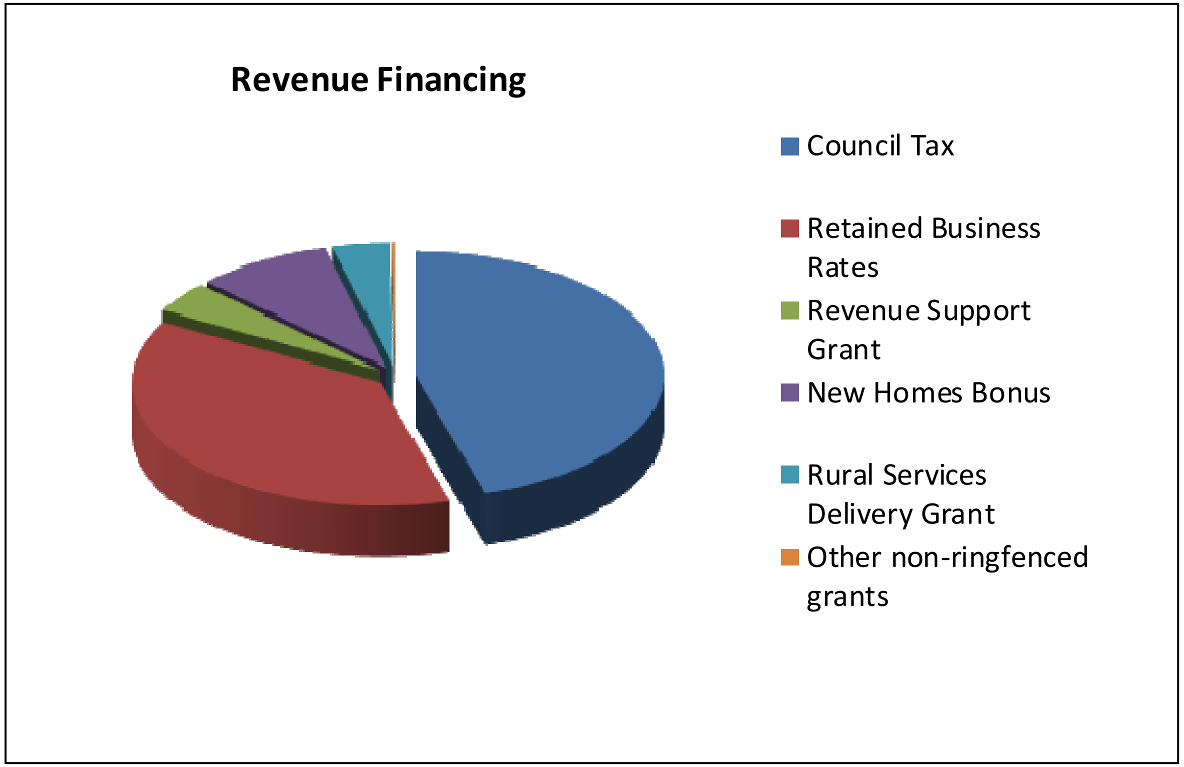
[1] As reported in the 2019/20 Budget Report, February 2019

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	(5,896)	44.3%
Retained Business Rates	(5,211)	39.2%
Revenue Support Grant	(536)	4.0%
New Homes Bonus	(1,150)	8.6%
Rural Services Delivery Grant	(484)	3.6%
Other non-ringfenced grants	(29)	0.2%
	(13,305)	

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 £875k.

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	13,084	1,601	13.9
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	2,741	1,397	103.9
Income	(36,659)	(37,513)	(854)	2.3
Total cost of services	**14,984**	**16,530**	**1,545**	**10.3**

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:

- **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

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 £614k. This sum includes increased amounts receivable in respect of reliefs funded by central government using Section 31 grants of £719k; an increased levy payable to Norfolk County Council of (£405k); 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 £405k to £981k 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 £719k in grant received.

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.

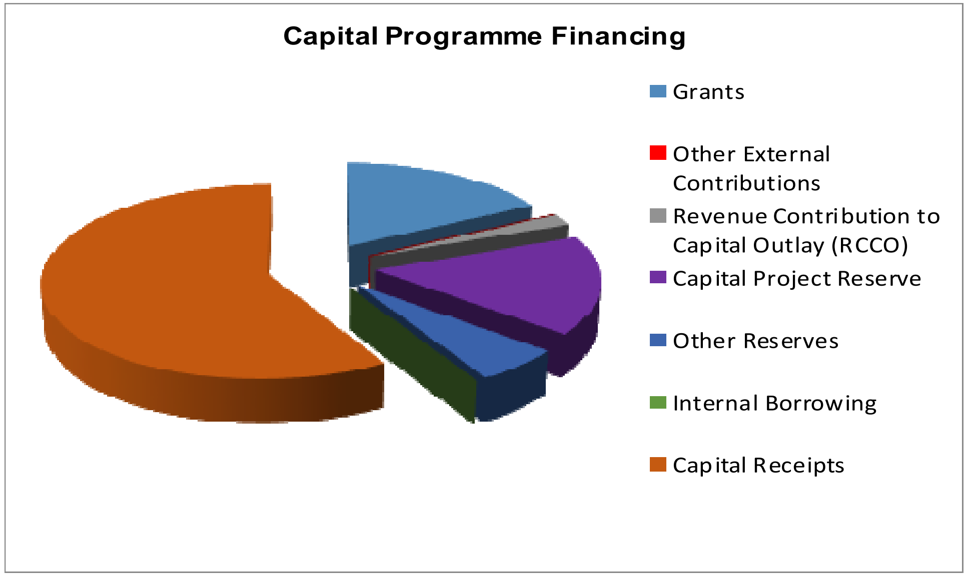
9.3 The Authority remained free of long term debt as at 31 March 2019. At present any short-term cash shortfall can easily be covered as short-term borrowing for cash flow purposes is readily available on the money markets, plus borrowing from other Local Authorities and the Public Works Loan Board.

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.

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%**

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 £2.36m. 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 £20.8m. 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;

- **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 £50.6m 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.

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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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 29th September 2020.

Signed on Behalf of North Norfolk District Council

The Chief Finance Officers Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Certificate by the Chief Finance Officer

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

Dated: 29th September 2020 — D. Ellis — Duncan Ellis BSc Hons CPFA, Head of Finance and Assets

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. The 2017/18 figures have been restated to reflect a change in the management reporting structure. Revenue Services now comes under Finance and Assets and not Customer Services and ICT.

2017/18 - Restated				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**	1,390	4,350
3,303	277	3,580	Environmental Health	**3,215**	335	3,550
2,777	(101)	2,676	Finance & Assets	**3,897**	(128)	3,769
1,758	178	1,936	Planning	**2,069**	249	2,318
12,075	**2,167**	**14,242**	**Cost of Services**	**14,000**	**2,474**	**16,474**
2,079	(1,884)	195	Other Operating Expenditure	**2,211**	(972)	1,239
(505)	1,104	599	Financing and Investment Income and Expenditure	**(1,266)**	1,122	(144)
(15,228)	(583)	(15,811)	Taxation and Non-Specific Grant Income	**(15,111)**	(663)	(15,774)
(13,654)	**(1,363)**	**(15,017)**	**Other Income & Expenditure**	**(14,166)**	**(513)**	**(14,679)**
(1,579)	**804**	**(775)**	**(Surplus) or Deficit on Provision of Services**	**(166)**	**1,961**	**1,795**
21,472			**Opening General Fund Balances**	**23,051**		
1,579			**Add surplus on GF in year**	**166**		
23,051			**Closing General Fund Balances at 31 March 2019**	**23,217**		

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.

2017/18 - Restated					2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	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		8,839	(4,489)	**4,350**
7,067	(3,487)	**3,580**	Environmental Health		7,347	(3,797)	**3,550**
30,069	(26,778)	**3,291**	Finance & Assets		29,522	(25,753)	**3,769**
3,573	(1,637)	**1,936**	Planning		3,981	(1,663)	**2,318**
51,800	**(37,558)**	**14,242**	**Cost of Services**		**53,320**	**(36,846)**	**16,474**
		195	Other Operating Expenditure	10			1,239
1,539	(940)	599	Financing and Investment Income and Expenditure	11	1,152	(1,296)	(144)
		(15,811)	Taxation and Non-Specific Grant Income	12			(15,774)
		(775)	**(Surplus) or Deficit on Provision of Services**	7			**1,795**
		(479)	(Surplus) or Deficit on revaluation of Plant, Property and Equipment Assets	14a			(66)
		217	(Surplus) or Deficit on revaluation of Available for Sale Financial Assets	14 b,c,d			(255)
		(3,089)	Actuarial (gains)/losses on pension assets/liabilities	14f			7,279
		(3,351)	**Other Comprehensive Income and Expenditure**				**6,958**
		(4,126)	**Total Comprehensive Income and Expenditure**				**8,753**

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Movement in Reserves Statement (MIRS)

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves', (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority. The total Authority reserves at 31 March 2019 as shown in the MIRS agrees to the Balance Sheet value of £ 38.193 million.

2017/18 Figures	Note	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 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		(1,795)	0	0	0	(1,795)	(6,958)	(8,753)
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	1,961	0	(2,319)	0	(358)	358	0
Transfers (to)/from Earmarked Reserves	9	(2)	2	0	0	0	0	0
Increase or (decrease) in 2018/19		164	2	(2,319)	0	(2,153)	(6,600)	(8,753)
Balance at 31 March 2019 Carried Forward		**2,361**	**20,856**	**6,692**	**0**	**29,909**	**8,285**	**38,193**

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'.

31 March 2018 £000		Note	31 March 2019 £000
53,013	Property, Plant and Equipment	30	55,145
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**		**92,972**
2,527	Short Term Investments	39	4,498
13	Inventories		20
3,496	Short Term Debtors	33	4,545
3,580	Cash and Cash Equivalents	18	3,287
894	Assets held for sale	32	719
10,510	**Current Assets**		**13,069**
0	Bank Overdraft	18	0
0	Short Term Borrowing	39	(3,001)
(7,999)	Short Term Creditors	34	(11,707)
(473)	Capital Grants Receipts in Advance	38	(784)
(1,097)	Short Term Provisions	35	(1,710)
(9,570)	**Current Liabilities**		**(17,203)**
(40,936)	Other Long Term Liabilities	24	(50,644)
(40,936)	**Long term Liabilities**		**(50,644)**
46,946	**Net Assets**		**38,193**

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31 March 2018 £000		Note	31 March 2019 £000
	Usable Reserves:		
2,196	General Fund Balance		2,361
20,855	Earmarked Reserves	9	20,856
9,011	Capital Receipts Reserve		6,692
32,062	**Total Usable Reserves**		**29,909**
	Unusable Reserves:	14	
17,743	Revaluation Reserve	14(a)	17,651
1,116	Available for Sale Financial Instruments Reserve	14(b)	0
0	Financial Instruments Revaluation Reserve	14(c)	0
0	Pooled Fund Adjustment Account	14(d)	1,371
36,979	Capital Adjustment Account	14(e)	39,559
(40,936)	Pensions Reserve	14(f)	(50,644)
212	Collection Fund Adjustment Account	14(g)	617
(230)	Accumulated Compensated Absences Adjustment Account	14(h)	(270)
14,884	**Total Unusable Reserves**		**8,285**
46,946	**Total Reserves**		**38,193**

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 97 form part of the financial statements

Dated: 29th September 2020

Duncan Ellis BSc Hons CPFA, Head of Finance and Assets

Cash Flow Statement

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

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

31 March 2018 £000		Note	31 March 2019 £000
775	Net Surplus on the provision of services	7	(1,795)
(22)	Adjust Net Surplus/(Deficit) on the provision of services for non cash movements	15	6,351
(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**		**885**
(2,878)	Investing Activities	16	(6,407)
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

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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.

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 chnages 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

<u>Benefits Payable during Employment</u>

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

Termination Benefits

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

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

Post-employment Benefits

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

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

- The liabilities of the Norfolk Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (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:-

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

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

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

Discretionary Benefits

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

G Events after the Balance Sheet Date

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

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

H Exceptional Items

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

Financial Instruments

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

I Financial Liabilities

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

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

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

J Financial Assets

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

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

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

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

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

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

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

K Government Grants and Contributions

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

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

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

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

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

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

L Intangible Assets

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

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

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

M Inventories and Work in Progress

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

N Investment Properties

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

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

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

O Leases

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

<u>The Authority as Lessor</u>

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

P Overheads and Support Services

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

Q Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

<u>Impairment</u>

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.

<u>Disposals</u>

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

Assets Held for Sale are:

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

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

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

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

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

Componentisation

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

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

The Authority recognises the following levels of components:

- Substructure
- Superstructure
- Internal services
- External works

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

R Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

S Reserves

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

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

T Revenue Expenditure Funded from Capital under Statute

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

U VAT

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

V Council Tax and Non-domestic Rate Income

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

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

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

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

W Fair Value measurement

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

The Code of Practice on Local Authority Accounting in the UK 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.

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

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

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

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

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are employed by the pension schemes administrators to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured, for example a 0.5% decrease in the real discount rate assumption would result in an increase of 10% in the pension liability which is approximately £12.46m. (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.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance and Assets on 29 September 2020. 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.

Corona Virus

On 23rd March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were ‘furloughed’ on 80% of their existing salary paid by central government.

The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. As the condition did not exist at the 31 March 2019, this is therefore a non-adjusting event for which a limited estimate of its financial effect on the reporting entity can be made as at 31 March 2019, particularly with regards to financial impact for 2019/20 and future years and asset impairments, provision for impairment on receivables and pension valuations as at the balance sheet date.

6. Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting Basis 2018-19			
	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	1,231	146	13	1,390
Environmental Health	189	148	(2)	335
Finance & Assets	(564)	412	24	(128)
Planning	53	186	10	249
Net cost of services	**1,126**	**1,308**	**40**	**2,474**
Other Operating Expenditure	(972)	0	0	(972)
Financing and Investment Income and Expenditure	0	1,122	0	1,122
Taxation and Non-Specific Grant Income	(258)	0	(405)	(663)
Other Income & Expenditure from the Expenditure and Funding Analysis	**(1,230)**	**1,122**	**(405)**	**(513)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(104)**	**2,430**	**(365)**	**1,961**

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**

1) Adjustments for Capital Purposes

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

2) Net Change in Pensions Adjustments

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

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

3) Other Differences

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

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

7. Expenditure and Income Analysed by Nature

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The Authority's expenditure and income is analysed as follows:			
	2017/18		**2018/19**
Expenditure/ Income	**£000**		**£000**
Expenditure			
Employee Benefits expenses	12,903		14,246
Other Services Expenses	37,159		36,856
Support Service Recharges	11,310		11,941
Depreciation, amortisation, impairment, DRF	4,049		4,278
Interest payments	53		35
Precepts and Levies	2,080		2,210
Gain on the disposal of assets	(1,885)		(972)
Total Expenditure	**65,669**		**68,594**
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		13,318
Government Grants and Contributions	30,628		27,331
Total Income	**66,444**		**66,799**
Surplus or Deficit on the Provision of Services	**(775)**		**1,795**

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.

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

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

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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				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
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

2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve				
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	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**

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

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

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

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

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

	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**

The purpose of each earmarked reserves is explained below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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10. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2017/18 £000		2018/19 £000
2,080	Parish Council Precepts	2,211
(1,885)	(Gains) on the disposal of non-current assets	(972)
195	**Total**	**1,239**

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

2017/18 £000		2018/19 £000
44	Interest payable and similar charges	23
1,104	Pensions interest cost and expected return on pensions assets	1,122
(931)	Interest receivable and similar income	(1,285)
382	Changes in the fair value of investment property	(4)
599	**Total**	**(144)**

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

2017/18 £000		2018/19 £000
(7,669)	Council Tax Income	(8,107)
(4,718)	Non Domestic Rates	(5,211)
(936)	Revenue Support Grant	(536)
(2,083)	Other Non ringfenced government grants	(1,662)
(405)	Capital grants and contributions	(258)
(15,811)	**Total**	**(15,774)**

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 £000		2018/19 £000
17,743	Revaluation Reserve	17,651
1,116	Available for Sale Reserve	0
0	Financial Instruments Revaluation Reserve	0
0	Pooled Fund Adjustment Account	1,371
36,979	Capital Adjustment Account	39,559
(40,936)	Pensions Reserve	(50,644)
212	Collection Fund Adjustment Account	617
(230)	Accumulated Compensated Absences Adjustment Account	(270)
14,884	**Total Unusable Reserves**	**8,285**

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.

2017/18 £000		2018/19 £000
17,612	**Balance at 1 April**	**17,743**
1,035	Upward revaluation of assets	1,016
(556)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(950)
(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**	**17,651**

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**

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 £000		2018/19 £000
0	**Balance at 31 March**	**0**
0	Transition to IFRS9 - re-classification FVOCI	0
0	**Balance at 1 April**	**0**
0	(Downward)/ Upward revaluation of investments not charged to the surplus/deficit on the provision of services.	0
0	**Balance at 31 March**	**0**

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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

2017/18 £000		2018/19 £000
0	Balance at 31 March	0
0	Transition to IFRS9 - reclassified FVPL	1,113
0	**Balance at 1 April**	**1,113**
0	(Downward)/Upward revaluation of investments not charged to the surplus/deficit on the provision of services.	258
0	**Balance 31 March**	**1,371**

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.

2017/18 £000		2018/19 £000
37,219	**Balance at 1 April**	**36,979**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,921)	Charges for Depreciation and impairment on non-current assets	(2,127)
(371)	Revaluation losses on Property, Plant and Equipment	(470)
(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)
34,028		33,765
151	Adjusting amounts written out of the revaluation reserve	158
34,179	Net written out amount of the cost of non current assets consumed in the year	33,923
	Capital Financing applied in the year:	
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
37,361		39,555
(382)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	4
36,979	**Balance at 31 March**	**39,559**

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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.

2017/18 £000		**2018/19 £000**
(42,068)	**Balance at 1 April**	**(40,936)**
3,089	Actuarial gains/(losses) on pensions assets and liabilities	(7,279)
(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	(4,687)
2,090	Employer's pension contributions and direct payments to pensioners payable in the year	2,258
(40,936)	**Balance at 31 March**	**(50,644)**

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.

2017/18 £000		2018/19 £000
33	**Balance at 1 April**	**212**
179	Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	405
212	**Balance at 31 March**	**617**

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**	**(230)**
0	Settlement or cancellation of an accrual made at the end of the preceding year	230
0	Amounts accrued at the end of the current year	(310)
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	40
(230)	**Balance at 31 March**	**(270)**

15. Cash Flow Statement – Arising from Operating Activities

The cash flows for operating activities include the following items:

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

2017/18 £000	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements	**2018/19 £000**
1,921	Depreciation	2,127
372	Impairment and downward valuations	470
42	Amortisation	76
(1,902)	Increase in Creditors	2,269
(10)	(Decrease) in Interest and Dividend Debtors	(37)
(3,647)	Increase / (Decrease) in Debtors	(1,168)
13	Increase / (Decrease) in Inventories	(7)
1,957	Movement in Pension Liability	2,429
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)		**6,351**

2017/18 £000	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	**2018/19 £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)**

16. Cash Flow Statement – Investing Activities

2017/18 £000		2018/19 £000
(2,402)	Purchase of property, plant and equipment, investment property and intangible assets	(4,362)
(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**	**(6,407)**

17. Cash Flow Statement – Financing Activities

2017/18 £000		2018/19 £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 £000		2018/19 £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**

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
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.	(61)		(57)	
	97		83	
		36		**26**
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.	(128)		(132)	
	187		134	
		59		**2**
Net (surplus) / deficit on trading operations:		**95**		**28**

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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**

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	319,009
25,721	Expenses	27,591
357,473		**346,600**

22. Officers' Remuneration

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

For the period 1st April 2018 to 31st March 2019 Job Title		Salary, Fees and Allowance £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Sub-total	Pension Contribution £	Total £
1st April 2018 to 31st March 2019								
Corporate Director and Head of Paid Service	2018/19	100,593	0	963	0	101,556	14,586	**116,142**
Corporate Director and Head of Paid Service	2018/19	100,593	0	963	0	101,556	14,586	**116,142**
Section 151 Officer	2018/19	72,963	0	963	0	73,926	10,580	**84,506**
Monitoring Officer	2018/19	72,963	0	963	0	73,926	11,738	**85,664**
1st April 2017 to 31st March 2018								
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 Number of Employees	Remuneration Band	2018/19 Number of Employees
5	£50,000 - £54,999	5
2	£55,000 - £59,999	4
0	£60,000 - £64,999	0
1	£65,000 - £69,999	1

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.

	2017/18				2018/19			
	Compulsory Redundancies	Other Departures			Compulsory Redundancies	Other Departures		
Bandings	Number of Employees	Number of Employees	Total Number of Employees	Total Amount £	Number of Employees	Number of Employees	Total Number of Employees	Total Amount £
£0 to £20,000	0	1	1	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:

Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme 2017/18 £000**	**Local Government Pension Scheme 2018/19 £000**
Cost of Services:		
Current service cost	2,943	3,062
Past Service Costs loss	0	503
Financing and Investment Income and Expenditure:		
Interest cost	2,846	2,986
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**	**4,687**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:		
Actuarial gains and (losses)	3,089	(7,279)
Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement	**(7,136)**	**2,592**
Movement in Reserves Statement:		
Reversal of net charges made to the surplus/deficit for the provision of services for post-employment benefits in accordance with the code	(4,047)	(4,687)
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contributions payable to scheme	**2,090**	**2,258**

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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).

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Assets and liabilities in relation to post-employment benefits

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

	Funded Liabilities Local Government Pension Scheme	
	2017/18 £000	2018/19 £000
Opening Balance at 1 April	109,451	110,282
Current service cost	2,943	3,062
Interest cost	2,846	2,986
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	503
Closing Balance at 31 March	**110,282**	**123,246**

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

	Local Government Pension Scheme 2017/18 £000	Local Government Pension Scheme 2018/19 £000
Opening balance at 1 April	67,383	69,346
Expected rate of return	1,742	1,864
Actuarial gains	910	1,935
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**	**72,602**

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%	4,500.3	0.0	4,500.3	6%
Manufacturing	3,888.6	0.0	3,888.6	6%	3,717.9	0.0	3,717.9	5%
Energy & Utilities	1,237.4	0.0	1,237.4	2%	1,625.4	0.0	1,625.4	2%
Financial Institutions	3,868.6	0.0	3,868.6	6%	3,936.4	0.0	3,936.4	5%
Health & Care	1,270.7	0.0	1,270.7	2%	1,747.2	0.0	1,747.2	2%
Information Technology	2,174.6	0.0	2,174.6	3%	3,552.8	0.0	3,552.8	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%	832.0	0.0	832.0	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	4,482.3	4,482.3	6%

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	7,186.6	7,186.6	10%
Overseas Property	0.0	997.2	997.2	1%	0.0	1,387.2	1,387.2	2%
Investment Funds & Unit Trusts:								
Equities	18,565.6	0.0	18,565.6	27%	12,492.7	0.0	12,492.7	17%
Bonds	19,188.6	0.0	19,188.6	28%	25,138.9	0.0	25,138.9	35%
Derivatives:								
Foreign Exchange	105.8	0.0	105.8	0%	(20.0)	0.0	(20.0)	0%
Other	(52.7)	0.0	(52.7)	0%	207.2	0.0	207.2	0%
Cash & Cash Equivalents								
All	0.0	2,584.1	2,584.1	4%	0.0	1,812.6	1,812.6	2%
TOTALS	**55,850**	**13,496**	**69,346**	**100%**	**57,733**	**14,869**	**72,602**	**100%**

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

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £50.6m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2021 is £2.86m.

Basis for estimating assets and liabilities

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

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

	Local Government Pension Scheme 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:		
Longevity at 65 for current pensioners:		
Men	22.1	22.1
Women	24.4	24.4
Longevity at 65 for future pensioners:		
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%

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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	2.7	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.

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

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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 £000	31 March 2019 £000
Finance Lease Liabilities (Net present value of minimum lease payments):		
- 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:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018	**31 March 2019**	**31 March 2018**	**31 March 2019**
	£000	**£000**	**£000**	**£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	**31 March 2019**
	£000	**£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**

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

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

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)
	(1,013)	**(1,417)**

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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)	**(57)**	**(76)**

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 £000	2018/19 £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.

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).

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

	2017/18			2018/19		
	Internally Generated Assets	**Other Assets**	**Total**	**Internally Generated Assets**	**Other Assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£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).

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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	38,011	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	272	0	0	0	0	0	272
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(498)	0	0	0	5	0	(493)
Derecognition - disposals	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	2	0	0	0	0	(80)	(79)
At 31 March 2019	**38,312**	**13,972**	**16,891**	**2,138**	**233**	**7,057**	**78,604**

Movement in 2018/19:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Accumulated Depreciation and Impairment:							
At 1 April 2018	1,892	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	**2,485**	**10,171**	**10,734**	**107**	**31**	**0**	**23,527**
Net Book Value							
At 31 March 2019	**35,895**	**3,802**	**6,157**	**2,031**	**202**	**7,057**	**55,145**
At 31 March 2018	**36,186**	**4,409**	**6,660**	**2,052**	**197**	**3,512**	**53,013**

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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
Cost or Valuation:							
At 1 April 2017	43,879	12,878	16,636	2,098	228	3,198	78,899
Adjustment to opening balances	(6,487)						
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	**38,011**	**13,557**	**16,891**	**2,138**	**228**	**3,512**	**74,337**

Comparative Movements in 2017/18:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Accumulated Depreciation and Impairment:							
At 1 April 2017	7,669	8,186	9,739	65	31	0	25,673
Adjustment to opening balances	(6,422)						
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	**1,892**	**8,186**	**9,739**	**65**	**31**	**0**	**19,913**
Net Book Value							
At 31 March 2018	**36,119**	**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**

The adjustment to opening balances mainly relates to historical impairment and accumulated depreciation balances against revalued assets that had not been correctly written out. £5,986,841.58 relates to accumulated impairment written out, and £693,994.46 relates to accumulated depreciation written out. Other adjustments total (£258,768.45).

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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
	500,000	778,000

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.

	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**
Valued at fair value as at:							
31 March 2019	21,383	0	0	0	8	0	**21,391**
31 March 2018	1,043	0	0	40	0	0	**1,083**
31 March 2017	4,336	0	0	144	0	0	**4,480**
31 March 2016	7,239	0	0	0	225	0	**7,464**
31 March 2015	4,312	0	0	0	0	0	**4,312**
Total Cost or Valuation	**38,312**	**13,972**	**16,891**	**2,138**	**233**	**7,057**	**78,604**

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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	2018/19
	£000	**£000**
Opening Capital Financing Requirement	733	3,899
Capital Investment:		
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
Sources of finance:		
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**
Explanations of movements in year		
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)**

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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)	17
Balance Carried Forward	**894**	**719**

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	2,380
Other local authorities	0	0	530	337
Other entities and individuals*	3,234	2,958	3,416	3,175
Sub Total	**3,234**	**2,958**	**4,882**	**5,892**
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**	**4,545**

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*** 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	749,812
Housing Benefit Overpayments being recovered by invoice and deductions from ongoing benefit	1,332,682	1,255,137
Victory Houing Vat Sharing Agreement	84,543	21,272
Capital Contributions	0	182,382
Broadland Housing Association	290,730	134,615
Other smaller receivables	912,546	656,870
Total	**3,415,936**	**3,174,640**

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)	(3,526)
Public corporations and trading funds	(3)	0
Other entities and individuals*	(3,293)	(5,007)
Sub Total	**(8,472)**	**(12,491)**
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)**	**(11,707)**

*** 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**

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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.

(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.

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
Credited to Taxation and Non Specific Grant Income	**£000**	**£000**
Revenue Support Grant	(936)	(536)
Business Rates	(4,718)	(5,211)
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)**	**(7,667)**
Credited to Services		
DWP - Rent Allowances	(25,411)	(24,466)
DWP - Admin Subsidy	(439)	(387)
DWP - IT Costs	(227)	0
	(26,077)	**(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)	(1,246)	(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)**	**(34,901)**

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 Sandscaping	0	51
Egmere	0	36
Cromer West Prom	0	50
Total	**473**	**784**

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
		Loans at amortised cost:		
0	0	- Principal sum borrowed	0	3,000
0	0	- Accrued Interest	0	1
0	0	**Total Borrowing**	0	3,001
		Loans at amortised cost:		
0	0	- Bank overdraft	0	0
0	0	**Total Cash Overdrawn**	0	0
		Liabilities at amortised cost:		
0	2,978	- Trade payables	0	3,458
0	355	- Finance leases	0	0
0	3,333	**Included in Creditors**	0	3,458
0	3,333	**Total Financial Liabilities**	0	6,459

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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 profit & loss:		
0	166	- Accrued Interest	0	232
27,113	0	- Fair Value	33,371	0
29,370	2,527	**Total Investments**	33,371	4,498
		At amortised cost:		
0	115	- Principal	0	1,083
		At fair value through profit & loss:		
0	3,462	- Fair Value	0	2,201
0	3,577	**Total Cash and Cash Equivalents**	0	3,284
		At amortised cost:		
0	1,256	- Trade receivables	0	674
3,234	292	- Loans made for service purposes	2,958	135
3,234	1,548	**Included in Debtors**	2,958	806
32,604	7,652	**Total Financial Assets**	36,329	8,588

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.

	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

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Income, Expense, Gains and Losses

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

		Financial Liabilities	Financial Assets		
	2017/18 Total	Amortised Cost	Amortised Cost	Fair Value through Profit & Loss	2018/19 Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	(44)	(24)	0	0	(24)
Losses from changes in fair value	(217)	0	0	(6)	(6)
Impairment losses	0	0	(7)	0	(7)
Interest payable and similar charges	**(261)**	**(24)**	**(7)**	**(6)**	**(37)**
Interest income	28		169	50	219
Dividend income	904		0	1,076	1,076
Gains from changes in fair value	0		0	371	371
Losses from changes in fair value	0		0	(106)	(106)
Impairment loss reversals	0		3	0	3
Interest and investment income	**932**	**0**	**172**	**1,391**	**1,563**
Net impact on surplus/deficit on provision of services	**671**	**(24)**	**165**	**1,385**	**1,526**
Net Gain/(Loss) for the year	**671**	**(24)**	**165**	**1,385**	**1,526**

Fair values of Assets and Liabilities

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

Financial instruments classified at amortised cost are carried in the Blance 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.

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 Liabilities**		**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.

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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.

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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	(31,897)	0	0	0
FVPL	0	27,279	0	0	27,279
Total Investments	31,897	0	(3)	(2)	31,893
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	4,782	0	0	(5)	4,777
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	3,462	0	0	0	3,462
TOTAL FINANCIAL ASSETS	40,141	0	(3)	(7)	40,132
FINANCIAL LIABILITIES					
Creditors	0	0	0	0	0
Amortised cost	3,333	0	0	0	3,333
TOTAL FINANCIAL LIABILITIES	3,333	0	0	0	3,333
NET FINANCIAL ASSETS	36,808	0	(3)	(7)	36,799

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.

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

Credit Rating	Long Term 31 March 2018 £000	Short Term 31 March 2018 £000	Long Term 31 March 2019 £000	Short Term 31 March 2019 £000
AAA	6,757	5,989	4,497	2,201
AA+	0	0	0	0
AA	1,495	0	1,491	0
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**	**5,988**	**4,208**
Credit Risk not applicable	21,119	0	27,359	0
Total Investments	**29,371**	**5,989**	**33,347**	**4,208**

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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 veent 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.

Borrower	Exposure type	Balance Sheet 31/03/2019 £000	Risk Exposure 31/03/2019 £000	Balance Sheet 31/03/2018 £000	Risk Exposure 31/03/2018 £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 £274,476.

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 builing 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.

	2018/19			2017/18		
	Liabilities	**Assets**	**Net Assets**	**Liabilities**	**Assets**	**Net Assets**
Time to maturity (years)	£000	£000	£000	£000	£000	£000
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:

	31/03/2019 £000	31/03/2018 £000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on vairable rate investments	37	0
Decrease in fair value of investments held at FVPL	(321)	(314)
Impact on the Surplus or Deficit on the Provision of Services	(284)	(314)
Decrease in fair value of invstments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	(284)	(314)
Decrease in fair value of loans and investments at amortised cost	(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 rise 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.

41. Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis. The Covid-19 restrictions have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments or were unable to pay at all. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £1.1m in this regard.

Our most recent balances compared to the year-end reported in these statements is as follows.

Date	General Fund	Housing Revenue Account	Earmarked reserves
31/3/2019	£2.4m	£0m	£20.5m
31/3/2020	£2.0m	£0m	£16.2m

We have carried out an assessment of the impact of Covid-19 on our future finances and are satisfied that there is no material uncertainty relating to going concern. Through our assessment (which assumes the continuation of lockdown until the end of July 2020 and then taking account of any additional full year impacts on the budget) we have identified that we expect reductions in revenue in 2020/21 of c£2.1m relating to:

1. Car park income - where we have assumed a reduction of 71% (£0.9m) for the first 6 months of the year
2. Trade Waste – where we have assumed a reduction of 53% (£0.3m) for the first 6 months of the year
3. Investment income - where we have assumed a reduction of 53% (£0.3m) for the first 6 months of the year
4. Planning fees – we have assumed a 35% (£0.2m) loss for the first 6 months of the year.
5. Business rates and council tax – where we have assumed losing (£0.3m) for the year
6. Commercial Income – 48% (£0.1m) fall relating to lost rent on commercial investments for the first 6 months of the year

Additional costs relating to Covid-19 assumed at nearly £0.7m based on the expectations of the Council's Service leads.

If the lockdown arrangements are to extend beyond the 4 months window into 2020 that we have set out above, we have not assumed any additional central government grants within in our assumptions and we have yet to make any assessment of further additional costs due to the uncertainty.

The additional income pressures forecast above total c£2.1m and the additional cost pressures total c£0.7 million which totals £2.8m, the central government grant received to date totals £1.1m and therefore the net impact is current estimated to be in the region of £1.7m. Our forecast surplus for 2020/21 was £2.4m, therefore, we would expect our 2020/21 outturn to show a revised surplus – taking into account all the above factors of £0.7m. This would be added to the General Fund balance, which would then have a predicted balance of £2.6m at 31 March 2021 after allowing for budgeted movements during the 2020/21 financial year.

We then expect that the Fair Funding Review for 2021/22 to be delayed, so we are assuming a flat rate of Government settlement for 2021/22. However, to be prudent we have left our assumption for 2021/22 in line with our previous MTFS planning, which would show a deficit in 2021/22 on the provision of services of £1.8m. As a result, we were planning to draw on reserves to that extent in that year (if equivalent efficiencies and savings cannot be found) allocating £1.1m from the Business Rates reserve and £0.7m from the Asset Management Reserve. As a result, our GF balance at 31 March 2022 will remain at £2.6m, on a worst-case scenario. This still remains above our minimum level of GF balances as set by our CFO of £1.9 m.

2017/18	COLLECTION FUND	Notes	2018/19 Council Tax	Business Rates	Total
£000			£000	£000	£000
(1,034)	Opening Balance Surplus (-) / Deficit 1 April		(2,041)	978	(1,063)
	Income				
(65,923)	Council Tax	(4 & 5)	(71,381)		(71,381)
(26,357)	Business Rates	(2)		(29,099)	(29,099)
	Contributions to Previous Year Estimated Deficit				
(193)	- North Norfolk District Council			(180)	(180)
(48)	- Norfolk County Council			(45)	(45)
(242)	- Central Governement			(225)	(225)
(92,763)	**Total Income**		**(71,381)**	**(29,549)**	**(100,930)**
	Expenditure				
	Precepts and Demands:	(3)			
7,461	- North Norfolk District Council (including Parish Councils)		7,941		7,941
48,355	- Norfolk County Council		52,703		52,703
8,415	- Office of the Police & Crime Commissioner for Norfolk		9,130		9,130
	Proportionate Shares:				
10,093	- North Norfolk District Council			10,014	10,014
2,523	- Norfolk County Council			2,504	2,504
12,616	- Central Government			12,518	12,518
	Disregarded Amounts:				
121	- Enterprise Zone Growth			61	61
673	- Renewable Energy			624	624
	Distribution of Previous Year Estimated Surplus:	(3)			
140	- North Norfolk District Council		179		179
881	- Norfolk County Council		1,162		1,162
157	- Office of the Police & Crime Commissioner for Norfolk		202		202
216	Change in Allowance for Impairment	(7)	151	101	252
248	Allowance for Cost of Collection			248	248
(1,474)	Appeals Charged to Collection Fund			(499)	(499)
2,309	Change in Provision for Appeals			2,033	2,033
92,734	**Total Expenditure**		**71,468**	**27,604**	**99,072**
(29)	Movement in Collection Fund Balance During Year		87	(1,945)	(1,858)
(1,063)	**Closing Cumulative Surplus (-) / Deficit 31 March**	(6)	**(1,954)**	**(967)**	**(2,921)**

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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 £29,099,476 (£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**

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.

6. Balances

The total balance is attributed as follows:

31 March 2018 Total	Share of Balance	31 March 2019 Council Tax	31 March 2019 Business Rates	31 March 2019 Total
£		£	£	£
155,325	North Norfolk District Council	(222,414)	(386,718)	(609,132)
(1,440,376)	Norfolk County Council	(1,474,196)	(96,679)	(1,570,875)
(267,384)	Office of the Police & Crime Commissioner for Norfolk	(257,437)	(483,398)	(740,835)
489,109	Central Government	0	0	0
(1,063,326)	**Total**	**(1,954,047)**	**(966,795)**	**(2,920,842)**

7. Bad Debt Provision

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

Subject to Audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY OF ACRONYMS

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

Statement of Accounts

2018/2019

NORTH NORFOLK DISTRICT COUNCIL
HOLT ROAD, CROMER, NORFOLK
NR27 9EN
www.northnorfolk.org

NORTH NORFOLK DISTRICT COUNCIL
HOLT ROAD CROMER NORFOLK NR27 9EN

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21 September 2020

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

Dear Mark,

North Norfolk District Council – 2018/19 financial year Request for a letter of representation

This letter of representation is provided in connection with our audit of the financial statements of North Norfolk District Council ("the Council") for the year ended 31 March 2019.

I recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of North Norfolk District Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

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

A. Financial Statements and Financial Records

1. I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. I acknowledge as a member of management of the Council, my responsibility for the fair presentation of the council's financial statements. I believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. I have approved the council financial statements.

3. I confirm that the Responsible Officer has:

   - Reviewed the accounts
   - Reviewed all relevant written assurances relating to the accounts, and
   - Made other enquiries as appropriate.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As a member of management of the Council, I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.

6. I believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by the auditors during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

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

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

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

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

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

C. Information Provided and Completeness of Information and Transactions

1. I have provided you with:

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

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. I have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 30 September 2020.

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

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

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

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

D. Liabilities and Contingencies

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

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

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

E. Subsequent Events

1. Other than described in Notes 5 and 41 to the Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Accounting Estimates

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

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

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

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

G. Expenditure Funding Analysis

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

H. Going Concern

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

I. Ownership of Assets

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

J. Reserves

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

K. Valuation of Property, Plant and Equipment Assets

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

2. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

4. I confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

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

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

L. Retirement benefits

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

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

3. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

5. I confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

M. Other information

1. I acknowledge my responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2017-2018.

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

N. Specific Representations

1. I do not make any specific representations in addition to those above.

I understand that this letter of representation needs to be appropriately signed by myself as Section 151 Officer and the Chair of the Governance, Risk and Audit (GRAC)Committee the proposed audit opinion date which is currently due to be confirmed. I will add this item to the agenda of the GRAC which is next due to meet on 29 September to approve the Statement of Accounts.

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

Yours sincerely,

Duncan Ellis
Head of Finance and Assets (S151 Officer)

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www.north-norfolk.gov.uk

Cllr John Rest
Chair, Governance, Risk and Audit Committee

North Norfolk District Council

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North Norfolk District Council
Audit Results report
Year ended 31 March 2019

18 September 2020

EY
Building a better working world

Governance, Risk & Audit Committee
North Norfolk District Council

18 September 2020

Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Governance, Risk & Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of North Norfolk District Council for 2018/19.

We have substantially completed our audit of North Norfolk District Council for the year ended 31 March 2019. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Governance, Risk & Audit Committee meeting on 29 September 2020.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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

01 Executive Summary

Executive Summary

Scope update

In our Audit Plan presented at the 26 March 2019 Governance, Risk & Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- **Changes in materiality:** In our Audit Plan, we communicated that our audit procedures would be performed using a materiality of £1.1 million. This level of materiality remains appropriate for the actual results for the financial year. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. The threshold for reporting misstatements that have an effect on the primary statements is £55,000; and
- **Additional considerations in relation to managements going concern assessment and related disclosure within the financial statements.** Financial plans for 2020/21 and beyond will need revision for Covid-19. In light of the unpredictability of the current environment, and the timing of our Audit Report we have considered whether the Council has made an appropriate assessment of the key factors relating to Going Concern, with particular reference to Covid-19 and the future financial position. We reviewed managements going concern assessment, and the information supporting that assessment and considered the appropriateness of the disclosures made.
- **Additional EY consultation requirements concerning the impact on auditor reports.** We have consulted internally in relation to Going Concern and Emphasis of Matter reporting as required by our Professional Practice requirements.

The changes to audit procedures and approach have changed the quantum of work we needed to perform. We have set out the impact on our audit fee on page 31.

Status of the audit

We have substantially completed our audit of North Norfolk District Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise. The outstanding work at the date of this report is:

- receipt and review of the final version of the financial statements;
- conclusion of our going concern consultation procedures;
- completion of subsequent events review;
- receipt of the signed management representation letter; and
- completion of our final review and sign off procedures.

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

Executive Summary

Audit differences

There are no unadjusted audit differences arising from our audit, at the date of this report.

We have identified audit differences with an aggregated impact of £37.259 million which have been adjusted by management. Details can be found in Section 4 Audit Differences.

Until our work is complete, further amendments may arise. We will update the Governance, Risk & Audit Committee should any further adjustments arise from our remaining work.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of North Norfolk District Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified in the "Areas of Audit Focus"; section 2 of this report.

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

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

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

Control observations

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

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.
In our Audit Plan we identified one significant risk in relation to financial resilience over the medium term.

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

Other reporting issues

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

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. However, as the Council is below the £500 million testing threshold set by the NAO for detailed procedures on the consolidation return, we do not have any issues to report.

We have no other matters to report.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

Significant Risk

What is the risk?

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

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

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme. The specific procedures undertaken to address this are set out on the next page. This page details the standard procedures we undertake to respond to the risk of fraud and error on every engagement.

What did we do and what judgements are we focused on?

In order to address this risk we undertook the following audit procedures:

- Identified fraud risks during the planning stages;
- Inquired of management about risks of fraud and the controls put in place to address those risks;
- Documented our understanding of the oversight given by those charged with governance of management's processes over fraud;
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewed the accounting estimates for evidence of management bias; and
- Evaluated the business rationale for significant unusual transactions.

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.
We have not identified any instances of inappropriate judgements being applied.
We have not identified any management bias in accounting estimates.
We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Significant risk

Incorrect capitalisation of revenue expenditure

Significant Risk

What is the risk?

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

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

What did we do and what judgements are we focused on?

In order to address this risk we carried out a range of procedures including:

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

What are our conclusions?

Our testing did not identify any items incorrectly classified as capital expenditure.

Other Areas of Audit Focus

Valuation of land and buildings – inherent risk

What is the risk?

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

The Council will engage an external expert (valuer) who will apply a number of complex assumptions to these assets. Assets are assessed annually to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk that these assets may be misstated.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What did we do and what judgements are we focused on?

- We have considered the work performed by the Council's valuer (Norfolk Property Services), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We have undertaken sample testing key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- We have considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered whether there were any specific changes to assets and that these had been communicated to the valuer;
- Reviewed assets not subject to valuation in 2018/19 and confirmed that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries had been correctly processed in the financial statements.

What are our conclusions?

Following full consideration of their work, we have placed reliance on the Council's valuation expert.

Our testing identified £0.274 million of unposted valuations, a prior year adjustment of £6.422 million due to accumulated impairment and depreciation on assets subject to revaluation not being written out, and other disclosure amendments to Note 30,

Other Areas of Audit Focus

Pension Liability Valuation – inherent risk

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £40.936 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do and what judgements are we focused on?

We have performed the following procedures:

- Liaised with the auditors of Norfolk Pension Fund, and obtain assurances over the information supplied to the actuary in relation to North Norfolk District Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within North Norfolk District Council's financial statements in relation to IAS19.

What are our conclusions?

We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required.

In addition, there is an ongoing national issue in relation to IAS19 pension fund liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling.
The draft financial statements did not disclose this. However, since the year-end there have been some movement in the understanding and assessment of the likely outcome, which had led to the need for a re-assessment of the pension scheme liabilities under IAS 19, together with supporting disclosure notes. The Guaranteed Minimum pension ruling has also had an impact on the pension liability.

In summary, the changes have increased the past service costs and in turn the pension liability figure by approximately £1.68 million.

Other Areas of Audit Focus

New Accounting Standards – inherent risk

What is the risk?

The CIPFA Code of practice on local authority accounting (the Code) requires the Council to comply with the requirements of two new accounting standards for 2018/19. These standards are:

IFRS 9 financial instruments
This new accounting standard will change how financial assets are classified and measured, how the impairment of financial assets are calculated; and the disclosure requirements for financial assets.
There are transitional arrangements within the standard; and the 2018/19 Code provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

IFRS 15 Revenue from contracts
The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.
The 2018/19 Code provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.
The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What did we do and what judgements are we focused on?

- Assessed the Council's implementation arrangements and impact assessment of the application of the new standard, transitional adjustments and accounting for 2018/19;
- Considered the classification and valuation of financial instrument assets;
- Reviewed the new expected credit loss model impairment calculations for assets;
- Considered the application to the Council's revenue streams, and where relevant tested to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Checked additional disclosure requirements.

What are our conclusions?

The Council's investment in collective investment vehicles of £27.4 million do not meet the definition of an equity investment to enable classification as fair value through other operating income (FVOCI). The issuer cannot refuse redemption in all future circumstances and therefore the investment does not meet the criteria of an equity investment. As the investment is not equity, it cannot be designated as FVOCI and should be classified as fair value through profit and loss (FVPL). The Council will then apply the mandatory statutory override which will remove the impact from the General Fund and the subsequent impact on local taxation, through the Movement in Reserves Statement to an unusable reserve. Amendments to the financial statements are set out in Section 4.

There are no issues arising from the implementation of IFRS 15.

03 Audit Report

Our proposed opinion on the financial statements

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

Opinion

We have audited the financial statements of North Norfolk District Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 40, the Expenditure and Funding Analysis to the Council Accounts; and the Collection Fund and the related notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of North Norfolk District Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Emphasis of matter – Effects of COVID-19

We draw attention to Note 41 of the financial statements, which describes the economic consequences the Council is facing as a result of COVID-19 which is impacting its operational and financial position and performance during 2019/20, 2020/21 and beyond.

Our opinion is not modified in respect of this matter.

Our proposed opinion on the financial statements

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the "Statement of Accounts 2018/2019", other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, North Norfolk District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Our proposed opinion on the financial statements

Matters on which we report by exception

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

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the "Statement of the Responsibilities" set out on page 2, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

Our proposed opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of North Norfolk District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of North Norfolk District Council , as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £55,000 which have been corrected by management that were identified during the course of our audit:

- **£27.4 million reclassification of Financial Instruments between Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVPL);**
- **£1.38 million reclassification between the Financial Instrument Revaluation Reserve and the Pooled Fund Adjustment Account while the statutory override remains in place. Both reserves are unusable.**

The Council's investment in collective investment vehicles of £27.4 million do not meet the definition of an equity investment to enable classification as FVOCI. The issuer cannot refuse redemption in all future circumstances and therefore the investment does not meet the criteria of an equity investment. As the investment is not equity, it cannot be designated as FVOCI and should be classified as FVPL. The Council will then apply the mandatory statutory override which will remove the impact from the General Fund and the subsequent impact on local taxation, through the Movement in Reserves Statement to an unusable reserve.

- **£1.68 million understatement of the Pension Fund liability**

The Council is an admitted body within the Norfolk Pension Fund and is reliant upon the Pension Fund's Actuary to provide it with the relevant information (through an IAS19 report) for inclusion within its financial statements.

Due to ongoing national issues a late change to the pension fund accounts and IAS19 fund liability disclosures has been required. These relate to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling, and the equalisation of Guaranteed Minimum Pensions ('GMP') between males and females. The draft financial statements did not recognise these matters and since the year-end there has been some movement in the understanding and assessment of the likely outcomes and in the potential impact of any outcomes. This has resulted in a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes.

The Actuary also updated the IAS19 report in relation to a change in the valuation of private equity assets and other figures reported by the Council. The Council has adjusted the financial statements using the revised figures from the updated IAS19 report, resulting in an overall increase of £1.68 million in it's pension fund liability. The Council correctly used the information provided within the original IAS19 report within its draft financial statements.

Audit Differences

Summary of adjusted differences - continued

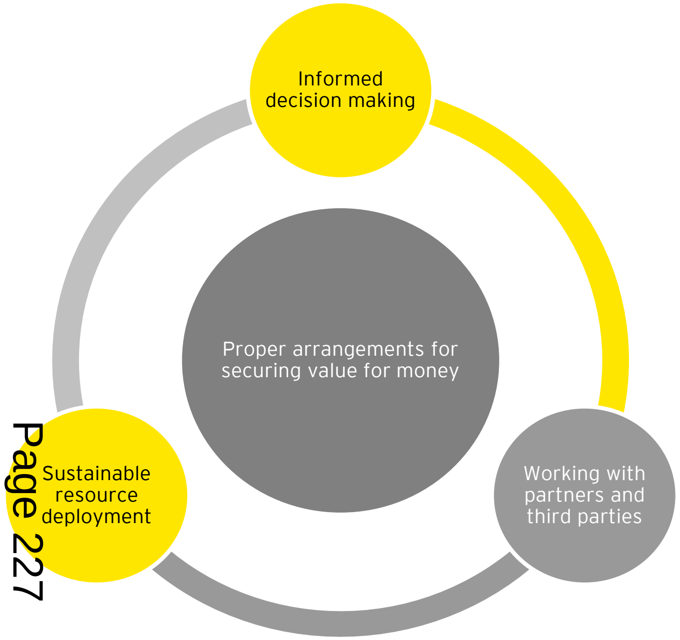
- £0.274 million of unposted valuations were identified impacting the comprehensive income and expenditure statement and the balance sheet;
- £0.103 million error identified in the calculation of business rates income. This also impacts the associated debtor and creditor balances;
- £6.422 million prior year adjustment due to accumulated impairment and depreciation on assets subject to revaluation not being written out.

Our audit also identified a number of disclosure and presentation matters that have been corrected by management during the course of the audit.

There are no unadjusted audit differences to report in respect of the core financial statements, however there remains a £68,000 discrepancy on the valuation of other land and buildings between two of the disclosure tables within Note 30.

05 Value for Money Risks

Value for Money



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Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Financial Resilience and Assessment of the Authority's Reserve Position

As part of our assessment of your proper arrangements, we considered the Council's financial resilience over the medium term and the impact on the level of General Fund balances at the 31 March 2019 and at the 31 March 2022.

Our assessment of this is set out on the next page.

Overall conclusion

We identified one significant risk around these arrangements. The table below presents our findings in response to the risk in our Audit Plan.

We expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money

VFM risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice which defines as:

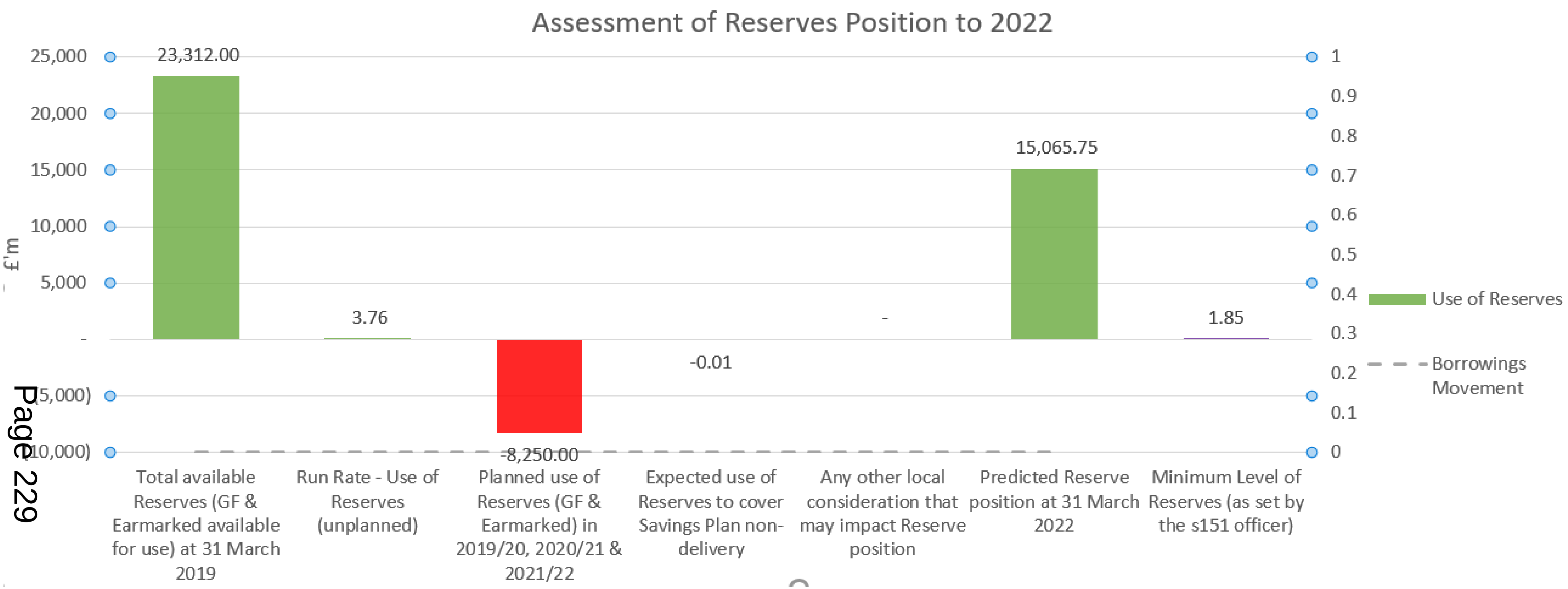
'A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public'

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risk there is no requirement to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Plan.

What is the significant VFM risk?	What arrangements did this impact?	What are our findings?
Financial resilience over the medium term The Council's budget report for 2019/20 to 2021/22 (February 2019), identifies a budget gap of £3.9 million over the next three years as set out below: ‣ 2019/20 = (£0.22) million (surplus) ‣ 2020/21 = £2.08 million ‣ 2021/22 = £2.06 million The budget report predicts a fall in the levels of Reserves held from £20.7 million to £12.4 million by April 2023, with service savings of £0.921 million yet to be identified in the same period. This report is based on a number of assumptions, including estimates of the future levels of Government funding and anticipated cost savings associated with a number of workstreams. Any reduction in Government funding in future years together with increased costs represents a significant risk to the achievement of the Council's future budgets. It is clear that the Council is facing a number of financial pressures which may impact on its ability to develop and deliver sustainable financial and service plans for future years. There is therefore a risk that the Council does not identify savings or increased income to close the funding gaps.	Deploying resources in a sustainable manner	Our approach focused on the adequacy of the plans and arrangements the Council has put in place to secure the financial sustainability of the Council: ‣ a review of the Council's historical financial performance, including its ability to deliver challenging savings targets, identified that budgets, which incorporate the savings targets, were underspent in each of the last two years; ‣ a review of the Council's current financial position and the level of general fund and earmarked reserves, considering the Authority's financial resilience over the medium term, as set out on the next page, demonstrates that the Council holds an appropriate level of reserves; and ‣ a review of the Council's process for budget setting, including challenge of the basis of key budget assumptions did not identify any issues. We have no significant weaknesses or matters to report to the Committee.

Value for Money



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Our Assessment

In our assessment we considered:

- The Council's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The Council's planned use of reserves to support the General Fund budget in each of the next 3 years;
- The Council's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- The Council's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- Any other considerations upon which the Medium Term Financial Plan is reliant.

The Council has no planned change in the level of borrowing over the same time frame.

As a result of our assessment, we are satisfied that the Council's General Fund reserve balance at the 31 March 2022 will remain above the Council's approved minimum level.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements.

We have no other matters to report.

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Whole of Government Accounts

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

As the Council falls below the £500 million threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule. We have no matters to report to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").
We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues and have not had course to use this duty.

Other reporting issues

Other matters
As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following: • Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Any significant difficulties encountered during the audit; • Any significant matters arising from the audit that were discussed with management; • Written representations we have requested; • Expected modifications to the audit report; • Any other matters significant to overseeing the financial reporting process; • Related parties; • External confirmations; • Going concern; • Consideration of laws and regulations. We have no matters to report.

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07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of North Norfolk District Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether North Norfolk District Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 13 February 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Governance, Risk & Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Governance, Risk & Audit Committee on 29 September 2020.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.
There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Independence

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have been provided on a contingent fee basis.

As at the date of this report, with the exception of our Reporting Accountant role, set out below, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements to date, though we are engaged to act as reporting accountant in respect of the Housing Benefit Subsidy claim, as set out below.

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	Final Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Audit Fee – Code work	41,667	41,667	54,113
Additional audit procedures relating to Financial Instruments (CCLA Investment), Property, Plant & Equipment and in relation to Covid-19	Note 1		
Grant Claims – Housing Benefit	13,800	N/A	24,670
Grant Claims – Module X 2017/18	15,250	N/A	N/A
Total Fees	70,717	41,667	78,783

Note 1 -The additional procedures we have identified relating to Covid-19 are set out at page 5. We will discuss with management the additional costs and fee that have resulted from this work and the updated work on Property, Plant & Equipment and Financial Instruments (CCLA Investment) which are reported within this report, which has been required to enable us to properly discharge our statutory duties. The final fee will be reported, once agreed and approved by PSAA Ltd, in the Annual Audit Letter.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.

09 Appendices

Appendix A

Required communications with the Governance, Risk & Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Governance, Risk & Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - March 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - March 2019
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report - September 2020

Appendix A - continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit Results Report – September 2020
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report – September 2020
Subsequent events	▸ Enquiry of the Governance, Risk & Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report – September 2020
Fraud	▸ Enquiries of the Governance, Risk & Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Governance, Risk & Audit Committee responsibility.	We made enquiries of management and those charged with governance. We have not become aware of any fraud or illegal acts during our audit.

Appendix A - continued

Required communications	What is reported?	Our Reporting to you: When and where
Related parties	Significant matters arising during the audit in connection with the Council's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Council	We have no matters to report.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan – March 2019 Audit Results Report – September 2020
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	We have no matters to report.
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the Governance, Risk & Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance & Audit Committee may be aware of	We made enquiries of management, the Monitoring Officer and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

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Appendix A - continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report – September 2020
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report – September 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – September 2020
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – September 2020
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – September 2020
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan – March 2019 Audit Results Report – September 2020

Appendix B

Request for a Management Representation Letter

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Building a better working world

INVESTOR IN PEOPLE

Duncan Ellis
Head of Finance and Assets
North Norfolk District Council
Council Offices
Holt Road
Cromer
Norfolk
NR27 9EN

18 September 2020

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Duncan,

North Norfolk District Council – 2018/19 financial year
Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of North Norfolk District Council ("the Council") for the year ended 31 March 2019.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of North Norfolk District Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Building a better working world

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

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

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the council's financial statements. We believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the council financial statements.

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

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.

5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

   That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).
   or;

   That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.

Appendix B – continued

Request for a Management Representation Letter

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

1. That you acknowledge that you are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

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

2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. That you have made available to us all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 30 September 2020.

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements (please specify the Note) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than the disclosure described in Note X (insert Note) to the Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Accounting Estimates

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

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Appendix B – continued

Request for a Management Representation Letter

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

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

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

H. Going Concern

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

I. Ownership of Assets

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

J. Reserves

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

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records.

That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Request for a Management Representation Letter

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

M. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2018/2019.
2. You confirm that the content contained within the other information is consistent with the financial statements.

N. Specific Representations

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

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

EY | Assurance | Tax | Transactions | Advisory

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Draft Statement of Accounts

NORTH NORFOLK DISTRICT COUNCIL

2019/2020

1. Introduction

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

2. Statements included within the Accounts

2.1 The accounts consist of the following main statements:

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

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

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

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

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

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

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

- **Collection Fund (pg 91)** – 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 10-92)** – The accounts are supported by various notes to the main statements which provide additional information to that contained in the core statements themselves.

3. Organisational overview and external environment

Our district

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

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

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

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

Corporate Plan and priorities

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

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

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

Local government environment

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

4. Governance

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

5. Risks and opportunities

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

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

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

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

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

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

6. Strategy and resource allocation

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

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

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

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6.3 As part of the budget setting process for 2020/21 it was recommended that the Authority increase council tax by £4.95. Moving forward annual council tax increases were also recommended as another way to help address forecast budget deficits in future years, although these decisions will be taken annually in line with the budget setting process. The forward projections of expenditure and income will be updated to take account of the outturn position and also other spending/income pressures that have been identified outside of the budget process. These will be reported to Members during 2020/21 as part of the MTFS update to enable early preparation for the 2021/22 budget process, the current version can be found **here**.

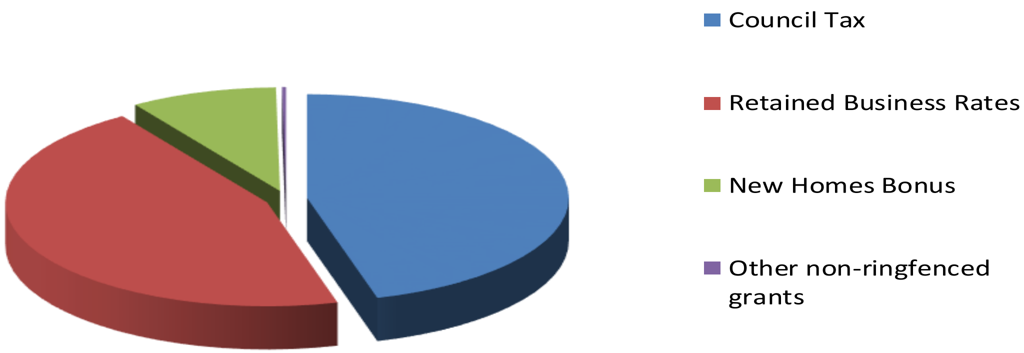
7. Performance

Revenue Activity

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

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

Revenue Financing



Revenue Financing

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

Financial Performance Against Budget 2019/20

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

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

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

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

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

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

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

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

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

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

Business Rates Retention

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

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

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

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

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

8. Treasury Management and Economic Climate

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

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

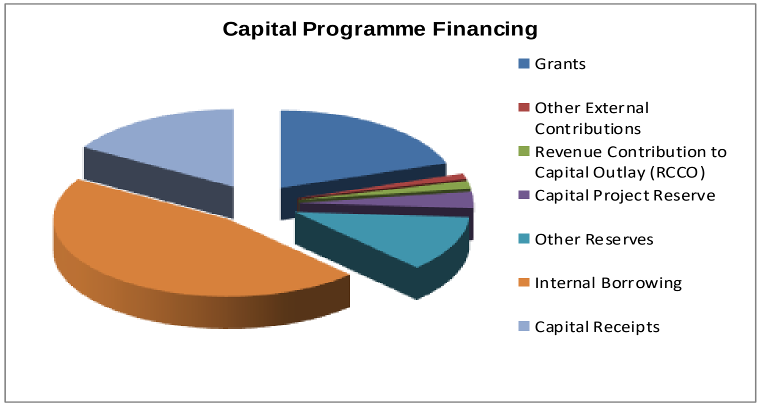
8.3 The Authority remained free of long term debt as at 31 March 2020. At present any short-term cash shortfall can easily be covered as short-term borrowing for cash flow purposes is readily available on the money markets.

9. Capital

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

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

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



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

10. Reserves and Balances

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

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

11. Outlook

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

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

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

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

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

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

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

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

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

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

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

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

11.3 The disclosures required for the financial year ending 31 March 2020 in relation to the Authority's pension scheme are on pages **55 to 61** and show a Net Pension Liability of £43.6m as at 31 March 2020 (£50.6m at 31 March 2019). The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. At present the deficit on the scheme would be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

12. Basis of preparation and presentation

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

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

13. Further information

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

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The Authority's Responsibilities

The Authority is required to:

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

Certification

The certification of the **DRAFT Stateement of Accounts** is pending final audit sign off and approval by the Governance, Risk and Audit Committee at the meeting scheduled for 8 December 2020.

Signed on Behalf of North Norfolk District Council

The Chief Finance Officers Responsibilities

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

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

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

The Chief Finance Officer has also:

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

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Certificate by the Chief Finance Officer

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

Dated: 27 August 2020

Duncan Ellis BSc Hons CPFA, Head of Finance and Assets

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THE
FINANCIAL STATEMENTS
2019/20

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<u>Expenditure and Funding Analysis</u> (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. The 2017/18 figures have been restated to reflect a change in the management reporting structure. Revenue Services now comes under Finance and Assets and not Customer Services and ICT.

2018/19 Net Expenditure chargeable to the General Fund £000	2018/19 Adjustments between Funding and Accounting basis £000	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2019/20 Net Expenditure chargeable to the General Fund £000	2019/20 Adjustments between Funding and Accounting basis £000	2019/20 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
218	84	302	CLT / Corporate	**274**	180	454
286	388	674	Customer Services & ICT	**246**	464	710
1,355	156	1,511	Legal & Democratic Services	**1,565**	315	1,880
2,960	1,390	4,350	Community, Economic Development and Coast	**4,979**	175	5,154
3,215	335	3,550	Environmental Health	**4,429**	411	4,840
3,897	(128)	3,769	Finance & Assets	**4,527**	(1,718)	2,809
2,069	249	2,318	Planning	**2,422**	310	2,732
14,000	**2,474**	**16,474**	**Cost of Services**	**18,442**	**137**	**18,579**
2,211	(972)	1,239	Other Operating Expenditure	**2,391**	(369)	2,022
(1,266)	1,122	(144)	Financing and Investment Income and Expenditure	**(1,137)**	1,233	96
(15,111)	(663)	(15,774)	Taxation and Non-Specific Grant Income	**(15,717)**	(23,871)	(39,588)
(14,166)	**(513)**	**(14,679)**	**Other Income & Expenditure**	**(14,463)**	**(23,007)**	**(37,470)**
(166)	**1,961**	**1,795**	**(Surplus) or Deficit on Provision of Services**	**3,979**	**(22,870)**	**(18,891)**
	0	0			0	1
23,051			**Opening General Fund Balances**	**23,217**		
166			**Less deficit on GF in year**	**(3,979)**		
23,217			**Closing General Fund Balances at 31 March 2020**	**19,238**		

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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.

2018/19 Restated Gross Expenditure £000	2018/19 Restated Gross Income £000	2018/19 Restated Net Expenditure £000		Note	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
361	(59)	**302**	CLT / Corporate		902	(448)	**454**
1,246	(572)	**674**	Customer Services & ICT		1,634	(924)	**710**
2,024	(513)	**1,511**	Legal & Democratic Services		2,352	(473)	**1,879**
8,839	(4,489)	**4,350**	Community, Economic Development and Coast		8,385	(3,231)	**5,154**
7,347	(3,797)	**3,550**	Environmental Health		8,924	(4,083)	**4,841**
29,522	(25,753)	**3,769**	Finance & Assets		25,999	(23,190)	**2,809**
3,981	(1,663)	**2,318**	Planning		4,183	(1,451)	**2,732**
53,320	**(36,846)**	**16,474**	**Cost of Services**		**52,379**	**(33,800)**	**18,579**
		1,239	Other Operating Expenditure	10			2,022
1,152	(1,296)	(144)	Financing and Investment Income and Expenditure	11	1,342	(1,246)	96
		(15,774)	Taxation and Non-Specific Grant Income	12			(39,588)
		1,795	**(Surplus) or Deficit on Provision of Services**	7			**(18,891)**
		(66)	(Surplus) or Deficit on revaluation of Plant, Property and Equipment Assets	14(a)			211
		(255)	(Surplus) or Deficit on revaluation of Available for Sale Financial Assets	14(b)			3,311
		7,279	Actuarial (gains)/losses on pension assets/liabilities	14(d)			(9,250)
		6,958	**Other Comprehensive Income and Expenditure**				**(5,728)**
		8,753	**Total Comprehensive Income and Expenditure**				**(24,619)**

Movement in Reserves Statement (MIRS)

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’, (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority. The total Authority reserves at 31 March 2020 as shown in the MIRS agrees to the Balance Sheet value of £62.812 million.

2018/19 Figures	Note	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018		**2,196**	**20,854**	**9,011**	**0**	**32,062**	**14,884**	**46,946**
Movement in Reserves during 2017/18								
Total Comprehensive Income and Expenditure		(1,795)	0	0	0	(1,795)	(6,958)	(8,753)
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	1,961	0	(2,319)	0	(358)	358	0
Transfers (to)/from Earmarked Reserves	9	(2)	2	0	0	0	0	0
Increase or (decrease) in 2018/19		164	2	(2,319)	0	(2,153)	(6,600)	(8,753)
Balance at 31 March 2019 carried Forward		**2,361**	**20,856**	**6,691**	**0**	**29,908**	**8,284**	**38,193**
Movement in Reserves during 2019/20								
Total Comprehensive Income and Expenditure		18,891	0	0	0	18,891	5,728	24,619
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	(22,870)	0	(2,474)	0	(25,344)	25,344	0
Transfers (to)/from Earmarked Reserves	9	4,022	(4,022)	0	0	0	0	0
Increase or (decrease) in 2019/20		43	(4,022)	(2,474)	0	(6,453)	31,072	24,619
Balance at 31 March 2020 Carried Forward		**2,404**	**16,834**	**4,217**	**0**	**23,455**	**39,357**	**62,812**

Balance Sheet as at 31 March 2020

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

31 March 2019 £000		Note	31 March 2020 £000
55,145	Property, Plant and Equipment	30	79,016
923	Investment Property	27	831
574	Intangible Assets	28	1,838
33,371	Long Term Investments	39	30,060
2,958	Long Term Debtors	33/39	2,569
92,972	**Long Term Assets**		**114,313**
4,498	Short Term Investments	39	77
20	Inventories		15
4,545	Short Term Debtors	33	4,725
3,287	Cash and Cash Equivalents	18	6,585
719	Assets held for sale	32	712
13,069	**Current Assets**		**12,115**
0	Bank Overdraft	18	0
(3,001)	Short Term Borrowing	39	(5,004)
(11,707)	Short Term Creditors	34	(13,173)
(784)	Capital Grants Receipts in Advance	38	(1,172)
(1,710)	Short Term Provisions	35	(681)
(17,203)	**Current Liabilities**		**(20,030)**
(50,644)	Other Long Term Liabilities	24	(43,586)
(50,644)	**Long term Liabilities**		**(43,586)**
38,193	**Net Assets**		**62,812**

31 March 2019 £000		Note	31 March 2020 £000
	Usable Reserves:		
2,361	General Fund Balance		2,404
20,856	Earmarked Reserves	9	16,834
6,692	Capital Receipts Reserve		4,217
29,909	**Total Usable Reserves**		**23,455**
	Unusable Reserves:	14	
17,651	Revaluation Reserve	14(a)	17,210
1,371	Pooled Fund Adjustment Account	14(b)	(1,939)
39,559	Capital Adjustment Account	14(c)	65,613
(50,644)	Pensions Reserve	14(d)	(43,586)
617	Collection Fund Adjustment Account	14(e)	2,212
(270)	Accumulated Compensated Absences Adjustment Account	14(f)	(153)
8,285	**Total Unusable Reserves**		**39,357**
38,193	**Total Reserves**		**62,812**

The Statement of Accounts presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2020. The notes on pages 10 to 92 form part of the financial statements

Dated: 27 August 2020

Duncan Ellis BSc Hons CPFA, Head of Finance and Assets

Cash Flow Statement

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

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

31 March 2019 £000		Note	31 March 2020 £000
(1,795)	Net Surplus on the provision of services	7	18,891
6,351	Adjust Net Surplus/(Deficit) on the provision of services for non cash movements	15	9,254
(3,671)	Adjust for items included in the Net Surplus/(Deficit) on the provision of services that are investing and financing activities	15	(22,694)
885	**Net Cash Flows generated from (used in) Operating Activities**		**5,451**
(6,407)	Investing Activities	16	(2,468)
5,229	Financing Activities	17	315
(293)	**Net Increase or (Decrease) in Cash and Cash Equivalents**		**3,298**
3,580	Cash and Cash Equivalents at the beginning of the reporting period	18	3,287
3,287	Cash and Cash Equivalents at the end of the reporting period	18	6,585

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1. Accounting Policies

A General Principles

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

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

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

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

B Accruals of Income and Expenditure

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

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

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

C Cash and Cash Equivalents

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

D Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There 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

<u>Benefits Payable during Employment</u>

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

Termination Benefits

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

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

Post-employment Benefits

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

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

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

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

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

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

Discretionary Benefits

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

G Events after the Balance Sheet Date

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

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

H Exceptional Items

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

Financial Instruments

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

I Financial Liabilities

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

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

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

J Financial Assets

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

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

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

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

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

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

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

K Government Grants and Contributions

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

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

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

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

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

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

L Intangible Assets

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

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

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

M Inventories and Work in Progress

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

N Investment Properties

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

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

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

O Leases

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

<u>The Authority as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

<u>The Authority as Lessor</u>

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

P Overheads and Support Services

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

Q Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Disposals

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

Assets Held for Sale are:

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

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

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

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

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

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

<u>Depreciation</u>

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

Deprecation is calculated on the following bases:

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

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

<u>Componentisation</u>

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

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

The Authority recognises the following levels of components:

- Substructure
- Superstructure
- Internal services
- External works

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

R Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

S Reserves

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

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

T Revenue Expenditure Funded from Capital under Statute

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

U VAT

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

V Council Tax and Non-domestic Rate Income

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

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

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

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

W Fair Value measurement

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

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

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

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

- Amendments to IFRS 3 – Definition of a Business

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

- Annual improvements to IFRS Standards 2015-2017 cycle

3. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

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Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are employed by the pension schemes administrators to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured, for example a 0.5% decrease in the real discount rate assumption would result in an increase of 9% in the pension liability which is approximately £10.301m. (i) A one year increase in member life expectancy would result in an increase of approximately 3 to 5% in the pension liability. In practice, the actual cost will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). (ii) If salaries were to increase by 0.5% more than anticipated, the pension liability would increase by 1%, approximating to £1.143m. (iii) If pensions payable were to increase by 0.5% more than anticipated, the pension liability would increase by 8%, approximating to £9.057m.

5. Events after the Balance Sheet Date

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

Corona Virus

On 23rd March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were ‘furloughed’ on 80% of their existing salary paid by central government.

The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. A summary of the effects of the pandemic can be found in the Narrative Report and Note 41- Going Concern. This is considered a non-adjusting event.

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6. Note to the Expenditure and Funding Analysis

	Adjustments between Funding and Accounting Basis 2019-20			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net Change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
CLT / Corporate	58	144	(22)	180
Customer Services & ICT	218	262	(17)	463
Legal & Democratic Services	130	191	(6)	315
Community, Economic Development and Coast	0	195	(20)	175
Environmental Health	217	209	(15)	411
Finance & Assets	(1,387)	(305)	(25)	(1,717)
Planning	58	264	(12)	310
Net cost of services	**(706)**	**960**	**(117)**	**137**
Other Operating Expenditure	(369)	0	0	(369)
Financing and Investment Income and Expenditure	0	1,233	0	1,233
Taxation and Non-Specific Grant Income	(22,276)	0	(1,595)	(23,871)
Other Income & Expenditure from the Expenditure and Funding Analysis	**(22,645)**	**1,233**	**(1,595)**	**(23,007)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(23,351)**	**2,193**	**(1,712)**	**(22,870)**

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

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

1) Adjustments for Capital Purposes

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

2) Net Change in Pensions Adjustments

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

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

3) Other Differences

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

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

7. Expenditure and Income Analysed by Nature

EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2018/19	2019/20
Expenditure/ Income	**£000**	**£000**
Expenditure		
Employee Benefits expenses	14,246	14,649
Other Services Expenses	36,856	35,444
Support Service Recharges	11,941	14,472
Depreciation, amortisation, impairment, DRF	4,278	4,646
Interest payments	35	12
Precepts and Levies	2,210	2,391
Gain on the disposal of assets	(972)	(369)
Total Expenditure	**68,594**	**71,245**
Income		
Fees, Charges and other service income	24,854	27,111
Interest and Investment Income	1,296	1,247
Income from Council tax, Non-Domestic Rates, district rate income	13,318	16,067
Government Grants and Contributions	27,331	45,711
Total Income	**66,799**	**90,136**
Surplus or Deficit on the Provision of Services	**1,795**	**(18,891)**

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

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

2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(127)	0	0	(2,127)
Revaluation losses on Property, Plant and Equipment	1,460	0	0	(470)
Movements in the market value of Investment Properties	60	0	0	4
Amortisation of intangible assets	401	0	0	(76)
Capital Grants and Contributions that have been applied to capital financing	(22,276)	0	0	258
Revenue Expenditure Funded from Capital Under Statute	158	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	(369)	0	0	971
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	0	0	0	354
Capital expenditure charged against the General Fund	(2,656)	0	0	1,537

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2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve				
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	432	0	(432)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,906)	0	2,906
Adjustments involving the Pensions Reserve				
Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	4,872	0	0	(4,872)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,680)	0	0	2,680
Adjustments involving the Collection Fund Adjustment Account				
Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	(1,596)	0	0	1,596
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(117)	0	0	117
Total Adjustments	**(22,870)**	**(2,474)**	**0**	**25,344**

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

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

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

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

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

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

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

	Balance at 1 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000
Asset Management	858	(261)	960	1,557	(153)	20	1,424
Benefits	1,295	(13)	58	1,340	(505)	63	898
Broadband	1,000	0	0	1,000	(1,000)	0	0
Building Control	160	0	31	191	0	21	212
Business Rate Retention	2,506	(68)	0	2,437	(362)	0	2,075
Capital Projects Reserve	3,450	(1,064)	94	2,480	(1,212)	36	1,304
Coast Protection	203	(22)	0	181	(12)	70	239
Common Training	(0)	0	0	(0)	0	0	(0)
Communities	1,594	(63)	121	1,652	(677)	26	1,001
Economic Development & Regeneration	121	(10)	60	171	(14)	9	166
Election Reserve	83	0	40	123	(160)	40	3
Enforcement Board	197	(60)	0	137	(24)	0	113
Environmental Health	294	0	29	323	0	13	336
Grants	535	(112)	114	537	(3)	75	609
Grassed Area Deposits	371	0	0	371	0	0	371
Housing	2,500	(307)	341	2,535	(294)	288	2,529
Land Charges	274	0	15	289	0	18	307
Legal	129	(1)	1	129	0	67	196
LSVT Reserve	435	0	0	435	(435)	0	0
New Homes Bonus	2,006	(1,494)	0	512	(220)	0	292

	Balance at 1 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000
Organisational Development	340	(26)	0	314	(59)	14	269
Pathfinder	143	0	0	143	(15)	0	128
Planning - Revenue	56	(32)	86	110	0	50	160
Property Investment Fund	0	0	2,000	2,000	(1,001)	0	999
Property Company	0	0	0	0	0	2,000	2,000
Restructuring and Invest to Save	2,291	(1,251)	843	1,883	(683)	0	1,200
Sports Hall Equipment/Sports Facilities	13	(7)	0	6	(3)	0	3
Treasury (Property) Reserve	0	0	0	0	0	0	0
Total	**20,854**	**(4,791)**	**4,793**	**20,856**	**(6,832)**	**2,810**	**16,834**

Total transfers out during 2019/20	**(6,832)**
Total transfers in during 2019/20	**2,810**
Net Movement in Earmarked Reserves in 2019/20	**(4,022)**

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The purpose of each earmarked reserves is explained below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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10. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

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

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

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

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

2018/19 £000		2019/20 £000
(8,107)	Council Tax Income	(8,478)
(5,211)	Non Domestic Rates	(7,590)
(536)	Revenue Support Grant	0
(1,662)	Other Non ringfenced government grants	(1,244)
(258)	Capital grants and contributions	(22,276)
(15,774)	**Total**	**(39,588)**

13. Balance Sheet – Usable Reserves

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

14. Balance Sheet – Unusable Reserves

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

2018/19 £000		2019/20 £000
17,651	Revaluation Reserve	17,210
1,371	Pooled Fund Adjustment Account	(1,940)
39,559	Capital Adjustment Account	65,613
(50,644)	Pensions Reserve	(43,586)
617	Collection Fund Adjustment Account	2,212
(270)	Accumulated Compensated Absences Adjustment Account	(153)
8,284	**Total Unusable Reserves**	**39,357**

14(a) Revaluation Reserve

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

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

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

2018/19 £000		2019/20 £000
17,743	**Balance at 1 April**	**17,651**
1,016	Upward revaluation of assets	4,001
(950)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(4,212)
(158)	Difference between fair value depreciation and historical cost depreciation	(230)
17,651	**Balance at 31 March**	**17,210**

14(b) Pooled Fund Adjustment Account

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

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

2018/19 £000		2019/20 £000
0	Balance at 31 March	**1,371**
1,113	Transition to IFRS9 - reclassified FVPL	0
1,113	**Balance at 1 April**	**1,371**
258	(Downward)/Upward revaluation of investments not charged to the surplus/deficit on the provision of services.	(3,311)
1,371	**Balance 31 March**	**(1,940)**

14(c) Capital Adjustment Account

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

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

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

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

2018/19 £000		2019/20 £000
36,979	**Balance at 1 April**	**39,559**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,127)	Charges for Depreciation and impairment on non-current assets	6,481
(470)	Revaluation losses on Property, Plant and Equipment	(7,814)
(76)	Amortisation of intangible assets	(401)
(348)	Revenue expenditure funded from capital under statute	(158)
(192)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(63)
33,765		37,604
158	Adjusting amounts written out of the revaluation reserve	230
33,923	Net written out amount of the cost of non current assets consumed in the year	37,835
	Capital Financing applied in the year:	
3,483	Use of capital receipts reserve to finance new capital expenditure	2,906
258	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statements that have been applied to capital financing	22,276
355	Statutory provision for the financing of capital investment charged against the General Fund balance	0
1,537	Capital expenditure charged against the General Fund Balance	2,656
39,555		65,673
4	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(60)
39,559	**Balance at 31 March**	**65,613**

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14(d) Pensions Reserve

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

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

14(e) Collection Fund Adjustment Account

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

2018/19 £000		**2019/20 £000**
212	**Balance at 1 April**	**617**
405	Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	1,595
617	**Balance at 31 March**	**2,212**

14(f) Accumulating Compensated Absences Adjustment Account

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

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

15. Cash Flow Statement – Arising from Operating Activities

The cash flows for operating activities include the following items:

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

2018/19 £000	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements	2019/20 £000
2,127	Depreciation	(127)
470	Impairment and downward valuations	1,459
76	Amortisation	401
2,269	Increase in Creditors	1,705
(37)	(Decrease) in Interest and Dividend Debtors	162
(1,168)	Increase / (Decrease) in Debtors	23
(7)	Increase / (Decrease) in Inventories	5
2,429	Movement in Pension Liability	2,192
192	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	63
0	Movement in Investment Property Values	3,371
6,351		**9,254**

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

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16. Cash Flow Statement – Investing Activities

2018/19 £000		2019/20 £000
(4,362)	Purchase of property, plant and equipment, investment property and intangible assets	(30,030)
(24,133)	Purchase of short-term and long-term investments	0
1,131	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	431
20,448	Proceeds from short-term and long-term investments	4,250
509	Other receipts from investing activities	22,881
(6,407)	**Net cash flows from investing activities**	**(2,468)**

17. Cash Flow Statement – Financing Activities

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

18. Cash Flow Statement – Cash and Cash Equivalents

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

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

19. Trading Operations

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

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

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

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

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

20. External Audit Costs

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

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

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21. Members Allowances

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

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

22. Officers' Remuneration

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

For the period 1st April 2019 to 31st March 2020 Job Title		Salary, Fees and Allowance	Bonuses	Expenses Allowances	Compensation for Loss of Office	Sub-total	Pension Contribution	Total
		£	£	£	£		£	£
1st April 2019 to 31st March 2020								
Corporate Director and Head of Paid Service	2019/20	102,605	0	963	0	103,568	14,878	**118,446**
Corporate Director and Head of Paid Service	2019/20	117,871	0	922	80,443	199,235	14,238	**213,473**
Section 151 Officer	2019/20	76,837	0	963	0	77,800	11,141	**88,941**
Monitoring Officer	2019/20	76,837	0	963	0	77,800	11,141	**88,941**
1st April 2018 to 31st March 2019								
Corporate Director and Head of Paid Service	2018/19	100,593	0	963	0	101,556	14,586	**116,142**
Corporate Director and Head of Paid Service	2018/19	100,593	0	963	0	101,556	14,586	**116,142**
Section 151 Officer	2018/19	72,963	0	963	0	73,926	10,580	**84,506**
Monitoring Officer	2018/19	72,963	0	963	0	73,926	11,738	**85,664**

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

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

23. Exit Packages

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

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

24. Defined Benefit Pension Schemes

Participation in pension schemes

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

The Authority participates in two post- employment schemes:

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

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

Transactions relating to post-employment benefits

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

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

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

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Assets and liabilities in relation to post-employment benefits

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

	Funded Liabilities Local Government Pension Scheme 2018/19 £000	Funded Liabilities Local Government Pension Scheme 2019/20 £000
Opening Balance at 1 April	110,282	123,246
Current service cost	3,062	3,639
Interest cost	2,986	2,972
Contributions by scheme participants	540	559
Actuarial (gains) and losses	9,219	(14,618)
Benefits paid	(3,097)	(3,298)
Unfunded Benefits paid	(249)	(254)
Past service costs	503	0
Closing Balance at 31 March	**123,246**	**112,246**

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

	Local Government Pension Scheme 2018/19 £000	Local Government Pension Scheme 2019/20 £000
Opening balance at 1 April	69,346	72,602
Expected rate of return	1,864	1,739
Actuarial gains	1,935	(5,082)
Employers contributions	2,014	2,140
Contributions by scheme participants	540	559
Contributions in respect of Unfunded Benefits	249	254
Benefits paid	(3,097)	(3,298)
Unfunded Benefits paid	(249)	(254)
Closing balance at 31 March	**72,602**	**68,660**

Fair Value of Employer Assets

Fair Value of Employer Assets

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

Fair Value of Employer Assets (cont'd)

	31 March 2019				31 March 2020			
	Quoted Prices in active markets £(000)	**Quoted Prices not in active markets £(000)**	**Total £(000)**	**Percentage of Total Assets**	**Quoted Prices in active markets £(000)**	**Quoted Prices not in active markets £(000)**	**Total £(000)**	**Percentage of Total Assets**
Real Estate:								
UK Property	0.0	7,186.6	7,186.6	10%	0.0	5,907.8	5,907.8	9%
Overseas Property	0.0	1,387.2	1,387.2	2%	0.0	1,352.8	1,352.8	2%
Investment Funds & Unit Trusts:								
Equities	12,492.7	0.0	12,492.7	17%	19,844.7	0.0	19,844.7	29%
Bonds	25,138.9	0.0	25,138.9	35%	22,371.8	0.0	22,371.8	33%
Infrastructure	0.0	0.0	0.0	0%	0.0	1,917.7	1,917.7	3%
Derivatives:								
Foreign Exchange	(20.0)	0.0	(20.0)	0%	0.0	(96.3)	(96.3)	0%
Other	207.2	0.0	207.2	0%	0.0	0.0	0.0	0%
Cash & Cash Equivalents								
All	0.0	1,812.6	1,812.6	2%	0.0	1,816.5	1,816.5	3%
TOTALS	**57,733**	**14,869**	**72,602**	**100%**	**53,630**	**15,030**	**68,660**	**100%**

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

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

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

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

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

Basis for estimating assets and liabilities

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

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

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

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

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

History of experience gains and losses

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

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

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25. Related Parties

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

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

Central Government

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

Members & Officers

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in note 19. During 2019/20, works and services to the value of £12,035,500 were commissioned from companies in which 35 members had an interest. Contracts were entered into in full compliance with the Authority's standing orders.

The most significant total values for general expenditure were:

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

In addition, the Authority paid grants totalling £328,823 to voluntary organisations in which 18 members had declared an interest. In all instances, the grants were made with proper consideration of declarations of interest. There were no material expenditure transactions involving Chief Officers.

The most significant total values for grant expenditure were:

- £25,935.00 to the Bacton Gas Terminal.
- £100,751.00 to the Norfolk Rivers Internal Drainage Board.

Income totalling £14,449,522.25 was received from entities in which 28 Members had an interest. There were no material expenditure transactions involving Chief Officers. 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.

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 2019 £000	31 March 2020 £000
Property, Plant and Equipment	0	0
	0	**0**

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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 2019 £000	31 March 2020 £000
Finance Lease Liabilities (Net present value of minimum lease payments):		
- Current	0	0
- Non current	0	0
Finance costs payable in future years	0	0
Minimum Lease Payments	**0**	**0**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Not later than one year	0	0	0	0
Later than one year and not later than five years	0	0	0	0
	0	**0**	**0**	**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 2019 £000	31 March 2020 £000
Not later than one year	70	55
Later than one year and not later than five years	171	165
Later than five years	206	186
	448	**406**

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

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

Authority as Lessor

Operating Leases

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

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

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

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

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

27. Investment Properties

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

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

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

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

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

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

Fair Value hierarchy

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

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

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

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

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

28. Intangible Assets

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

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

	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 £400,712 charged to Revenue in 2019/20 (£76,457 in 2018/19) was charged to the following lines within the income statement; Planning Services (£47,062), Finance and Assets (£236,025), Customer Services (£105,194) and CLT / Corporate (£12,430).

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

	Internally Generated Assets £000	**Other Assets £000**	**Total £000**	**Internally Generated Assets £000**	**Other Assets £000**	**Total £000**
Opening Balance:						
Gross carrying amounts	0	1,754	1,754	0	1,953	1,953
Accumulated amortisation	0	(1,305)	(1,305)	0	(1,382)	(1,382)
Net carrying amount at start of year	**0**	**449**	**449**	**0**	**573**	**573**
Additions:						
- Purchases	0	200	200	0	1,665	1,665
Amortisation for the period	0	(76)	(76)	0	(401)	(401)
Closing Balance	**0**	**574**	**574**	**0**	**1,838**	**1,838**

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 3 years. No significant contracts have been entered into during the financial year 2019/20.

29. Impairment Losses

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

30. Property, Plant and Equipment

Movement on Balances

Movement in 2019/20:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation:							
At 1 April 2019	38,380	13,972	16,891	2,138	233	7,057	78,672
Additions	446	774	0	0	0	25,317	26,537
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	(89)	0	0	0	0	0	(89)
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(1,219)	0	0	0	0	0	(1,219)
Derecognition - disposals	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	(577)	(577)
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	652	(298)	(282)	(49)	0	(612)	(589)
At 31 March 2020	**38,170**	**14,448**	**16,609**	**2,089**	**233**	**31,185**	**102,735**

Movement in 2019/20:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Accumulated Depreciation and Impairment:							
At 1 April 2019	2,485	10,171	10,734	107	31	0	23,527
Depreciation charge	727	779	508	19	0	0	2,033
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	(1,432)	0	0	0	0	0	(1,432)
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(367)	0	0	0	0	0	(367)
Derecognition - disposal	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Eliminated on reclassification to assets held for sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	15	(41)	(15)	(0)	0	0	(41)
At 31 March 2020	**1,427**	**10,907**	**11,228**	**126**	**31**	**0**	**23,718**
Net Book Value							
At 31 March 2020	**36,743**	**3,541**	**5,382**	**1,963**	**202**	**31,185**	**79,016**
At 31 March 2019	**35,895**	**3,802**	**6,157**	**2,031**	**202**	**7,057**	**55,145**

Comparative Movements in 2018/19:

Comparatives for 2018/19

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

Comparative Movements in 2018/19:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Accumulated Depreciation and Impairment:							
At 1 April 2018	1,892	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	**2,485**	**10,171**	**10,734**	**107**	**31**	**0**	**23,527**
Net Book Value							
At 31 March 2019	**35,895**	**3,802**	**6,157**	**2,031**	**202**	**7,057**	**55,145**
At 31 March 2018	**36,186**	**4,409**	**6,660**	**2,052**	**197**	**3,512**	**53,013**

The adjustment to opening balances mainly relates to historical impairment and accumulated depreciation balances against revalued assets that had not been correctly written out. £5,986,841.58 relates to accumulated impairment written out, and £693,994.46 relates to accumulated depreciation written out.

Capital Commitments

The major commitments relate to the following Schemes:

	2018/19	2019/20
	£	£
Bacton to Walcott Coastal Management Scheme	18,041,154	0
North Norfolk Sports Hub	278,000	0
Splash Reprovision	0	9,050,101
Splash Gym Equipment	0	640,000
	18,319,154	9,690,101

Revaluations

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

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

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

	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	14,448	16,609	1,904	0	31,185	**64,148**
Valued at fair value as at:							
31 March 2020	27,891	0	0	0	0	0	**27,891**
31 March 2019	1,393	0	0	0	8	0	**1,401**
31 March 2018	698	0	0	40	0	0	**738**
31 March 2017	817	0	0	144	0	0	**961**
31 March 2016	7,370	0	0	0	225	0	**7,596**
Total Cost or Valuation	**38,170**	**14,448**	**16,609**	**2,089**	**233**	**31,185**	**102,735**

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31. Capital Expenditure and Capital Financing

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

	2018/19 £000	2019/20 £000
Opening Capital Financing Requirement	3,899	3,140
Capital Investment:		
Property, plant and equipment	4,377	26,462
Property, Plant and Equipment - embedded finance leases		
Investment properties	253	0
Intangible assets	296	1,218
Revenue expenditure funded from capital under statute	348	158
Long Term Debtor	0	
Sources of finance:		
Capital receipts	(3,480)	(2,906)
Government grants and other contributions	(258)	(22,276)
Sums set aside from revenue:		
- Direct Revenue Contributions	(1,537)	(2,656)
- Minimum Revenue Provision	(355)	0
Sums set aside from Capital Receipts:		
- in lieu of MRP	(404)	(269)
Closing Capital Financing Requirement	**3,140**	**2,871**

Explanations of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by government financial assistance)	(0)	0
Capital receipts applied in lieu of MRP	(404)	(269)
Assets acquired under finance leases	(355)	0
(Decrease) in Capital Financing Requirement	**(759)**	**(269)**

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.

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

33. Receivables

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

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

	Long Term		Short Term	
	31 March 2019	**31 March 2020**	**31 March 2019**	**31 March 2020**
	£000	**£000**	**£000**	**£000**
Central government bodies	0	0	2,380	1,755
Other local authorities	0	0	337	265
NHS bodies	0	0	0	48
Other entities and individuals*	2,958	2,569	3,175	4,117
Sub Total	**2,958**	**2,569**	**5,892**	**6,185**
Less: Bad Debt Provision				
General Fund	0	0	(1,180)	(1,235)
Collection Fund	0	0	(167)	(225)
Sub Total	**0**	**0**	**(1,347)**	**(1,460)**
Total	**2,958**	**2,569**	**4,545**	**4,725**

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

	31 March 2019	**31 March 2020**
	£	**£**
Insurance Contract Payment in Advance	174,552	337,633
Council Tax and Business Ratepayer Debtors	749,812	1,492,460
Housing Benefit Overpayments being recovered by invoice and deductions from ongoing benefit	1,255,137	1,126,501
Victory Houing Vat Sharing Agreement	21,272	0
Capital Contributions	182,382	0
Broadland Housing Association	134,615	269,230
Other smaller receivables	656,870	890,666
Total	**3,174,640**	**4,116,490**

34. Payables

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

	31 March 2019 £000	31 March 2020 £000
Central government bodies	(3,958)	(5,659)
Other local authorities	(3,526)	(4,277)
Other entities and individuals*	(5,007)	(4,409)
Sub Total	**(12,491)**	**(14,345)**
Less: Capital Receipts in Advance		
Central government bodies	697	1,121
Other local authorities	87	51
Sub Total	**784**	**1,172**
Total	**(11,707)**	**(13,173)**

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

Breakdown of significant entries within the other entities and individuals category

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

35. Provisions

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

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

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

36. Contingent Liabilities

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

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

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

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

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

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

37. Contingent Assets

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

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

38. Grant Income

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

	2018/19	2019/20
Credited to Taxation and Non Specific Grant Income	**£000**	**£000**
Revenue Support Grant	(536)	0
Business Rates	(5,211)	(7,590)
New Homes Bonus	(1,150)	(1,211)
Rural Services Delivery Grant	(484)	0
Council Tax Family Annexe Discount	(29)	(33)
Capital Grants and Contributions	(258)	(22,276)
Total	**(7,667)**	**(31,111)**
Credited to Services		
DWP - Rent Allowances	(24,466)	(21,814)
DWP - Admin Subsidy	(387)	(463)
	(24,852)	**(22,277)**
Arts Council England	(20)	(7)
Cabinet Office	(52)	(408)
Ministry of Housing Communities and Local Govt (MHCLG)	(1,577)	(1,621)
Norfolk County Council	(599)	(223)
Sport England	(14)	0
Other Grants & Contributions	(121)	(91)
Total	**(27,234)**	**(24,627)**
Total Revenue Grants Received	**(34,901)**	**(55,738)**

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

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

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39. Financial Instruments

Categories of Financial Instruments

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

FINANCIAL INSTRUMENTS - BALANCES

Long-term 31-Mar-19 £000	Current 31-Mar-19 £000	Financial Liabilities	Long-term 31-Mar-20 £000	Current 31-Mar-20 £000
		Loans at amortised cost:		
0	3,000	- Principal sum borrowed	0	5,000
0	1	- Accrued Interest	0	4
0	3,001	**Total Borrowing**	0	5,004
		Loans at amortised cost:		
0	0	- Bank overdraft	0	0
0	0	**Total Cash Overdrawn**	0	0
		Liabilities at amortised cost:		
0	3,458	- Trade payables	0	6,070
0	0	- Finance leases	0	0
0	3,458	**Included in Creditors**	0	6,070
0	6,459	**Total Financial Liabilities**	0	11,074

Long-term 31-Mar-19 £000	Current 31-Mar-19 £000	Financial Assets	Long-term 31-Mar-20 £000	Current 31-Mar-20 £000
		At amortised cost:		
0	4,254	- Principal	0	0
0	13	- Accrued Interest	0	0
0	-1	- Loss Allowance	0	0
		At fair value through profit & loss:		
0	232	- Accrued Interest	0	77
33,371	0	- Fair Value	30,036	0
33,371	4,498	**Total Investments**	30,036	77
		At amortised cost:		
0	1,083	- Principal	0	0
		At fair value through profit & loss:		
0	2,201	- Fair Value	0	6,585
0	3,284	**Total Cash and Cash Equivalents**	0	6,585
		At amortised cost:		
0	808	- Trade receivables	0	2,930
2,958	135	- Loans made for service purposes	2,558	269
2,958	943	**Included in Debtors**	2,558	3,199
36,329	8,725	**Total Financial Assets**	32,594	9,861

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

Offsetting Financial Assets and Liabilities

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

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

Income, Expense, Gains and Losses

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

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	2018/19 Total	Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Financial Assets Fair Value through Profit & Loss	2019/20 Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	(24)	(34)	0	0	(34)
Losses from changes in fair value	(6)	0	0	0	0
Impairment losses	(7)	0	0	0	0
Interest payable and similar charges	**(37)**	**(34)**	**0**	**0**	**(34)**
Interest income	219		129	38	167
Dividend income	1,076		0	1,079	1,079
Gains from changes in fair value	371		0	0	0
Losses from changes in fair value	(106)		0	(3,311)	(3,311)
Impairment loss reversals	3		0	0	0
Interest and investment income	**1,563**	**0**	**129**	**(2,194)**	**(2,065)**
Net impact on surplus/deficit on provision of services	**1,526**	**(34)**	**129**	**(2,194)**	**(2,099)**
Impact on other comprehensive income	**0**	**0**	**0**	**0**	**0**
Net Gain/(Loss) for the year	**1,526**	**(34)**	**129**	**(2,194)**	**(2,099)**

Fair values of Assets and Liabilities

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

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

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

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

Fair Value 31 March 2019 £000s		Fair Value Level	Balance Sheet 31 March 2020 £000s	Fair Value 31 March 2020 £000s
	Financial liabilities held at amortised cost:			
6,459	Liabilities for which fair value is not disclosed		11,074 *	
6,459	**Total Financial Liabilities**		**11,074**	
	Recorded on the balance sheet as:			
3,001	Short-term borrowing		5,004	
3,458	Short-term creditors		6,070	
6,459	**Total Financial Liabilities**		**11,074**	

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

Fair Value 31 March 2019 £000		Fair Value Level	Balance Sheet 31 March 2020 £000	Fair Value 31 March 2020 £000
	Financial assets held at fair value:			
2,201	Money Market Funds	1	6,585	
33,604	Pooled Funds	1	30,036	
	Financial assets held at amortised cost:			
2,251	Covered Bonds	1	0	0
38,056	**Total**		36,621	
6,990	Assets for which fair value is not disclosed		5,834 *	
45,046	**Total Financial Assets**		**42,455**	
	Recorded on the balance sheet as:			
33,371	Long-term investments		30,036	
2,958	Long-term debtors		2,558	
4,498	Short-term investments		77	
943	Short-term debtors		3,199	
3,284	Cash and Cash Equivalents		6,585	
45,054	**Total Financial Assets**		**42,455**	

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

40. Nature and Extent of Risks arising from Financial Instruments

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

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

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

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

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

Credit Risk- Treasury Investments

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

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

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

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

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

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

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

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

Credit Risk – Loans

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

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

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

Credit Risk - Receivables

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

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

	31 March 2019 £000s	31 March 2020 £000s
Less than three months	27	135
Three months to one year	30	27
More than one year	6	8
	63	**170**

A loss allowance of £137,327 has been made against debts which are past their due date. The factors the Authority consider in determining if a trade debt is impaired include the age of the debt; the default history of the debtor; the proportion of the original debt which is still outstanding and the recovery stage of the debt. The Authority’s maximum exposure to trade debts is £451,523.

Liquidity risk

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

	2019/20			2018/19		
	Liabilities	**Assets**	**Net Assets**	**Liabilities**	**Assets**	**Net Assets**
Time to maturity (years)	£000	£000	£000	£000	£000	£000
Not over 1	11,074	9,545	20,620	(6,459)	8,725	2,266
Over 10	0	2,558	0	0	2,958	2,958
No fixed maturity	0	30,036	0	0	33,371	33,371
Total	11,074	42,139	20,620	(6,459)	45,054	38,595

Market risk

Interest rate risk

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

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

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

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

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

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

Price risk

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

Foreign Exchange Risk

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

41. Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis. The Covid-19 restrictions have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments or were unable to pay at all. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £1.1m in this regard.

Our most recent balances compared to the year-end reported in these statements is as follows.

Date	General Fund	Housing Revenue Account	Earmarked reserves
31/3/2019	£2.4m	£0m	£20.4m
31/3/2020	£2.4m	£0m	£16.4m

We have carried out an assessment of the impact of COVID-19 on our future finances and are satisfied that there is no material uncertainty relating to going concern. Through our assessment (which includes taking account of any additional full year impacts on the budget) we have identified that we expect reductions in revenue in 2020/21 of c£1.91m relating to:

1. Car park income - where we have assumed a reduction of 71% (£0.96m) for the first 6 months of the year
2. Trade Waste – where we have assumed a reduction of 35% (£0.2m) for the first 6 months of the year
3. Investment income - where we have assumed a reduction of 62% (£0.35m) for the first 6 months of the year
4. Planning fees – we have assumed a 35% (£0.18m) loss for the first 6 months of the year.
5. Commercial and Other Income – (£0.22m) fall relating to lost rent on commercial investments for the first 6 months of the year

Additional costs relating to COVID-19 assumed at nearly £0.837m based on the expectations of the Council's Service leads.

If the lockdown arrangements are reintroduced, we have not assumed any additional central government grants within in our assumptions and we have yet to make any assessment of further additional costs due to the uncertainty.

The additional income pressures forecast above total c£1.91m and the additional cost pressures total c£0.852 million which totals £2.762m, the central government grant received to date totals £1.287m and therefore the net impact is current estimated to be in the region of £1.475m. We have yet to receive our grant in relation to Sales, Fees and Charges but the estimated income from this central government source is currently forecast to be c£1.112m, which would take the forecast deficit to around £0.360m. Our forecast surplus for 2020/21 was £2.4m, therefore, we would expect our 2020/21 outturn to show a revised surplus – taking into account all the above factors of around £2.0m. This would be added to the General Fund balance, which would then have a predicted balance of £3.9m at 31 March 2021 after allowing for budgeted movements during the 2020/21 financial year.

We then expect that the Fair Funding Review for 2021/22 to be delayed, so we are assuming a flat rate of Government settlement for 2021/22. However, to be prudent we have left our assumption for 2021/22 in line with our previous MTFS planning, which would show a deficit in 2021/22 on the provision of services of £1.8m. As a result, we were planning to draw on reserves to that extent in that year (if equivalent efficiencies and savings cannot be found) allocating £1.1m from the Business Rates reserve and £0.7m from the Asset Management Reserve. As a result, our GF balance at 31 March 2022 will remain at £3.9m, on a worst-case scenario. This still remains above our minimum level of GF balances as set by our CFO of £1.9 m.

2018/19	COLLECTION FUND	Notes	2019/20 Council Tax	2019/20 Business Rates	2019/20 Total
£000			£000	£000	£000
(1,063)	Opening Balance Surplus (-) / Deficit 1 April		(1,953)	(967)	(2,920)
	Income				
(71,381)	Council Tax	(4 & 5)	(74,672)		(74,672)
(29,099)	Business Rates	(2)		(29,796)	(29,796)
	Contributions to Previous Year Estimated Deficit				
(180)	- North Norfolk District Council				
(45)	- Norfolk County Council				
(225)	- Central Governement				
(100,930)	**Total Income**		**(74,672)**	**(29,796)**	**(104,468)**
	Expenditure				
	Precepts and Demands:	(3)			
7,941	- North Norfolk District Council (including Parish Councils)		8,434		8,434
52,703	- Norfolk County Council		55,336		55,336
9,130	- Office of the Police & Crime Commissioner for Norfolk		10,280		10,280
	Proportionate Shares:				
10,014	- North Norfolk District Council			10,896	10,896
2,504	- Norfolk County Council			8,332	8,332
12,518	- Central Government			6,410	6,410
	Disregarded Amounts:				
61	- Enterprise Zone Growth			44	44
624	- Renewable Energy			223	223
	Distribution of Previous Year Estimated Surplus:	(3)			
179	- North Norfolk District Council		197	442	639
1,162	- Norfolk County Council		1,310	110	1,420
202	- Office of the Police & Crime Commissioner for Norfolk		227		227
0	- Central Governement			552	
252	Change in Allowance for Impairment	(7)	237	148	385
248	Allowance for Cost of Collection			253	253
(499)	Appeals Charged to Collection Fund			(512)	(512)
2,033	Change in Provision for Appeals			(2,162)	(2,162)
99,072	**Total Expenditure**		**76,021**	**24,736**	**100,205**
(1,858)	Movement in Collection Fund Balance During Year		1,349	(5,060)	(4,263)
(2,921)	**Closing Cumulative Surplus (-) / Deficit 31 March**	(6)	**(604)**	**(6,027)**	**(6,631)**

1. General

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

2. Income from Business Ratepayers

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

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

3. Precepts and Demands

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

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

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

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

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

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5. Band D Tax Rate

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

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

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

6. Balances

The total balance is attributed as follows:

31 March 2019 Total £	Share of Balance	31 March 2020 Council Tax £	Business Rates £	Total £
(609,132)	North Norfolk District Council	(68,813)	(2,564,990)	(2,633,803)
(1,570,875)	Norfolk County Council	(451,616)	(1,989,661)	(2,441,277)
(257,437)	Office of the Police & Crime Commissioner for Norfolk	(83,895)	0	(83,895)
(483,398)	Central Government	0	(1,472,563)	(1,472,563)
(2,920,842)	**Total**	**(604,324)**	**(6,027,214)**	**(6,631,538)**

7. Bad Debt Provision

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

Subject to Audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY OF ACRONYMS

CFR	Capital Financing Requirement	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

2019/2020

NORTH NORFOLK DISTRICT COUNCIL HOLT ROAD,
CROMER, NORFOLK, NR27 9EN

Telephone 01263 513811

www.northnorfolk.org

Risk	Ref	Score if no action	Current Score	Target Score	Direction of Travel		Risk Owner
FINANCIAL (INCLUDING CREDIT & COUNTERPARTY) *Financial: related to the financial position and investment of the Council's assets and cash flow, market volatility, currency etc.* *Credit and Counterparty: related to investments, loans to institutions and individuals and counterparties in business transactions.*		20	15	12	↓	☺	Strategic Leadership Team (SLT)/Operational Management Team (OMT)
OPERATIONAL *Related to operational exposures within its organisation, its counterparties, partners and commercial interests.*		16	16	12	↔	😐	Strategic Leadership Team (SLT)/Operational Management Team (OMT)
MACROECONOMIC *Related to the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.*		16	16	12	↔	😐	Strategic Leadership Team (SLT)/Operational Management Team (OMT)
STRATEGIC *Related to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.*		12	12	9	↔	😐	Strategic Leadership Team (SLT)
ENVIRONMENTAL AND SOCIAL *Related to the environmental and social impact of the Council's strategy and interest.*		15	15	12	↔	😐	Strategic Leadership Team (SLT)
GOVERNANCE *Related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.*		16	12	9	↓	☺	Strategic Leadership Team (SLT)
REPUTATION *Related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.*		12	12	8	↔	😐	Strategic Leadership Team (SLT)
CORPORATE PROJECT RELATED RISKS *Related to individual corporate project risk.*		See detail		See detail	See detail	See detail	Strategic Leadership Team (SLT)

Direction of travel shows change from last assessment.

Key						
Impact Type	**Catastrophic - 5**	**Critical - 4**		**Moderate - 3**	**Marginal - 2**	**Negligible - 1**
Objectives	The key objectives in the Corporate Plan will not be achieved.	One or more Key Objectives in the Corporate Plan will not be achieved.		Significant impact on the success of the Corporate Plan.	Some impact on more than one Service.	Insignificant impact on more than one Service.
Financial Impact (Loss)	Over £1.5m	£500K - £1.5m		£300K - £500K	£0K - £300K	£0-20K
Likelihood	**Very High - 5**	**High - 4**		**Moderate - 3**	**Low - 2**	**Very Low - 1**
Probability	Over 90%	60 - 90%		40 - 60%	10 - 40%	below 10%
Timing	Within six months	This year		Next year	Probably within 15 years	Probably over 15 years

Corporate Risk Register

Last updated: **01/09/20**

Description/effect of impact	Risk score if no action impact x likelihood = total	Existing controls and/or mitigation	Actions being taken to manage risk and progress to date - current score	Action owner and due date	Target score impact x likelihood = total	Risk owner	Direction of travel	RAG
FINANCIAL (INCLUDING CREDIT & COUNTERPARTY) *Financial: related to the financial position and investment of the Council's assets and cash flow, market volatility, currency etc. Credit and Counterparty: related to investments, loans to institutions and individuals and counterparties in business transactions.* **Risk -** that the Council's expenditure in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. **Effect** - the Chief Finance Officer has to issue a Section 114 report to Full Council to report an unbalanced budget.	4 x 5 = 20		3 x 5 = 15		4 x 3 = 12	SLT/OMT	↓	Amber

Forecast funding reductions and shift to local financing from business rates, council tax and hew homes bonus - reduced funding to fund current service levels and produce a balanced budget. Use of reserves is not sustainable strategy to bridge income/expenditure funding gaps in the medium to long term.		Policy work Lobbying Central Government Medium Term Financial Strategy (MTFS) Corporate Planning / Service Planning Budget Process / Budget Monitoring Regular monitoring system of the impact of the business rates retention and the localised council tax support system Annual review of the Council's reserves Reporting - New legislation and consultation Timely agreement of the annual Localised Council Tax Support Scheme Project Management Plans Balanced 2019/20 budget agreed 27 March 2019	Balanced 2020/21 budget agreed 26 Feb 2020. Budget surplus of £2.4m transferred to the Delivery Plan Reserve to support delivery of new Corporate Plan Committee report to Cabinet and O&S covering the financial impact of COVID-19 presented to committee May 2020 Committee report to Cabinet and O&S covering the financial impact of COVID-19 presented to committee Aug 2020, revised 2020/21 budget deficit revised down to c£400k. Additional grant funding expected from central governemnt to support income lost from fees and charges.	LC/JEC - Feb 2020 (complete) DE (May 2020) (complete) DE - August 2020				
OPERATIONAL *Related to operational exposures within its organisation, its counterparties, partners and commercial interests* **Risk -** operational issues prevent or hinder the achievement of the Council's aims. **Effect -** the Council does not achieve it's operational or strategic aims.	4 x 4 = 16		4 x 4 = 16	OMT/SLT	4 x 3 = 12	SLT/OMT	←→	Amber
Emergency event								

Any Internal or external event that has a significant impact on the ability of the Council to deliver services		Corporate/service planning Budget process/budget monitoring Project management framework Council policies and procedures Employment policies Emergency Response & Recovery Planning Business Continuity Planning Corporate Business Continuity key role training Critical Services Business Continuity Plans completed Adverse Weather Guidance created and issued, Jan 2019	Ongoing consideration of COVID-19 implications, GOLD/SILVER reporting structures in place, further supported by external partners. Recognised that this is an exceptional global event, monitoring and updating of staff and Members ongoing. Interim organisational debrief.	AS (31 Dec 2020)					
People Resources									
Failure and retain to recruit adequately trained and experienced staff- negative impact on corporate plan, business transformation, planning performance and delivery etc.		Corporate/service planning Pay Policy has been updated to reflect Golden Hello's' and retention payments Relocation Policy Employee Referral Scheme Market Pay Review report Apprenticeship programme Appraisal process Service Plans	'People Strategy' currently under development to consider the recommendations contained within the Investors in People assessment/Capability Review.	JC (31 Dec 2020)					
Contracts									
Poor Procurement - poor value for money, poor strategic and operational outcomes, legal challenge, loss of public confidence, lack of transparency		Procurement Strategy Procurement Framework Joint procurement protocol and opportunities for joint/shared procurement with other authorities where possible Advice for external suppliers Procurement Officer post established	Procurement Strategy due to be updated during 2020. Current issues being experienced in relation to contracts due the COVID-19 outbreak and being managed in line with the contractual arrangements currently in place	DB (Dec 2020) RY/GOLD					
Contract failure - increased costs and operational disruption									
Channel shift									

Failure of digital transformation strategy - increasing costs, reducing customer satisfaction, lack of efficiency, not making best use of technological advances		IT, Customer Services and Communication strategies Staff development processes in order to maintain technical competence DTP progress reports are provided to Cabinet and O&S on a six monthly basis to enable Member oversight	Review and update of IT strategy, Web Strategy and Customer Services Strategy. Digital Transformation Phase Two Project schedule to be reported to SLT	SK (Dec 2020) SK (Sept 2020)				
Assets								
Loss of information assets - reputational (hacking/theft), operational disruption, impact on customers		IT Strategy 2014/17 IT Security Policies Implementation of data security protocols IT Monitoring Data Protection training PSN Code of Connection compliance Regular audits of IT security arrangements Regular 3rd party data protection and integrity testing Information security and data protection training Information Risk Policy and Role Description GDPR guidance notes issued by legal. Staff have completed GDPR training. Information Asset Owners (IAO) identified and Article 30 spreadsheets complete.	Review and update of IT strategy, Web Strategy and Customer Services Strategy.	SK (Dec 2020)				

Deteriorating/ underused property assets - loss of revenue / legal liability/ increased maintenance costs/ not achieving value for money/reputational risk/capital commitment		Production and approval of the Asset Management Plan Adequate budget provision both from revenue and capital to support repair and maintenance (R&M) works and capital investment improvements Asset condition surveys Compliance policies in place and up to date Compliance works undertaken in a timely fashion Adequate staff or appropriately qualified external contractor support Procure a Strategic Development Partner to provide further capacity and to help achieve asset commercialisation agenda Production of business cases to support asset development improvements and commercialisation	Rolling asset condition surveys continue to be undertaken to ensure that the R&M schedules remain up to date and new contract let. Asset Management Plan (AMP) to be updated to reflect new Corporate Plan	RT/RG (April 2020) RG (Dec 2020)				
MACROECONOMIC *related to the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.* **Risk -** national/global recession resulting in business failure and unemployment **Effect -** increased requirement for benefits, housing, council tax support, business advice and support	4x4 =16		4x4 =16		3x4=12	SLT/OMT	←→	Amber

Local Economic position- impact on NNDR, revenue streams, higher demand for services, business failure, increased unemployment and deprivation National Economic position - central government funding challenges Global Economic position - potential negative impact on council investments resulting in reduced income		Corporate /Service Planning MTFS Treasury Management Strategy Fund Management advice from Arlingclose Economic Growth Strategy and Action Plan Development of temporary accommodation portfolio	Business survey currently being undertaken Small Business Grant and Discretionary Grant schemens completed with payments in excess of £55m made to over 5,000 customers. Operation of the Council Tax Hardship Fund.	SQ (Sept 2020) TG/LC (Jan 2021)				
STRATEGIC *key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.* **Risk -** Corporate Plan and Projects may not be delivered within agreed timescales or budget **Effect -** objectives not delivered, poor use of council financial resources	4x3=12		4x3=12		3x3=9	SLT	←→	Amber

The Council's income/expenditure challenges may put at risk some of the work streams identified in the Corporate Plan. Poor performance management leading to not knowing whether outcomes have been met. Optimisim bias in terms of timescales and or cost projections hampers or prevents project delivery.		Corporate Plan agreed by Council Feb 2020 Service planning MTFS Budget process/budget monitoring Annual review of reserves Project management framework Performance Management Framework Local Plan	Initial review of Corporate Plan undertaken post Covid 19 Updating and further developing Performance Management framework using InPhase Financial impact of Covid 19 reporting to Cabinet and O&S Emerging Local Plan Annual Governance Statement action plan 2019/20	SB (Sept 2020) SB (Sept 2020) DE (Aug 2020) PR (tbc) SLT (Dec 2020)				
			A					
ENVIRONMENTAL AND SOCIAL *related to the environmental and social impact of the Council's strategy and interests* **Risk -** Council fails to take into account changing environmental and social needs **Effect -** Strategic objectives don't reflect environmental and social issues	5x3=15		5x3=15		4x3=12	SLT	←→	Amber
Climate Change								
Inability to adapt to climate change - increased coastal erosion and flooding. Lack of Government funding - lack of ability to maintain coast defences and / or to support local coastal adaption needs.		The Pathfinder Project Shoreline Management Plan (SMP) Repairs & Maintenance Programme Procurement practices Health & Safety checking and monitoring DEFRA funding of capital schemes Coast monitoring Control of coastal management schemes through procurement and regular checking Coastal Partnership East Sandscaping agreement procured and contract signed off 10 year capital programme Corporate/service planning	Climate change forum Climate change identified as a key priority in the corporate plan	SB				

Wider environmental objectives including projects from Delivery Plan and the 'Climate, Coast and Environemnt' theme.			There are 32 actions within the Delivery Plan which suport the 'Climate, Coast and Environemnt' theme. As these are delivered they will imapct on the risk mitigation score and help to reduce the Council's overall exposure to this area. Due to the number of projects these will be bill monitored through the InPhase performance management system and will not be reported indivdually here until schems are complete.	SLT (initial review date for progress 31 March 2021)				
Non delivery of housing targets may lead to increasing homelessness, impact on NHB, vibrancy of local communities, impact on social infrastructure, loss of temporary accommodation in district, lack of social housing.		Use of capital Partnership work with Registered Providers Local Investment Plan Local Development Framework (LDF) policies Internal planning protocol Increased Focus Housing Strategy discussion document (2010) Enhance Housing Association delivery Purchase of temporary accommodation units Community Housing Fund £3m allocated within 2019/20 budget to establish a Property Company with a housing focus Homelessness & Rough Sleeping Strategy 2019/24	To re-draft Housing Delivery Strategy to address Identify alternative sources.	ND/GC (tbc)				

GOVERNANCE *related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.* **Risk -** Council acts outside established procedures or unlawfully **Effect -** risk of litigation/reputational risk to Council/poor decision making	4x4=16		4x3=12		3x3=9	SLT	↓	Amber
Ignorance or non observance of the Council's agreed governance protocols - poor or illegal decision making		Corporate/service planning MO/S151 GRAC Constitution/Standing Orders/Scheme of Delegations Report templates Member Officer Protocol Overview and Scrutiny Committee Annual Governance Statement supported by assurance framework Standards Committee Monitoring Officer Report Head of Internal Audit assurance Audit Programme Constitution Working Party	Annual Governance Statement Assurance Statements Annual Audit Report	DE/ED (Sept 2020) SLT (June 2020) FH (June 2020)				
REPUTATION *related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.* **Risk -** Council's reputation is adversely affected **Effect-** reduced public confidence	3x4=12		3x4=12		2x4=8	SLT	←→	Amber

The Council is perceived as inefficient, unresponsive to local need, not transparent resulting in a poor reputation.		Communications Strategy 2016/19 Web Strategy 2011/15 Customer Services Strategy Governance Framework	Review of Communications Strategy Review of Web Strategy Review of Customer Services Strategy	JF (Dec 2020) SK (Dec 2020) SK (Dec 2020)				
CORPORATE PROJECT RELATED RISKS *Related to individual corporate project risks*								
Sheringham Leisure Centre Potential cost overrun issues if there is a resurgence of COVID and the works have to cease again	5x4=20	Business plan signed off by Full Council Capital budget approved Sport England Funding application submitted Regular updates to O&S	3x4=12	RY	3x3=9		↓	Amber

Risk owners

AS - Alison Sayer (Resilience Manager)
DB - Debra Beckles (Procurement Officer)
DE - Duncan Ellis (Head of Finance & Assets)
ED - Emma Duncan (Head of Legal)
FH - Faye Haywood (Internal Audit Manager)
GOLD - Gold Command
JC - James Claxton (Interim Human Resources Manager)
JEC - Jenny Carroll (Chief Group Accountant)
JF - Joe Ferrari (Communications & PR Manager)
KR - Karl Read (Leisure & Locality Service Manager)
LH - Lucy Hume (Chief Technical Accountant)
ND/GC - Nicky Debbage and Graham Chapman (Joint Strategic Housing Team Leader)
OMT - Operational management Team
PR - Phillip Rowson (Head of Planning)
RG - Renata Garfoot (Estates & Asset Strategy Manager)
RY - Rob Young (Head of Economic & Community Development)
RT - Russell Tanner (Assets & Property Programme Manager)
SB - Steve Blatch (Chief Executive)
SK - Sean Kelly (Head of Business Transformation & IT)
SLT - Strategic Leadership Team

GOVERNANCE, RISK & AUDIT COMMITTEE ON 4th AUGUST 2020 - ACTIONS ARISING FROM THE MINUTES

Minute No.	Agenda item and action	Action By
7	**MONITORING OFFICER'S REPORT 2019/20**	
	RESOLVED **To note the report.**	**GRAC**
8	**COUNTER FRAUD, CORRUPTION AND BRIBERY POLICY**	
	RESOLVED **To recommend the updated Counter-Fraud, Corruption and Bribery Policy to Cabinet for approval.**	**Cabinet**
9	**REVISED INTERNAL AUDIT PLAN 2020/21**	
	RESOLVED **To note and approve:** **1. The approach to providing assurance for 2020/21 due to the Coronavirus Pandemic.** **2. The revised Strategic Internal Audit plan 2020/21-2022/23.** **3. The revised Annual Internal Audit Plan 2020/21.**	**GRAC**
10	**EGMERE PROJECT AUDIT REPORT**	
	RESOLVED **1. To receive and note the Egmere Project Audit Report.** **2. To recommend to SLT/Cabinet that consideration is given to appointing project boards at the initiation of all NNDC projects, to be chaired by a sponsor who should be the Cabinet member whose portfolio is most impacted by the outcomes of the project. Other Project Board members should be key stakeholders impacted by the changes or who have specialist knowledge that will contribute to the governance of the project. For projects with significant risk exposure this should include an independent professional person providing business case and project viability advice.**	**GRAC** **SLT/Cabinet**
11	**SHERINGHAM LEISURE CENTRE PROJECT AUDIT REPORT**	
	RESOLVED **To receive and note the Sheringham Leisure Centre Audit Report.**	**GRAC**

14	**EXCLUSION OF THE PRESS AND PUBLIC**	
	REOLVED **To exclude the press and the public.**	**GRAC**
15	**MANAGEMENT RESPONSE TO INTERNAL INVESTIGATION - DIGITAL MAIL ROOM**	
	RESOLVED **To receive and note the report.**	**GRAC**

GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2020/2021

Date/Meeting	Item	Lead Officer	Additional Comments	Cycle
16th June 2020				
	Progress report on Internal Audit Activity	Internal Auditors – Faye Haywood	Not for discussion	Quarterly
	Follow up on Internal Audit Recommendations	Internal Auditors – Faye Haywood	Not for discussion	Six Monthly
	Annual Report/Opinion & Review of the Effectiveness of Internal Audit	Internal Auditors – Faye Haywood		Annual
	Risk Management Policy/Framework & corporate risk registers	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register in relation to Covid-19	Quarterly
4th August 2020				
	Monitoring Officer's Report	Monitoring Officer – Emma Duncan		Annual
	Revised Strategic and Annual Audit Plans	Internal Auditors – Faye Haywood		Annual
	NNDC Counter Fraud, Corruption and Bribery Strategy	Internal Auditors – Faye Haywood	Due for review	3 year cycle
	Egmere Audit Report	Internal Auditors – Faye Haywood	Requested by Committee	
	Sheringham Leisure Centre Audit Report	Internal Auditors – Faye Haywood	Requested by Committee	
	Confidential Investigation – Follow-up Report	Head of IT & Digital Transformation – Sean Kelly		
29th Sept 2020				
	Draft Statement of Accounts	Chief Technical Accountant – Lucy Hume		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register	Quarterly
	Audit Results Report	External Auditors - EY	2018/19 - Delayed	Annual
	Letter of Representation	Head of Finance & Asset Management – Duncan Ellis		Annual
	Annual Governance Statement 2019/20 & Local Code of Corporate Governance	Head of Finance & Asset Management – Duncan Ellis		Annual
	Sign-off Annual Accounts	Chief Technical Accountant – Lucy Hume	2018/2019 - Delayed	Annual
8th Dec 2020				
	Final Statement of Accounts	Lucy Hume – Chief Technical Accountant		Annual TBC

	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis		Quarterly
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly TBC
	Follow Up Report on Internal Audit Recommendations	Internal Auditors – Faye Haywood	To include update on historical recommendations	Six Monthly
2021	Anti-money laundering policy	Internal Auditors – Faye Haywood		3 years – Due 2021
	Civil Contingencies Update	Resilience Manager – Alison Sayer		Annual
	EY Annual Audit Letter	External Auditors - EY		Annual

9th March 2021				
	EY External Audit Plan (with overview) Annual Grant Certification Report	External Auditors - EY		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly
	Undertake self-assessment	Internal Auditors – Faye Haywood		Annual
	Strategic and Annual Audit Plans	Internal Auditors – Faye Haywood		Annual
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register	Quarterly
	Risk Management Framework	Head of Finance & Asset Management – Duncan Ellis	To review the Council's risk management framework	Annual

To be Confirmed/Arranged				
2020	EY External Audit Plan (w/ overview) Annual Grant Certification Report	External Auditors - EY		Annual
2020	GRAC Annual Report	Committee Officer – Matt Stembrowicz		Annual TBC