

Governance, Risk and Audit Committee



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21 August 2017

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Committee Room** at the Council Offices, Holt Road, Cromer on **Tuesday 05 September 2017 at 2.00 pm**

Members of the public who wish to ask a question or speak on an agenda item are requested to arrive at least 15 minutes before the start of the meeting. It will not always be possible to accommodate requests after that time. This is to allow time for the Committee Chair to rearrange the order of items on the agenda for the convenience of members of the public. Further information on the procedure for public speaking can be obtained from Democratic Services, Tel: 01263 516047, Email: democraticservices@north-norfolk.gov.uk

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.

Emma Denny
Democratic Services Manager

To: Mr D Baker, V FitzPatrick, Ms V Gay, Mr M Knowles, Mr N Pearce, and Mr D Young

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



If you have any special requirements in order to attend this meeting, please let us know in advance

If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

Heads of Service: Nick Baker and Steve Blatch
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A G E N D A

1. TO RECEIVE APOLOGIES FOR ABSENCE

2. PUBLIC QUESTIONS

To receive public questions, if any.

3. ITEMS OF URGENT BUSINESS

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

4. DECLARATIONS OF INTEREST

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

5. MINUTES

(page 5)

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 06 June 2017.

6. 2016/17 ANNUAL GOVERNANCE REPORT (ISA260)

(page 12)

To receive the Annual Governance Report

7. 2016/17 STATEMENT OF ACCOUNTS

(page 54)
(Appendix A, page 56)

8. LETTER OF REPRESENTATION

(page 174)

To receive the Letter of Representation from the Chief Financial Officer.

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

(page 181)

To monitor progress on items requiring action from the meeting of 06 June 2017, including progress on implementation of audit recommendations

10. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

(page 182)

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

11. **PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 01 APRIL TO 01 AUGUST 2017** (page 183)

Summary: This report examines the progress made between 1 April and 1 August 2017 in relation to delivery of the Annual Internal Audit Plan for 2017/18.

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

Recommendations: It is recommended that the Committee notes the outcomes of the assurance audits completed between 1 April and 1 August 2017.

Cabinet member(s): All
Contact Officer, telephone number, and e-mail: Emma Hodds, Head of Internal Audit for North Norfolk DC 01508 533791, ehodds@s-norfolk.gov.uk
Ward(s) affected: All

12. **COUNTER-FRAUD, CORRUPTION AND BRIBERY STRATEGY AND WHISTLEBLOWING POLICY** (page 203)
(Appendix A – p206) (Appendix B – p218.) (Appendix C – p.248)

Summary: The Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy have been updated in line with best practice and relevant legislation.

Conclusions: The Committee is requested to review the updated Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy.

Recommendations: The Committee are requested to approve and agree the Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy to agree, subject to any amendments.

Reasons for Recommendations: To ensure the Council follows best practice and has the appropriate policies in place to counter fraud/

Cabinet member(s): All
Contact Officer, telephone number, and e-mail: Emma Hodds, Head of Internal Audit for North Norfolk DC 01508 533791, ehodds@s-norfolk.gov.uk
Ward(s) affected: All

13. CORPORATE RISK REGISTER

(page 270)

To receive the Corporate Risk Register

(Source: Duncan Ellis, Head of Finance & Assets, 01263 516330)

14. SCHEDULING OF FUTURE MEETINGS

To consider scheduling an additional meeting in July 2018 to review the Annual Governance Report

15. 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 _____ of Part I of Schedule 12A (as amended) to the Act.”

GOVERNANCE, RISK & AUDIT COMMITTEE

Minutes of a meeting of the Governance Risk & Audit Committee held on Tuesday 06 June 2017 in Meeting Room 3, Council Offices, Holt Road, Cromer at 2.00 pm.

Members Present:

Committee: Mr V FitzPatrick (Chairman)
Mr M Knowles
Mr D Young

Other Members: Mr D Baker

Officers in Attendance: The Head of Finance & Assets, the External Audit Manager, the Internal Audit Consortium Manager, the Head of Planning (for items 1 - 9), the Chief Technical Accountant and the Democratic Services Officer.

1. APOLOGIES

Ms V Gay, Mr N Pearce and Mr P Rice

2. PUBLIC QUESTIONS

None received.

3. ITEMS OF URGENT BUSINESS

None

4. DECLARATIONS OF INTEREST

None

5. MINUTES

The Minutes of the meeting of the Governance, Risk & Audit Committee held on 28 March 2017 were approved as a correct record and signed by the Chairman.

6. GOVERNANCE, RISK & AUDIT UPDATE AND ACTION LIST

- a) Update on the Committee for Full Council: the Chairman had begun work on an electronic presentation. He would circulate it for comments to Members and Officers by 16 June 2017.
- b) IT Hardware Asset Disposal Policy: this action was included in Agenda item 9.

7. GOVERNANCE, RISK & AUDIT COMMITTEE WORK PROGRAMME

- a) From 2018 the Statement of Accounts would be on the agenda for the June meeting. It was acknowledged that this contributed to a very full meeting, but all the reports needed to be on the Agenda.

- b) The Business Continuity Update would be recommended for removal from the Work Programme.
- c) Annual Governance Report (ISA260) 2017/2018: from 2018 this report would need to be signed off before the September meeting. It would not be ready in time for the June meeting and an extra meeting at the end of July (dedicated to the Report) was suggested by the External Audit Manager. The Committee would take a decision at the next meeting, 5 September 2017.

8. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 18 MARCH TO 07 APRIL 2017

The report examined the progress made between 18 March and 7 April 2017 in relation to delivery of the Annual Internal Audit Plan for 2016/17. Progress in relation to delivery of the internal audit plan was in line with expectations and the audit plan was now complete. A positive assurance had been awarded in the audit review finalised in this period.

Agenda items 8, 9 and 10 (Progress Report, Follow-up on Recommendations and Annual Report and Opinion) were interrelated. Item 8 covered the Business Continuity Plan audit which was now complete. Officers were now using the TEN system to ensure that the Business Continuity Plans were being put into place. The work of the Committee in the past had been valued but it was no longer necessary to have Business Continuity Updates on the Work Programme.

- a) The Chairman said that it was good to see that the Audit Plan had been completed and that it was important that the Business Continuity Plans were kept up to date.
- b) In response to a question from Mr D Young regarding removing Business Continuity from the Work Programme, the Internal Audit Consortium Manager explained that it would be subject to an audit in 2 years' time. Updates were continually reviewed by the Risk Management Board. It would also be reviewed as part of the Corporate Governance framework.

RESOLVED

- a) **To note the outcome of the assurance audit completed between 18 March and 7 April 2017 and the completion of the internal audit plan 2016/17.**
- b) **To remove Business Continuity Updates from the Governance, Risk and Audit Committee Work Programme.**

9. FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS – 01 NOVEMBER 2016 TO 31 MARCH 2017 (TO INCLUDE HISTORICAL RECOMMENDATIONS)

The report provided an overview of progress made in implementing agreed audit recommendations due for completion between 1 November 2016 and 31 March 2017. Progress in implementing current year recommendations was encouraging, with only seven reported as outstanding as at financial year end, none of which was classed as urgent. There remained a further nine outstanding recommendations which related to prior financial years which needed addressing to resolve the issues identified.

32 recommendations had been raised in the last year. This was a very low number. There had been only 1 urgent recommendation (IT Hardware Assets Disposal Policy) and this had now been addressed.

One of the outstanding Internal Audit recommendations (Historic Audit Reviews) was NN1112 (Development Management, Building Control and Land Charge). The Head of

Planning was in attendance at the meeting to answer Members' questions and a Planning Obligations Improvement Plan was included in the Agenda pack. The Head of Planning explained that the work was in 2 strands:

- a) Setting up procedures.
- b) Historic S106 agreements.

As part of Phase One, the Major Project Team had identified 92 applications with associated S106 Obligations since 01 January 2012. Recognising that it was predominantly the major sites (including allocated sites) that had associated planning obligations with multiple triggers and on/off site contributions, these had been cross referenced against recently compiled completions data, to produce a list of priorities. This process had so far identified 15 allocated sites where development had commenced. Older S106 agreements could be investigated when Phase One was completed.

Officers within the Major Projects team would review the legal agreements, capturing details of the contributions and trigger, and identify where further action was required. This work would help define the process. In the long-term the process would sit within the Combined Enforcement Team, who made regular inspections of sites for Council Tax purposes. Planning have a number of policies which impinged on contents of S106 agreements and involved other sections of the Council. The onus was on the Council to collect S106 agreement monies. Developers had a duty to notify the authority but this rarely happened. It was harder to reclaim money after a developer had left a site.

The Chairman requested that, when processes were in place, they should be subject to an early audit.

Questions and Discussion:

- a) In response to a question from Mr M Knowles regarding S106 agreements, the Head of Planning said there was no template common to other sections of the Council but there were some common clauses.
- b) The S106 work had been ongoing since 2011. For Planning, as a service, having a procedure would speed things up.
- c) The overall target was to have policies and procedures in place and regular monitoring by the Combined Enforcement Team.
- d) In response to a question regarding the shortage of Planning Officers, the Head of Planning said that this was a national situation. The last recruitment (for 5 posts) had brought only 2 new staff. Some of the Planning posts were now subject to rolling advertisements.
- e) In response to a question regarding how long was acceptable for actioning an audit recommendation, the Internal Audit Consortium Manager explained that it depended on priority. Targets were always set after conversations with managers and sometimes recommendations were re-worded to make them more relevant.

RESOLVED

To note management action taken to date regarding the delivery of audit recommendations.

10. ANNUAL REPORT AND OPINION 2016/17 & REVIEW IOF THE EFFECTIVENESS OF INTERNAL AUDIT

This report concludes on the Internal Audit Activity undertaken during 2016/17, it provided an Annual Opinion concerning the organisation's framework of governance, risk

management and control and concluded on the Effectiveness of Internal Audit and provided key information for the Annual Governance Statement (AGS). On the basis of Internal Audit work performed during 2016/17, the Head of Internal Audit was able to give a reasonable (positive) opinion on the framework of governance, risk management and control at North Norfolk District Council.

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

The 2016/17 Opinion, which had been discussed with the Section 151 Officer prior to publication, was very positive. The work undertaken by Internal Audit Services in 2016/17 had covered a wide range of services and had resulted in both assurance opinion reports being concluded and suggested improvements made through position statements. Internal Audit has issued 14 assurance reports, with 13 of these assurances being positive (substantial assurance – five reports and reasonable assurance – eight reports). The review of IT Hardware Asset Disposal concluded with a limited assurance. However the urgent recommendation raised had been appropriately addressed by management within the year, thus mitigating the associated risks.

The assessment previously reported to the Committee confirmed compliance as required by the professional standards, and the performance indicator outcomes against which the Contractor is measured had also been very encouraging.

Effectiveness of the Head of Internal Audit arrangements as measured against the CIPFA Role: CIPFA set out 5 principles to define this. Completion of the checklist confirmed full compliance with the CIPFA guidance on the Role of the Head of Internal Audit.

Questions and Discussion:

- a) In response to a question from the Chairman, the Internal Audit Consortium Manager explained that if issues were to be raised in the Opinion then this had to be evidence-based for consideration for inclusion in the Annual Governance Statement.
- b) The following areas had been "greyed out" on the Assurance Chart because:
 - Car Parking and Markets had been completed.
 - Development Management had been split into 2 separate audits.
 - Localism had been a one-off audit.

RESOLVED to

- 1. Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.**
- 2. Note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2017.**
- 3. Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2016/17.**

4. Note the conclusions of the Review of the Effectiveness of Internal Audit.

11. FEEDBACK ON CIPFA SELF-ASSESSMENT

The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees - practical guidance for local authorities and police” set out the guidance on the function and operation of audit committees. It represented CIPFA’s view of best practice which included the regular completion of a self-assessment against the checklist. Members had undertaken this exercise on 28 March 2017.

The assessment had highlighted the good performance of the Committee. The only action required was a review of the Whistleblowing Policy and Fraud Corruption Policy, with possible subsequent training for the Committee. The Internal Audit Consortium Manager tentatively hoped to bring this topic to the September meeting.

RESOLVED to

Note the checklist at Appendix 1 to the report, and the resulting action point.

12. LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2016/17

The Corporate Governance framework consisted of the systems and processes, culture and values by which an organisation was directed and controlled. For local authorities this included how a Council relates to the community it serves. The Local Code of Corporate Governance was a public statement of the ways in which the Council would achieve good corporate governance. This had been updated for the 2016/17 financial year 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 was based around the seven core principles and sub-principles of good governance. The Annual Governance Statement was prepared following a review of all the evidence available to the Council in seeking compliance with its Local Code.

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

The Head of Finance & Assets was commended for his work on the document, which had also had significant input from the Internal Audit Consortium Manager and the Chief Technical Accountant.

Four areas for improvement had been identified:

- Implementation of Internal Audit Recommendations
- Completion of the implementation of the recommendations from the high level audit review in relation to the Senior Information Risk Officer (SIRO) role. The SIRO Officer was now the Corporate Director (NB).
- Review of Partnership framework and specific partnerships identified as part of the self-assessment process, including Coastal Partnership East.
- Work in Planning following completion of the Business Process review.

Questions:

- a) Procurement: in a procurement process large questionnaires were provided for potential bidders. European procurement law specified what the questions could be. It was important, for good governance, that policies and procedures were followed as well as being in place.
- b) Council pay boundaries and failure to recruit Planning officers: NNDC was part of a national local government payscale which had to be adhered to. However "Golden Hellos" had been offered for Planning posts. Job titles could mean different things in different authorities. It was a job evaluation that determined the salary scale.

After reviewing the Statement, The Committee agreed to update paragraphs 4.2.9 and 4.2.10 on pages 73 and 74 to the following;

4.2.9 The Governance, Risk and Audit Committee met four 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 17 (15 in 2015/16) internal audit assignments were completed delivered over 179 days (170 days in 2015/16), a reasonable audit opinion was given for the year. All reviews were completed as planned in the year, with a minor amend to the scope of the Environmental Health audit agreed within year to focus on Business Continuity, with the wider review to take place in 2017/18.

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 Governance, Risk and Audit Committee. There was one urgent (priority one) recommendations raised in the year, which has been adequately addressed by management and there are no outstanding urgent recommendations at year end. Internal Audit also carry out regular reviews of the status of implementation of Internal Audit recommendations. During the year there has been a drop in the number of recommendations raised as the result of audit reviews, compared to the previous year. At 31 March 2017, of the 32 recommendations raised, there were seven recommendations outstanding - four important (priority two) and three needs attention (priority three) compared to 12 outstanding at 31 March 2016 (seven important and five needs attention). For these outstanding recommendations revised implementation dates have been agreed between Internal Audit and Officers and will be followed up during 2017/18.

RESOLVED

- 1. To approve the Annual Governance Statement along with the updated Local Code of Corporate Governance.**
- 2. To update paragraphs 4.2.9 and 4.2.10 of the Statement as detailed above.**

13. MONITORING OFFICER ANNUAL REPORT 2016/17

The Monitoring Officer's Annual Report summarised the more important matters arising from the Monitoring Officer's work for the Council from 1 April 2016 to 31 March 2017 and commented on other current issues.

RESOLVED

To receive the Monitoring Officer's Annual Report 2016/17.

14. CIVIL CONTINGENCIES UPDATE

The Internal Audit of NNDC Business Continuity processes took place on 20 March 2017. The audit had highlighted areas where recommendations had been made with the agreement of the Business Continuity Manager.

RESOLVED

To receive the report, subject to the understanding that outstanding matters had been subject to recommendations and were now up to date.

The meeting closed at 15.38 pm

Chairman

The background of the slide is a blurred photograph of an open book lying on a dark desk. The book's pages are white and slightly curved. In the background, a person is seated at a desk, and the room is lit with soft, out-of-focus lights, creating a bokeh effect.

**North Norfolk District
Council
Audit results report**

Year ended 31 March 2017



Private and Confidential

23 August 2017

Dear Audit Committee Members

We have substantially completed our audit of North Norfolk District Council (the Council) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form in Section 3, before the statutory deadline of 30 September 2017.

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 Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

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

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Mark Hodgson
Executive Director

For and on behalf of Ernst & Young LLP
United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

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

The "Terms of Appointment (updated September 2015)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

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



01 Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to your Audit Committee meeting on the 28 March 2017, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £1.07 million. We reassessed this using the actual results for the financial year, which has increased this amount to £1.075 million. The threshold for reporting audit differences has increased from £50,000 to £53,751.

The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure on services.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- ▶ Remuneration disclosures - reduced materiality level of £5,000 applied in line with bandings disclosed.
- ▶ Related party transactions, members' allowances and exit packages - reduced materiality level applied equal to the reporting threshold.

Status of the audit

We have substantially completed our audit of North Norfolk District Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items (outstanding as of 23 August 2017) we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3 - Audit Report. However until work is complete, further amendments may arise:

- ▶ Following up queries raised with officers on the Expenditure and Funding Analysis;
- ▶ Final Director and Manager review of the completed audit work;
- ▶ Review of the final version of the financial statements;
- ▶ Completion of subsequent events review; and
- ▶ Receipt of the signed accounts and management representation letter.

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

Executive summary (continued)

Audit differences

There are no unadjusted audit differences arising from our audit.

We have identified a limited number of adjustments which have been corrected by management in the revised financial statements subject to approval. These are set out in Section 4.

We also identified a limited number of minor disclosure adjustments which have also been corrected by management. The more significant of these are set out in Section 4.

Areas of audit focus

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

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 did not identify any significant risks.

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

Executive summary (continued)

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 are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the Authority falls below the £350 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. During the completion of our audit 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 and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to bring to your attention.





02 Areas of Audit Focus

Audit issues and approach: Significant risks (including fraud risks)

Risk of fraud in revenue recognition

What are our conclusions?

We have not identified any material weaknesses in the recognition of revenue.


We have not identified any instances of inappropriate judgements or estimates being applied.

What is the risk?

Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

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.

 Significant Risk

What did we do?

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

- ▶ Reviewed and tested revenue and expenditure recognition policies;
- ▶ Challenged management on the accounting estimates for depreciation, provisions, PPE valuations and accruals;
- ▶ Tested material revenue and expenditure streams;
- ▶ Reviewed and tested revenue cut-off at the period end date; and
- ▶ Tested a sample of the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital in nature.

Audit issues and approach: Significant risks (including fraud risks)

Management override

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 did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business

What is the risk?

Risk of management override

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

We identify and respond to this fraud risk on every audit engagement.

 Significant Risk

What did we do?

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

- ▶ Testing the appropriateness of journal entries recorded in the general ledger (using our data analytics tool) and other adjustments made in preparing the financial statements;
- ▶ Reviewing significant accounting estimates (e.g. valuations of property, plant and equipment and pensions) for evidence of management bias including a review of the methodology used to calculate the estimates at the year-end; and
- ▶ Evaluating the business rationale for significant unusual transactions.



Management Override - Further details on procedures / work performed

In undertaking our work on management override of controls we have considered the balances included in the Council's financial statements that are the most susceptible to judgement or estimation techniques. Due to their significance on the financial statements we have included these estimates as higher inherent risk in our audit strategy and include a separate section to report on this below. The key estimates are considered to be:

- ▶ The valuation of Property, Plant and Equipment.
- ▶ Valuation of pension liabilities.

Specifically in relation to other liabilities we consider that accruals are low risk as the majority are based on known values/invoices. As such we have focused our work on provisions.

The provisions balance in the financial statements is £0.763 million at 31 March 2017 (£0.854 million at 31 March 2016). This represents one balance being:

- ▶ **Provision for NNDR appeals** which is required to be estimated and included in the financial statements in accordance with the Code. The total provision for NNDR appeals as accounted in the Collection Fund is £1.907million at 31 March 2017, the Council's share is £0.763 million. We have reviewed the calculation and reasonableness of the provision. The Council use information provided by the Valuation Office and apply historic trends on success rates and rateable value movements. We have considered this calculation and have no matters to report.

The remainder of the Council's estimates, including bad debt provision and depreciation are considered to be low risk. No issues were noted in our work in these areas.

Audit issues and approach: Other financial statement risks

Presentation of the financial statements

What are our conclusions?

We proposed some minor disclosure amendments that management have agreed to make in the financial statements.

In particular it should be noted that the Expenditure and Funding Analysis (EFA), although positioned amongst them, is not a Primary Statement (consistent with the Code Guidance notes).

As such, an additional narrative paragraph has been added to the EFA, to reflect this.

Subject to the satisfactory clearance of the remaining audit queries, there are no other matters to report.

What is the risk?

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement, and include the introduction of a new Expenditure and Funding Analysis note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with Service Reporting Code of Practice. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

This change in the Code will require a new structure for the primary statements, new notes and full retrospective restatement of comparatives. This restatement will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

What did we do?

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

- ▶ Reviewing the expenditure and funding analysis, CIES and new disclosure notes to ensure disclosures are in line with the Code;
- ▶ Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- ▶ Agreeing restated comparatives figures to the Council's segmental analysis and supporting working papers.

Audit issues and approach: Other financial statement risks (continued)

Valuation and impairment of Fixed Assets

What are our conclusions?

We have assessed and are satisfied with the competency and objectivity of the Council's valuers, Norfolk Property Services and the District Valuation Service.

We have undertaken appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Council's fixed assets.

We have sample tested the accounting treatment of valuations made in the year.

We have not identified any issues that we need to report to you.

What is the risk?

Fixed Assets (Property, Plant and Equipment and Investment Properties) represent the largest asset value on the Council's balance sheet. Fixed Assets are initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis.

This is carried out by an expert valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.

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?

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

- ▶ We reviewed the asset valuations, their valuation basis, and the assumptions behind them. This included comparison to industry valuation trends;
- ▶ Relying on management's valuation experts. This included consideration of the work performed by the Council's valuer, including the adequacy of the scope of the work performed, professional capabilities and the results of their work; and
- ▶ Testing the accounting treatment of valuations made in the year, including the assessment and treatment of impairments.

Audit issues and approach: Other financial statement risks (continued)

Pensions accounting

What are our conclusions?

We have assessed and are satisfied with the competency and objectivity of the Council's actuary Hymans Robertson LLP. EY Pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable.

The sensitivities surrounding these assumptions have been correctly disclosed in Note 4 to the financial statements.

No issues have been identified in completing our work.

What is the risk?

The Council operates a defined benefits pension scheme. Accounting for this scheme involves significant estimation and judgement.

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

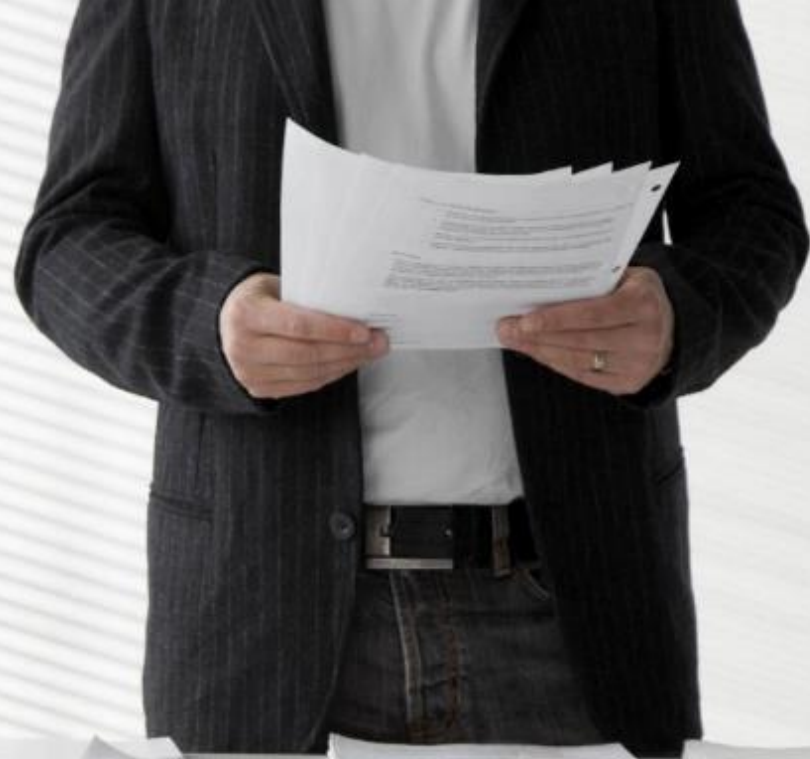
The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet. The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Norfolk Pension Fund.

As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.

What did we do?

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

- ▶ Liaising with the auditors of the Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to North Norfolk District Council;
- ▶ Assessing the conclusions drawn on the work of the Pension Fund actuary by the Consulting Actuary commissioned by Public Sector Auditor Appointments, PwC; and
- ▶ Reviewing and testing the accounting entries and disclosures made in relation to IAS19.



03 Audit Report

Draft audit report

Our opinion on the financial statements

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

Opinion on the Authority's financial statements

We have audited the financial statements of North Norfolk District Council for the year ended 31 March 2017 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 Expenditure and Funding Analysis to the Council Accounts the related notes 1 to 40 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 2016/17.

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.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the statement of the *Chief Finance Officers Responsibilities* set out on page 1, 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts 2016-2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Draft audit report (continued)

Our opinion on the financial statements

Opinion on financial statements

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 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016-2017 for the financial year for which the financial statements are prepared is consistent with 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.

Conclusion on North Norfolk District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Draft audit report (continued)

Our opinion on the financial statements

Auditor's responsibilities

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.

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 2016, 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 2017.

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.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, 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 2017.

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.



04 Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and 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 have included all known amounts greater than £53,751 relating to North Norfolk District Council in our summary of misstatements.

We highlight the following misstatements in the financial statements identified during the audit. These have been corrected by management:

- ▶ £902,000 understatement of short term debtors as a result of housing benefits debtors not being journaled into the trial balance. The adjustment required the recognition of income in the Comprehensive Income and Expenditure Statement (CIES), with a corresponding debtor raised on the Balance Sheet. Amendments were also made to the Movement in Reserves Statement, Cash Flow Statement and notes 8, 9 and 33; and
- ▶ £500,000 overstatement of short term creditors due to incorrect accounting treatment of S106 agreements that had no conditions for repayment. The adjustment required the reduction of short term creditors with the income being recognised and taken to the capital receipts reserve. Amendments were also made to the Movement in Reserves Statement, Cash Flow Statement and notes 8 and 34.

Disclosure Adjustments

We highlight the following misstatement in the disclosure notes identified during the audit. This has been corrected by management:

- ▶ The collection fund adjustment has been incorrectly split between council tax and national domestic rates (NDR) income in note 12 of the accounts. This has resulted in an overstatement of council tax income by £305,000 and an understatement of NDR by £305,000.

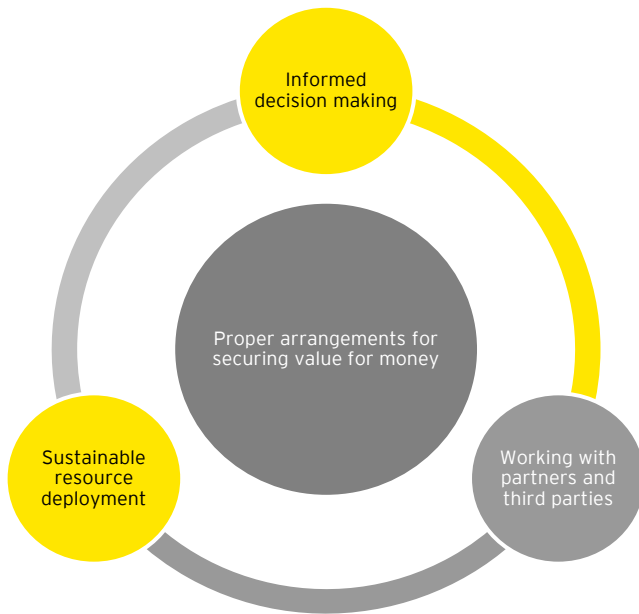
We have also identified a number of other minor text and disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you.

There are no uncorrected misstatements.



05 Value for Money

Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

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 use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:

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

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We did not identify any significant risks around these criteria.

Having completed our work, we do not have any matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



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 2016/17 with the audited financial statements.

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

We have reviewed the Annual Governance Statement and Narrative Report and can confirm they are consistent with other information from our audit of the financial statements and we have no other matters to report.

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 are specified by the National Audit Office.

The Authority falls below the £350 million threshold for a full review, so we have undertaken the limited procedures that are required. We have concluded our work in this area and have no matters to report to the Audit Committee.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did 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 Authority, 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.

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; and
- ▶ Consideration of laws and regulations.

We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have only requested standard representations. Appendix D sets out our request for these representations.

We have no other exceptions to report.



07

Assessment of Control Environment

Assessment of control environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.





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







08 Appendices

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the 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.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	March 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view of the 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 	August 2017 Audit Results Report
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ 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 	No conditions or events were identified, either individually or together to raise any doubt about North Norfolk District Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ 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 ▶ Significant corrected misstatements, in writing 	August 2017 Audit Results Report

Required communications	What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	August 2017 Audit Results Report
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We are awaiting some external confirmations in relation to cash and investments. We will provide you with an update at the Audit Committee on 5 September 2017.

Required communications	What is reported?	  When and where
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on “tipping off” ▶ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	August 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm’s general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	March 2017 - Audit Plan August 2017 - Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	March 2017 - Audit Plan August 2017 - Audit Results Report
Certification work	Summary of certification work	Certification Report

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 28 March 2017.

We complied with the APB 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 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 Audit Committee on 5 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.



We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.



Description	Expected Final fee 2016/17 £'s	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee - Code work	54,113	54,113	54,113	54,113

Accounting and regulatory update

Accounting update



Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on North Norfolk District Council 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; ▶ Financial hedge accounting; and ▶ The disclosure requirements for financial assets. <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets; ▶ Remeasure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items.
<i>IFRS 15 Revenue from Contracts with Customers</i>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ Council Tax and NDR income. <p>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.</p> <p>There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.</p>	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> ▶ Disaggregate revenue into appropriate categories; ▶ Identify relevant performance obligations and allocate income to each; and ▶ Summarise significant judgements.

Name	Summary of key measures 	Impact on North Norfolk District Council 
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>

Progress report on implementation of new standards and regulations

In previous reports to the Audit Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures 	Impact on North Norfolk District Council 
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has reviewed and amended the closedown process to achieve draft accounts production by 31 May for 2016/17.</p> <p>We will work with the Council to engage early, following the completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take, for example:</p> <ul style="list-style-type: none"> ▶ Streamlining the Statement of Accounts removing all non-material disclosure notes; ▶ Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; ▶ Providing training to departmental finance staff regarding the requirements and implications of earlier closedown; ▶ Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; ▶ Establishing and agreeing working materiality amounts with the auditors.



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Head of Finance
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NR27 9EN

18 August 2017

Ref:
Your ref:
Direct line: 01223 394547
Email: MHodgson@uk.ey.com

Dear Duncan,

**North Norfolk District Council – 2016/17 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 2017.

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 2017 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 2016/17.

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 2016/17.
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 2016/17 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. You 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. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. 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 2016/17, that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. 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.
3. That you have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, you have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements.

You have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. You have disclosed to us all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. 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: 5 September 2017.

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.

E. 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 all guarantees that you have given to third parties.

F. Subsequent Events

1. That other than described in Note 41 to the Council's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - 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.

H. Expenditure Funding Analysis

1. That you have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
2. You confirm that the financial statements reflect the operating segments reported internally to the Council.

I. Going Concern

1. That you have made us aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

J. 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).

K. Reserves

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

L. 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 2016/17.
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 2016/17.

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.

M. 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.

N. 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 2016-2017.
2. You confirm that the content contained within the other information is consistent with the financial statements.

O. 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 (currently 7 September 2017) on formal headed paper.

Yours sincerely

Mark Hodgson
Executive Director
Ernst & Young LLP
United Kingdom

2016/17 STATEMENT OF ACCOUNTS

Summary:	This report presents the Statement of Accounts for 2016/17 for review by the Governance, Risk and Audit Committee prior to recommendation to Full Council for approval. The outturn position was reported to Members in June and has been used to inform the production of the statutory annual accounts for 2016/17.
Options considered:	Not applicable.
Conclusions:	The Statement of Accounts for 2016/17 have been produced in accordance with the Code of Practice on Local authority Accounting. The draft accounts were produced by 31 May (against a deadline of 30 June) and since then have been subject to external audit review.
Recommendations:	Members are asked to consider and review the Statement of Accounts for 2016/17 and recommend their approval to Full Council.
Reasons for Recommendations:	To update Members on the Statutory Accounts position as at 31 st March 2017 and their subsequent external audit review.

2016/17 Statement of Accounts**1 Introduction**

- 1.1 In accordance with current statutory timescales the Council's draft statement of accounts must be produced by 30 June and audited and published by 30 September each year. However the timetables are being brought forward for the 2017/18 accounts to 31 May for production of the draft accounts, with final audited versions to be published by 31 July. It should however be noted that the draft statements were prepared and ready for 31 May this year in preparation for the shortening deadlines next year.
- 1.2 The Outturn report for 2016/17 was presented to Cabinet and Overview and Scrutiny in June 2017. That report provided details of the variances on the revenue account in expenditure and income compared with the updated budget and allowed for a number of underspends to be rolled forward within earmarked reserves to fund ongoing and identified commitments. The report also detailed the year end position in respect of the capital programme and the updated capital programme for 2017/18 and onwards.
- 1.3 The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) prescribes the form of the statutory accounts to be presented and published. Consequently the format is very prescriptive and areas of non compliance are reported by the External Auditors as part of their audit of the accounts (ISA 260 report also included on this agenda). Whereas the outturn report to Cabinet and Overview and Scrutiny provides information on the actual expenditure and income compared to budget, the statement of accounts shows the financial position of the Council and transactions in the year compared to the previous financial year.
- 1.4 There have been minimal changes within the accounts compared to the previous years in terms of reporting requirements. The main change in terms of the actual accounts is the introduction of the new Expenditure and Funding Analysis (EFA) note. This has been

positioned at the start of the accounts with the main financial statements as it provides a link from the figures reported in the Strategic Report to the Comprehensive Income and Expenditure Account (CIES). 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.

- 1.5 Since the production of the draft accounts they have been subject to external audit review for which the auditors report (ISA 260) is included as a separate item on this agenda.
- 1.6 As mentioned above the draft accounts were ready this year by 31 May against a deadline of 30 June. Next year the actual deadline for the production of the draft statements will be 31 May with approval and publication moving from 30 September to 31 July. This will reduce the time available for the audit of the statements from 92 days to 61 days and is something the Committee should be aware of. There has already been discussion about having next year's meeting slightly earlier or having a special meeting at the end of July just to consider the sign off of the accounts.

2 Statement of Accounts

- 2.1 A copy of the financial statements has been provided to members as an appendix to this agenda (**Appendix A**). It is an audited version and has been updated for recommendations made by the auditors. The final external audit review process is yet to be finalised and whilst there are not expected to be any significant changes to the accounts now presented, any changes to the statements and notes will be reported verbally at the meeting.
- 2.2. The main focus of Members should be on the financial statements i.e.:
 - i) The Expenditure and Funding Analysis (EFA)
 - ii) Comprehensive Income and Expenditure Account
 - iii) The Movement in Reserves Statement
 - iv) Balance Sheet
 - v) Cash Flow Statement
 - vi) Collection Fund
- 2.3. Each of the statements are supported by a number of notes to the accounts. Other key areas to consider at the end of the financial year are the level of reserves, both earmarked and general balances. All balances will be reviewed as part of the update to the revised Medium Term Financial Plan.

3 Conclusion

- 3.1 The Final version of the Statement of Accounts for 2016/17 is presented to the Governance, Risk and Audit Committee for review prior to recommendation to Full Council for approval. The statements have been produced based on the information contained in the outturn report for 2016/17 as reported in June 2017 or where estimates have been replaced by actuals and in accordance with statutory guidance.

4 Sustainability – None as a direct consequence from this report.

5 Equality and Diversity – None as a direct consequence from this report.

6 Section 17 Crime and Disorder considerations – None as a direct consequence from this report.

Statement of Accounts



2016/2017

1. Introduction

1.1 The Statement of Accounts for 2016/17 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. This narrative statement aims to provide an introduction to the accounts for the reader and includes the following:

- An outline of the main financial statements included within the accounts;
- A commentary on the financial outturn position compared to the budget;
- An overview of the Authority's financial performance and economy, efficiency and effectiveness in its use of resources over the 2016/17 financial year;

2. Statements Included in the Accounts

2.1 The accounts consist of the following main statements:

- **Expenditure and Funding Analysis** – this is new and has come about as a result of the *Telling the Story* review of the presentation of local authority financial statements. The Expenditure and Funding Analysis 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 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** – 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** – 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** – 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

NARRATIVE STATEMENT

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** - summarises all flows of cash arising from transactions with third parties for revenue and capital purposes. The 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 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** – As a billing authority North Norfolk District Council (NNDC) 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 NNDC (which includes the local precepts for Parish and Town Councils). There will be a debtor or creditor position between the billing authority (NNDC), Central Government and the major preceptors (NCC & OPCCN) to be recognised at the end of each year. This is because the amounts paid out of the Collection Fund during the years will not exactly match the cash collected in Council Tax and NNDR.
- **Notes to the Accounts** – The accounts are supported by various notes to the main statements which provide additional information to that contained in the core statements themselves.

3. Our District

- 3.1 North Norfolk District consists of 99,144 hectares of beautiful countryside and 73km of coastline. With a range of active village communities and seven busy market towns 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 104,000 in 2017 to 106,000 by 2020 and the number of resident households is projected to grow to from 48,000 to 50,000 over the same timeframe.

3.3 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 (1.1 persons per hectare compared to 4.1 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.

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

4. Corporate Plan and Priorities

4.1 The Council 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 Council will do to meet the needs and aspirations of residents and businesses. The plan sets out the Council'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 council more efficient so that we can both deliver our priorities and offer value for money for local taxpayers.

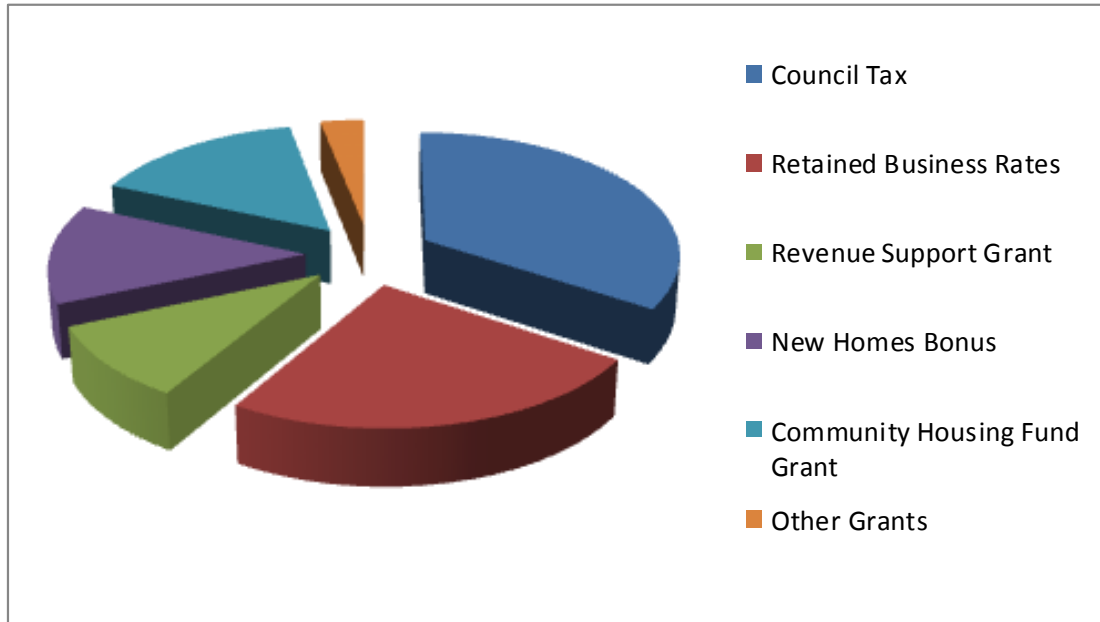
4.2 The priorities define the medium term goals of the Council and as such remain relatively constant from year to year, but the actions associated with them are set annually for each financial year.

5. Revenue Activity

5.1 The following commentary and visuals seek to provide an overview of the resources available to the Authority during the year along with the outturn position compared to the budget.

5.2 The following shows how the revenue activity was financed during the year, showing that approximately a third of the net funding is from external sources, i.e. revenue support grant and new homes bonus and two thirds from council tax and locally retained business rates. This position is shown net of fees and charges service income.

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Revenue Financing

	2016/17	
	Actual	
	£	
Council Tax	(5,473,605)	34.3%
Retained Business Rates	(3,904,859)	24.4%
Revenue Support Grant	(1,575,147)	9.9%
New Homes Bonus	(2,092,049)	13.1%
Community Housing Fund Grant (New)	(2,436,942)	15.3%
Other Grants	(496,620)	3.1%
	<u>(15,979,222)</u>	

NARRATIVE STATEMENT

5.3 The actual spend in the year is summarised in the following section.

6. Financial Performance 2016/17 – Against Budget

6.1 The 2016/17 budget was approved and set by Full Council in February 2016. 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).

6.2 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 2017/18.

Table 1 - 2016/17 Subjective Analysis	2016/17 Updated Budget	2016/17 Actuals	Variance	
	£	£	£	%
Employee Costs	10,251,159	10,288,568	37,409	0.36
Premises	2,559,872	2,882,477	322,605	12.60
Transport Related Expenditure	298,801	279,331	(19,470)	(6.52)
Supplies & Services	9,545,989	9,800,407	254,418	2.67
Transfer Payments	28,520,045	26,944,501	(1,575,544)	(5.52)
Support Services - Charges In	9,085,250	9,665,443	580,193	6.39
Support Services - Charges Out	(9,271,274)	(9,798,782)	(527,508)	5.69
Capital Financing Costs	2,343,944	1,565,933	(778,011)	(33.19)
Income	(38,492,697)	(39,427,581)	(934,884)	2.43
Total cost of services	14,841,089	12,200,298	(2,640,792)	(17.79)

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6.3 The reasons for some of the more significant movements included in the summary above is as follows:

- **Employee Costs** – The budget assumes 2% turnover for employee costs per annum. A higher level of turnover saving has been achieved in the year and this is largely due to a number of vacant posts within services and the management restructure undertaken during the year , although some of these underspends have been offset by overtime and new appointment advertising costs which are not normally budgeted for separately.
- **Premises** – The significant variances under this heading include works undertaken following the storm surge in January 2017, it is anticipated that a large proportion of these will be recovered through insurance claims. Reactive repairs and maintenance works to the Council's property assets also account for a proportion of the variance.
- **Supplies and Services** – The significant movements against the budgets for supplies and services include movement in the provision for bad and doubtful debts which is not budgeted for at service level and external printing and stationary costs relating to elections.
- **Capital Financing Costs** – The variance reflects the timing of capital programme schemes that were budgeted to be funded from the Capital Projects Reserve. This includes slippage in the Housing Capital Programme.
- **Income** – The most significant income variances for the year are due to additional VAT shelter income, car parking fee income, and benefits subsidy income, the latter is matched by benefits payments included under the transfer payments heading, along with variances in respect of planning income.

6.4 At a service level the following provides some commentary on the more significant year end variances compared to the budget that are reported in the 2016/17 accounts;

- **Car Parking** – An overall saving of £99k against the budget was achieved in the year. This was mainly due to additional income from pay and display fees above the level budgeted and savings from the management contract, partly offset by additional repairs and maintenance expenditure.
- **Housing Strategy** - Additional VAT shelter receipts of £143k compared to the budget was received in the year and has been transferred to the Capital Projects Reserve.
- **Community and Localism** – The service reported a year end underspend of £166k which included some uncommitted and unclaimed Big Society fund grants. Where grant conditions have remained unmet at the year end the grant remains unclaimed although the amounts will be carried forward in an earmarked reserve. There are also a number of grants received in the year for which expenditure has not yet been incurred.
- **Benefits Administration** – Within the service there was a higher level of staff turnover in the year than budgeted and additional Benefits Administration grant was received from Department for Works and Pensions (DWP) in excess of the level budgeted . Overall the service contributed a net underspend of £209k for the year.

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- **Reprographics** – a budget saving of £59k was delivered as a result of staff turnover and lower operating lease rentals as a result of successful printer contract negotiations.
- **Legal Services** – savings of £105k were achieved, mainly through legal income being higher than anticipated due to additional contract work and also some savings relating to a vacant post.
- **Waste Collection and Disposal** – The service achieved an overall underspend of £94k in the year. There were additional contract costs experienced including trade waste vehicle costs, additional garden waste treatment costs and changes to NEWS gate fees and contamination costs. However these additional costs have been offset by additional income received from bulky, garden and trade waste collections. Additional income was also received from recycling credits.
- **Property Services and Assets** - there were a number of unfavourable variances in relation to expenditure on the Council's assets in respect of repairs and maintenance and also reductions in rental income due to turnover, vacancies and the impact of coastal works on some tenants totalling £200k.
- **Finance** – The savings within this service area relate to vacant posts. The Chief Technical Accountant role was vacant for 2016/17 and in October the previous Head of Finance left and following a review a new structure was agreed and delivered additional staffing savings totalling £106k for the year.
- **Development Management** – there has been an unfavourable variance in this service area of £124k due to planning fee income being lower than anticipated, mainly due to a lower number of large fee applications being received. This has been partially offset by more income being received from chargeable advice.

Business Rates Retention

- 6.5 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 £498k. This sum is made up from an increase in the levy payable to Norfolk County Council of (£28k), additional income from renewable energy schemes of £388k and an increased amount receivable in respect of reliefs funded by central government using Section 31 grants of £138k.
- 6.6 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 £558,488 but this has increased by £28,210 to £586,698 at Outturn. The increase is due to a higher business rate income figure (after reliefs) than was anticipated when the NNDR1 Return was completed.
- 6.7 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

NARRATIVE STATEMENT

year. The actual income receivable in 2015/16 from renewable energy schemes was £388,579 above the NNDR1 figure for that year of £199,200, and this additional income will be included in the 2016/17 Outturn.

- 6.8 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 £137,918 in grant received.
- 6.9 The business rate income is paid into the Collection Fund and then distributed to Central Government, the County Council and NNDC in accordance with the proportionate shares set out in the Scheme. The distribution is based on the NNDR1 return and any variances at Outturn will produce a surplus or deficit on the Collection Fund which is then distributed in the following year. A deficit on the Collection Fund had been anticipated for 2016/17 and a significant Provision is required in the Accounts to cover expected appeals against the rateable values of purpose built Health Centres and to mitigate against appeals following the rateable value revaluation exercise the results of which came into effect from April 2017.
- 6.10 The Authority's share of the anticipated deficit on the Collection Fund for 2016/17 at the time of completing the 2017/18 NNDR1 was £193,224. The final outturn position was a deficit of £249,575.

7. Treasury Management and Economic Climate

- 7.1 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 0.86% lower than budget. The capital loans to a Housing Association were not made and this contributed to the lower rate of return for the year. These loans are now anticipated to be made in 2017/18. Once again the return from the Local Authorities Mutual Investment Trust (LAMIT) pooled property fund produced an excellent income return for the Authority earning 5.87%. The income budget for 2016/17 anticipated £604,800 would be earned in interest from an average balance of £25.2m at a rate of 2.4%. A total of £546,776 was earned from investments over the year from an average balance of £35.6m at an average rate of interest of 1.54%. This resulted in an adverse variance against the budget of £58,024 in respect of investment income
- 7.2 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.
- 7.3 The Authority remained free of long term debt at 31 March 2017. There are currently no plans to undertake any new long-term borrowing and any short-term cash shortfall can easily be covered as short-term borrowing for cash flow purposes is readily available on the money markets.

8. Capital

- 8.1 Capital expenditure in the year amounted to £3.21 million (£4.732 million 2015/16) and was incurred against the following areas:

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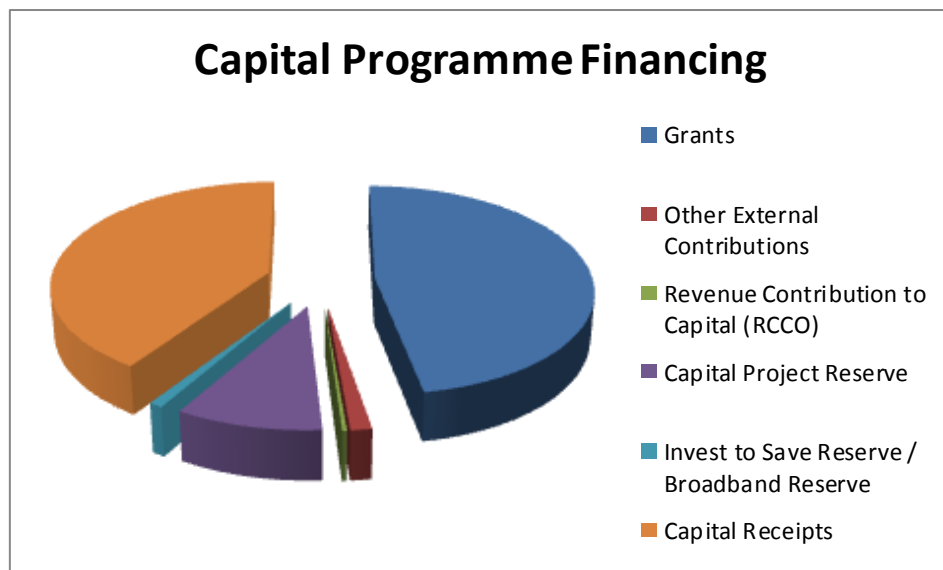
Capital Activity Summary 2016/17 Outturn	2016/17 Base Budget	2016/17 Updated Base Budget	2016/17 Outturn	Variance to Updated Budget
	£	£	£	£
Jobs and the Local Economy	1,562,190	1,562,190	271,654	1,290,536
Housing and Infrastructure	3,193,695	3,193,695	1,178,865	2,014,830
Coast, Countryside and Built Heritage	2,089,658	2,089,658	1,324,883	764,775
Health and Wellbeing	191,430	191,430	110,122	81,308
Service Excellence	719,950	719,950	325,001	394,949
Totals	7,756,923	7,756,923	3,210,525	4,546,398

8.2 The main areas of capital expenditure in the year included the following:

- **Housing and Infrastructure**
 - Payment of Disabled Facilities Grants - £852,912;
 - Grant payment to Housing Association - £100,909;
 - Temporary accommodation for homeless households - £169,950;
- **Coast, Countryside and Built Heritage**
 - Cromer Pier and West Prom Refurbishment Scheme - £483,535;
 - Works on the Cromer Coastal Protection Scheme - £443,957;
 - Sheringham West Prom - £137,302;

8.3 The financing of the capital programme is illustrated below, of the total financing of £3.21 million, £1.56million, equating to 49% (£2.822 million or 60 % 2015/16) was financed externally from grants and contributions, with the balance of £1.65million (£1.909 2015/16) coming from NNDC internal resources.

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Capital Programme Financing	2016/17 Outturn £	%
Grants	1,516,730	47.2%
Other External Contributions	44,762	1.4%
Revenue Contribution to Capital (RCCO)	10,027	0.3%
Capital Project Reserve	304,816	9.5%
Invest to Save Reserve / Broadband Reserve	29,000	0.9%
Capital Receipts	1,305,190	40.7%
TOTAL FINANCING	3,210,525	

NARRATIVE STATEMENT

9. Reserves and Balances

- 9.1 The Authority holds a general reserve for which the recommended balance is currently £1.85 million. The general reserve balance at 31 March 2017 is £2.332 million.
- 9.2 The purpose of holding a general reserve is to provide a working balance to help cushion the impact of uneven cash flows to avoid temporary borrowing and to provide a contingency to help cushion the impact of unexpected events or emergencies. Each year alongside approval of the budget Members approve the policy framework for the earmarked reserves and assessment of the optimum level of general reserve. The optimum level of the general reserve 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.
- 9.3 In addition to the general reserve the Authority holds a number of earmarked reserves that are held to meet known or predicted liabilities. The earmarked 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.
- 9.4 There are a number of earmarked reserves that have balances, yet the timing of the use of the reserve is yet to be agreed. One of these reserves is the New Homes Bonus which includes allocation from previous grants. Some of the unallocated balance will be used to fund one-off costs in respect of the Local Plan review, the year-end balance on this reserve was £1.8m. The Authority holds a 'Restructuring and Invest to Save Reserve', which the balance at 31 March 2017 was £2.4m. 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. The Authority was also successful in attracting a grant allocation of £2.4m in December 2016 in respect of the Community Housing Fund. This has been established to help deliver affordable housing in areas impacted by high levels of second home ownership and is being held in a reserve until the spending plans are developed.

NARRATIVE STATEMENT

9.5 The following table provides a summary of the more significant reserves, more detail can be found at note 9 on pages 37-40 of the accounts.

	Balance at 31 March 2017 £000
General Reserve	2,332
Capital Projects	2,314
Benefits Subsidy	1,429
Broadband	1,000
Business Rates	2,526
Housing	2,521
Communities	1,198
New Homes Bonus	1,834
Restructuring and Invest to Save Reserve	2,435
Other Earmarked Reserves	3,883
Total	21,472

10. Future Financial Outlook and Risks

10.1 The budget for 2017/18 was approved in February 2017. At the same time financial projections for the following three years to 2020/21 were also reported. The budget for 2017/18 includes new savings and additional income totalling £558k for 2017/18 which are expected to increase to £805k in 2018/19 and £858k by 2020/21. Some of these savings have started to accrue in 2016/17 which has contributed to the underspend now being reported in the year.

NARRATIVE STATEMENT

10.2 The forward financial projections from 2018/19 onwards make assumptions around the future funding from government support 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			
	2018/19	2019/20	2020/21
	£000	£000	£000
Current Funding Gap/(surplus) ¹	(55)	716	1,260

10.3 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 2017/18 as part of the Financial Strategy update to enable early preparation for the 2018/19 budget process.

10.4 There are a number of financial risks that continue to face Local Authorities in terms of funding, for example the 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;
- **New Homes Bonus** – Following the results of the consultation undertaken as expected the scheme will now reduce from six to four years over the next 2 years along with the introduction of the new national baseline for housing growth of 0.4% which will further reduce allocations. Some of this risk is however mitigated by the earmarked reserve which can be used to smooth the impact of movements in funding from the level assumed.
- **Business Rates** – The risk of funding fluctuations from business rates and the impact of appeals only exacerbates this risk, again this is mitigate at a local level by the earmarked reserve. A further risk in relation to business rates retention system is the review that will see changes to the system albeit keeping the impact fiscally neutral in that the amount of income collected through business rates will remain the same, however due to the significant proportion of small business hereditaments within the district, depending on the outcome of the review this could have a negative impact on the districts share of the income.
- **Savings** – the delivery of savings as currently factored into budgets and projections.
- **Income** – Income from a number of demand led services remains a financial risk that cannot be fully influenced by the Council.
- **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

¹ As reported in the 2016/17 Budget Report, February 2016 after updating for the approvals to car parking charges.

NARRATIVE STATEMENT

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 £30million 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.

11. Retirement Benefits Disclosure

International Accounting Standard “Employee Benefits” (IAS 19) has been fully incorporated into the *Chartered Institute Public Finance and Accountancy (CIPFA) Local Authority Accounting Statement of Recommended Practice*. The disclosures required for the financial year ending 31 March 2017 are on pages 53 to 59 and show a Net Pension Liability of £42,068,000 as at 31 March 2017 (£30,828,000 at 31 March 2016).

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. Annual Governance Statement

The Annual Governance Statement is a statutory document which explains the processes and procedures in place to enable the council to carry out its functions effectively, this is supported by the Council’s Local Code of Corporate Governance. A full copy of both the Statement and the Code is available on the Councils website and can be accessed by following the link below.

<https://www.north-norfolk.gov.uk/media/3271/annual-governance-statement-2016-to-2017-final.pdf>

13. Further Information

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

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STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

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

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 2017.



Dated: 28th July 2017

Duncan Ellis BSc Hons CPFA, Head of Finance and Assets (Chief Finance Officer)

**THE
FINANCIAL STATEMENTS
2016/17**

THE DRAFT FINANCIAL STATEMENTS 2016/17

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 Strategic Report to the CIES below. 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.

2015/16			2016/17		
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
427	22	449	303	35	338
1,709	245	1,954	1,904	180	2,084
583	29	612	615	13	628
2,213	(679)	1,534	1,905	871	2,776
3,023	266	3,289	3,005	(223)	2,782
2,895	(110)	2,785	1,337	123	1,460
1,235	117	1,352	1,831	(14)	1,817
12,085	(110)	11,975	10,900	985	11,885
		Cost of Services			
1,762	(1,138)	624	1,888	(2,169)	(281)
(475)	1,251	776	(283)	1,074	791
(15,006)	(2,217)	(17,223)	(17,867)	(985)	(18,852)
(13,719)	(2,104)	(15,823)	(16,262)	(2,080)	(18,342)
		Other Income & Expenditure			
(1,634)	(2,214)	(3,848)	(5,362)	(1,095)	(6,457)
		(Surplus) or Deficit on Provision of Services			
14,476		Opening General Fund Balance	16,110		
1,634		Plus Surplus on General Fund in year	5,362		
16,110		Closing General Fund Balance at 31 March 2017	21,472		

THE DRAFT FINANCIAL STATEMENTS 2016/17

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.

2015/16 Restated				2016/17			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
698	(249)	449	CLT / Corporate		836	(498)	338
3,084	(1,130)	1,954	Customer Services & ICT		3,184	(1,100)	2,084
613	(1)	612	Legal & Democratic Services		628	0	628
5,422	(3,888)	1,534	Community, Economic Development and Coast		6,911	(4,135)	2,776
6,475	(3,186)	3,289	Environmental Health		6,106	(3,324)	2,782
31,177	(28,392)	2,785	Finance & Assets		29,868	(28,408)	1,460
3,118	(1,766)	1,352	Planning		3,210	(1,393)	1,817
50,587	(38,612)	11,975	Cost of Services		50,743	(38,858)	11,885
		624	Other Operating Expenditure	10			(281)
1,296	(520)	776	Financing and Investment Income and Expenditure	11	1,359	(568)	791
		(17,223)	Taxation and Non-Specific Grant Income	12			(18,852)
		(3,848)	(Surplus) or Deficit on Provision of Services	7			(6,457)
		(158)	(Surplus) or Deficit on revaluation of Plant, Property and Equipment Assets	14			(1,722)
		(299)	(Surplus) or Deficit on revaluation of Available for Sale Financial Assets				65
		(9,556)	Actuarial (gains)/losses on pension assets/liabilities				10,365
		(10,013)	Other Comprehensive Income and Expenditure				8,708
		(13,861)	Total Comprehensive Income and Expenditure				2,251

THE DRAFT FINANCIAL STATEMENTS 2016/17

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 2017 as shown in the MIRS agrees to the balance sheet value of £41.418 million

2015/16 Figures Restated	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 2015		14,476	6,094	0	20,570	10,639	31,210
Movement in Reserves during 2015/16							
Total Comprehensive Income and Expenditure		3,848	0	0	3,848	10,013	13,861
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	(2,214)	459	0	(1,755)	1,755	0
Increase or (decrease) in 2015/16		1,634	459	0	2,093	11,768	13,861
Balance at 31 March 2016 carried Forward		16,110	6,553	0	22,663	22,407	45,071
Movement in Reserves during 2016/17							
Total Comprehensive Income and Expenditure		6,457	0	0	6,457	(8,708)	(2,251)
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	(1,095)	895	0	(200)	200	0
Increase or (decrease) in 2016/17		5,362	895	0	6,257	(8,508)	(2,251)
Balance at 31 March 2017 Carried Forward		21,472	7,448	0	28,920	13,899	42,820

THE DRAFT FINANCIAL STATEMENTS 2016/17

Balance Sheet as at 31 March 2017

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 2016		31 March 2017
£000	Note	£000
51,931 Property, Plant and Equipment	30	53,228
1,060 Investment Property	27	515
173 Intangible Assets	28	294
18,617 Long Term Investments	39	25,975
32 Long Term Debtors	39	19
71,813 Long Term Assets		80,030
7,612 Short Term Investments	39	1,687
38 Inventories		26
2,756 Short Term Debtors	33	2,458
4,632 Cash and Cash Equivalents	18	9,909
390 Assets held for sale	32	1,680
15,428 Current Assets		15,761
(826) Bank Overdraft	18	(150)
(8,347) Short Term Creditors	34	(8,951)
(627) Capital Grants Receipts in Advance	38	(684)
(854) Short Term Provisions	35	(763)
(10,655) Current Liabilities		(10,548)
(31,516) Other Long Term Liabilities	24/39	(42,423)
(31,516) Long term Liabilities		(42,423)
45,071 Net Assets		42,820

THE DRAFT FINANCIAL STATEMENTS 2016/17

31 March 2016 £000	Note	31 March 2017 £000
Usable Reserves:		
2,598 General Fund Balance		2,332
13,512 Earmarked Reserves	9	19,141
6,554 Capital Receipts Reserve		7,448
22,664 Total Usable Reserves		28,920
Unusable Reserves:		
16,063 Revaluation Reserve	14 14(a)	17,612
1,398 Available for Sale Financial Instruments Reserve	14(b)	1,333
36,296 Capital Adjustment Account	14(c)	37,219
(30,828) Pensions Reserve	14(d)	(42,068)
(287) Collection Fund Adjustment Account	14(e)	33
(234) Accumulated Compensated Absences Adjustment Account	14(f)	(230)
22,408 Total Unusable Reserves		13,899
45,071 Total Reserves		42,820

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 2017. The notes on pages 9 to 90 form part of the financial statements. These financial statements replace the unaudited financial statements signed by the head of Finance and Assets on 31st May 2017.

Dated: 28th July 2017



Duncan Ellis BSc Hons CPFA, Head of Finance and Assets

THE DRAFT FINANCIAL STATEMENTS 2016/17

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 2016 £000	Note	31 March 2017 £000
3,848	7	6,457
8,992	15	2,697
(1,282)	15	(6,707)
11,558		2,447
Net Cash Flows generated from (used in) Operating Activities		
(11,631)	16	4,751
(724)	17	(1,244)
(797)		5,954
Net Increase or (Decrease) in Cash and Cash Equivalents		
4,603	18	3,806
3,806	18	9,760
		4,603

NOTES TO THE ACCOUNTS

1. Accounting Policies

A General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17 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 should be prepared on a going concern basis, this is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of the operation.

The accounting policies detailed below have been consistently applied within the financial statements.

B Accruals of Income and Expenditure

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

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

NOTES TO THE ACCOUNTS

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

C Cash and Cash Equivalents

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

D Changes in Accounting Policies and Estimates and Errors

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

E Charges to Revenue for Non-Current Assets

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

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

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

F Employee Benefits

Benefits Payable during Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees 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

NOTES TO THE ACCOUNTS

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. It is contracted out of the State Second Pension:

- 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 2.6% (3.5% in 2015/16). This rate is based on a corporate yield curve based on the constituents of the iBoxx Sterling Corporates AA index and using the UBS delta curve fitting methodology. In line with the adoption of IAS 19 – Employee Benefits, an individual discount rate is calculated for each employer, based on their own weighted average duration category. The weighted average duration is used to identify the appropriate category for each employer as shown in the table below:-

NOTES TO THE ACCOUNTS

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

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

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

NOTES TO THE ACCOUNTS

Discretionary Benefits

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

G Events after the Balance Sheet Date

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

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

I Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument. For the short term borrowing that the Authority has, the amount presented in the Balance Sheet is the outstanding principal payable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure statement is the amount payable for the year. Other financial liabilities are trade payables. These are carried on the Balance Sheet at their fair value which is taken to be the invoiced amount and no instruments are held at amortised cost

NOTES TO THE ACCOUNTS

J Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. If it is appropriate, they are then measured at their amortised cost (if, for example, the Authority incurred significant transaction costs which need to be written-off or an investment was bought for other than its par value). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income, and Expenditure Statement is the amount receivable for the year under the terms of the loan.

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.

Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Assets are maintained in the Balance Sheet at fair value based on the quoted market price. Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement.

NOTES TO THE ACCOUNTS

It is the Authority's policy to hold these assets until maturity at which time the fair value of the asset will be equal to the nominal value. If the asset were to be sold prior to maturity, any gain or loss would be recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

NOTES TO THE ACCOUNTS

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 coast protection materials and stationery 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.

NOTES TO THE ACCOUNTS

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.

The Authority as Lessor

Finance Leases

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

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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, 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.

NOTES TO THE ACCOUNTS

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 probably;
- actively marketed;

NOTES TO THE ACCOUNTS

- expected to be sold within 12 months.

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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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

NOTES TO THE ACCOUNTS

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.

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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

NOTES TO THE ACCOUNTS

asset or liability, assuming that market participants act in their economic best interest. This would take into account the market 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 2016/17 has introduced the following changes in accounting policy, which will need to be adopted fully by the Authority in the 2017/18 financial statements from 1 April 2017 :

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- *Annual Improvements to IFRSs 2010–2012 Cycle*
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- *Annual Improvements to IFRSs 2012–2014 Cycle*
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Fund Account and the Net Assets Statement.

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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 appeals- are estimates made for the expected loss of income as a result of successful appeals based on currently outstanding appeals

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 2017 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.

NOTES TO THE ACCOUNTS

<p>Fair Value Measurements</p>	<p>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.</p>	<p>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.</p> <p>The inputs to this latter technique constitute Level 2 inputs, which are observable for the asset either directly or indirectly. If there were to be significant unobservable inputs, this could result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>
<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are employed by the pension schemes administrators to provide expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension's 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 £10,275m.</p> <ul style="list-style-type: none"> (i) A one year increase in member life expectancy would result in an increase of approximately 3 to 5% in the pension liability. In practice, the actual cost will depend on the structure of the revised assumption (ie 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 £1.530m. (iii) If pensions payable were to increase by 0.5% more than anticipated, the pension liability would increase by 8%, approximating to £8,597m.

5. Events after the Balance Sheet Date

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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There have been no unadjusted events after the balance sheet date.

NOTES TO THE ACCOUNTS

6. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2016-17				
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	6	22	35
Customer Services & ICT	156	15	9	180
Legal & Democratic Services	3	3	7	13
Community, Economic Development and Coast	882	6	(16)	872
Environmental Health	(234)	9	1	(224)
Finance & Assets	381	(249)	(9)	123
Planning	(5)	10	(19)	(14)
Net cost of services	1,190	(200)	(5)	985
Other Operating Expenditure	(2,169)	0	0	(2,169)
Financing and Investment Income and Expenditure	0	1,074	0	1,074
Taxation and Non-Specific Grant Income	(665)	0	(320)	(985)
Other Income & Expenditure from the Expenditure and Funding Analysis	(2,834)	1,074	(320)	(2,080)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,644)	874	(325)	(1,095)

NOTES TO THE ACCOUNTS

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

Adjustments between Funding and Accounting Basis 2015-16				
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	(32)	52	2	22
Customer Services & ICT	135	102	8	245
Legal & Democratic Services	3	23	3	29
Community, Economic Development and Coast	(742)	63	0	(679)
Environmental Health	200	58	8	266
Finance & Assets	139	(255)	6	(110)
Planning	25	78	14	117
Net cost of services	(272)	121	41	(110)
Other Income & Expenditure from the Expenditure and Funding Analysis	(3,241)	1,251	(114)	(2,104)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(3,513)	1,372	(73)	(2,214)

NOTES TO THE ACCOUNTS

1) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for;

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

2) Net Change in Pensions Adjustments

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

- **For services** this represents the removal of the employer 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 NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the code. This timing difference as any difference will be brought forward in future surpluses and deficits on the Collection Fund.

NOTES TO THE ACCOUNTS

7. Expenditure and Income Analysed by Nature

EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/ Income	2015/16 £000	2016/17 £000
Expenditure		
Employee Benefits expenses	11,367	11,359
Other Services Expenses	39,262	39,464
Support Service Recharges	9,591	10,333
Depreciation, amortisation, impairment, DRF	1,734	1,910
Interest payments	97	72
Precepts and Levies	1,761	1,888
Gain on the disposal of assets	(1,137)	(2,169)
Total Expenditure	62,675	62,857
Income		
Fees, Charges and other service income	19,911	21,793
Interest and Investment Income	520	568
Income from Council tax, non-domestic rates, district rate income	17,223	18,852
Government Grants and Contributions	28,869	28,101
Total Income	66,523	69,314
Surplus or Deficit on the Provision of Services	(3,848)	(6,457)

NOTES TO THE ACCOUNTS

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

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

2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	757	0	0	(757)
Revaluation losses on Property, Plant and Equipment	603	0	0	(603)
Movements in the market value of Investment Properties	211	0	0	(211)
Amortisation of intangible assets	63	0	0	(63)
Capital Grants and Contributions that have been applied to capital financing	(664)	0	0	664
Revenue Expenditure Funded from Capital Under Statute	209	0	0	(209)
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	(2,169)	0	0	2,169
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(311)	0	0	311
Capital expenditure charged against the General Fund	(344)	0	0	344

NOTES TO THE ACCOUNTS

2016/17	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Receipts Reserve				
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	2,200	0	(2,200)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,305)	0	1,305
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	2,887	0	0	(2,887)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,012)	0	0	2,012
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	(320)	0	0	320
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	(5)	0	0	5
Total Adjustments	(1,095)	895	0	(200)

NOTES TO THE ACCOUNTS

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	(870)	0	0	870
Revaluation losses on Property, Plant and Equipment	1,277	0	0	(1,277)
Movements in the market value of Investment Properties	(52)	0	0	52
Amortisation of intangible assets	73	0	0	(73)
Capital Grants and Contributions that have been applied to capital financing	(2,103)	0	0	2,103
Revenue Expenditure Funded from Capital Under Statute	600	0	0	(600)
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	(1,138)	0	0	1,138
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(330)	0	0	330
Capital expenditure charged against the General Fund	(970)	0	0	970

NOTES TO THE ACCOUNTS

2015/16	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	1,399	0	(1,399)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(939)	0	939
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	3,236	0	0	(3,236)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,864)	0	0	1,864
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	(114)	0	0	114
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	41	0	0	(41)
Total Adjustments	(2,214)	459	0	1,755

NOTES TO THE ACCOUNTS

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

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

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

NOTES TO THE ACCOUNTS

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

This sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

	Balance at 1 April 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
Asset Management	61	(14)	108	155	(64)	410	501
Benefits	722	(185)	21	558	(31)	902	1,429
Broadband	1,000	0	0	1,000	0	0	1,000
Building Control	121	0	25	146	0	26	172
Business Rate Retention	1,579	(188)	635	2,026	0	500	2,526
Capital Projects Reserve	2,676	(721)	380	2,335	(316)	295	2,314
Coast Protection	237	(84)	20	173	0	29	202
Common Training	27	0	21	48	0	0	48
Communities	787	(10)	256	1,033	0	165	1,198
Economic Development & Regeneration	117	(25)	24	116	0	17	133
Election Reserve	90	(120)	43	13	0	30	43
Enforcement Board	147	(36)	0	111	(37)	30	104
Environmental Health	41	(5)	164	200	0	79	279
Grants	328	(64)	147	411	(40)	68	439
Grassed Area Deposits	349	0	0	349	0	0	349
Housing	102	(26)	0	76	0	2,445	2,521
Land Charges	89	0	127	216	0	17	233
Legal	74	(64)	70	80	0	65	145
Local Strategic Partnership	52	(52)	0	0	0	0	0
LSVT Reserve	435	0	0	435	0	0	435
New Homes Bonus	1,116	(119)	421	1,418	(105)	521	1,834

NOTES TO THE ACCOUNTS

	Balance at 1 April 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
Organisational Development	116	(74)	0	42	0	302	344
Pathfinder	207	0	0	207	0	0	207
Planning - Revenue	376	(86)	105	395	(224)	0	171
Restructuring and Invest to Save	1,246	(275)	904	1,875	(510)	1,070	2,435
Sports Hall Equipment/Sports Facilities	26	0	2	28	(16)	0	12
Treasury (Property) Reserve	66	0	0	66	0	0	66
Total	12,187	(2,148)	3,473	13,512	(1,343)	6,971	19,140

Total transfers out during 2016/17

(1,343)

Total transfers in during 2016/17

6,971

Net Movement in Earmarked Reserves in 2016/17

5,628

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.

NOTES TO THE ACCOUNTS

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 Department for Communities and Local Government (DCLG) 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.

NOTES TO THE ACCOUNTS

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

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

10. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2015/16 £000	2016/17 £000
1,762 Parish Council Precepts	1,888
(1,138) (Gains) on the disposal of non-current assets	(2,169)
624 Total	(281)

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

2015/16 £000	2016/17 £000
91 Interest payable and similar charges	66
1,251 Pensions interest cost and expected return on pensions assets	1,075
(514) Interest receivable and similar income	(562)
(52) Changes in the fair value of investment property	212
776 Total	791

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

2015/16 £000	2016/17 £000
(7,182) Council Tax Income	(7,300)
(3,757) Non Domestic Rates	(4,287)
(2,418) Revenue Support Grant	(1,591)
(1,763) Other Non ringfenced government grants	(5,010)
(2,103) Capital grants and contributions	(664)
(17,223) Total	(18,852)

NOTES TO THE ACCOUNTS

13. Balance Sheet – Usable Reserves

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

14. Balance Sheet – Unusable Reserves

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

2015/16 £000	2016/17 £000
16,063 Revaluation Reserve	17,612
1,398 Available for Sale Financial Instruments Reserve	1,333
36,296 Capital Adjustment Account	37,219
(30,828) Pensions Reserve	(42,068)
(287) Collection Fund Adjustment Account	33
(235) Accumulated Compensated Absences Adjustment Account	(230)
22,408 Total Unusable Reserves	13,899

14(a) Revaluation Reserve

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

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

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

NOTES TO THE ACCOUNTS

2015/16 £000	2016/17 £000
16,176 Balance at 1 April	16,063
2,491 Upward revaluation of assets	3,250
(2,479) Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(1,525)
(126) Difference between fair value depreciation and historical cost depreciation	(176)
16,063 Balance at 31 March	17,612

14(b) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. 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

2015/16 £000	2016/17 £000
1,099 Balance at 1 April	1,398
299 (Downward)/upward revaluation of investments not charged to the surplus/deficit on the provision of services	(65)
1,398 Balance at 31 March	1,333

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

2015/16		2016/17
£000		£000
32,970	Balance at 1 April	36,296
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
870	Charges for depreciation and impairment on non-current assets	(757)
(1,277)	Revaluation losses on Property, Plant and Equipment	(603)
(73)	Amortisation of tangible assets	(63)
(600)	Revenue expenditure funded from capital under statute	(209)
(261)	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	(31)
31,630		34,633
271	Adjusting amounts written out of the revaluation reserve	173
31,901	Net written out amount of the cost of non current assets consumed in the year	34,806
	<u>Capital financing applied in the year:</u>	
939	Use of capital receipts reserve to finance new capital expenditure	1,305
2,103	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statements that have been applied to capital financing	664
330	Statutory provision for the financing of capital investment charged against the general fund balance	311
970	Capital expenditure charged against the general fund balance	344
36,244		37,430
52	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(211)
36,296	Balance at 31 March	37,219

NOTES TO THE ACCOUNTS

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.

2015/16	2016/17
£000	£000
(39,012) Balance at 1 April	(30,828)
9,556 Actuarial gains/(losses) on pensions assets and liabilities	(10,365)
(3,236) 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	(2,887)
1,864 Employer's pension contributions and direct payments to pensioners payable in the year	2,012
<hr/> (30,828) Balance at 31 March	<hr/> (42,068)

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.

NOTES TO THE ACCOUNTS

2015/16 £000	2016/17 £000
(401) Balance at 1 April	(287)
Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure	
114 Statement is different from Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	320
(287) Balance at 31 March	33

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.

2015/16 £000	2016/17 £000
(193) Balance at 1 April	(235)
193 Settlement or cancellation of an accrual made at the end of the preceding year	235
(272) Amounts accrued at the end of the current year	(263)
38 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	33
(235) Balance at 31 March	(230)

NOTES TO THE ACCOUNTS

15. Cash Flow Statement – Arising from Operating Activities

The cash flows for operating activities include the following items:

2015/16		2016/17
£000		£000
	605 Interest Received	436
	(91) Interest Paid	(66)
	514 Net cash flows from operating activities	370
2015/16	The surplus or deficit on the provision of services has been adjusted for the following	2016/17
£000	non-cash movements	£000
	(870) Depreciation	757
	1,277 Impairment and downward valuations	603
	73 Amortisation	63
	444 Increase in Creditors	692
	91 (Decrease) in Interest and Dividend Debtors	(125)
	6,544 Increase / (Decrease) in Debtors	(423)
	(1) Increase / (Decrease) in Inventories	12
	1,372 Movement in Pension Liability	875
	114 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	31
	(52) Movement in Investment Property Values	212
	8,992	2,697
2015/16	Adjust for items included in the net surplus or deficit on the provision of services that are investing or	2016/17
£000	financing activities	£000
	116 Capital Grants credited to surplus or deficit on the provision of services	57
	0 Net adjustment from the sale of short and long term investments	(4,564)
	(1,398) Proceeds from the sale of property plant and equipment, investment property and intangible assets	(2,200)
	(1,282)	(6,707)

NOTES TO THE ACCOUNTS

2015/16	2016/17
£000	£000
(2,298) Purchase of property, plant and equipment, investment property and intangible assets	(1,359)
(64,614) Purchase of short-term and long-term investments	(64,811)
1,398 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,200
53,892 Proceeds from short-term and long-term investments	68,013
(9) Other receipts from investing activities	708
(11,631) Net cash flows from investing activities	4,751

17. Cash Flow Statement – Financing Activities

2015/16	2016/17
£000	£000
0 Other receipts from financing activities	0
(1,328) Cash payments for the reduction of the outstanding liabilities relating to finance leases.	(999)
0 Repayments of short-term and long-term borrowing	0
604 Other payments for financing activities	(245)
(724) Net cash flows from financing activities	(1,244)

18. Cash Flow Statement – Cash and Cash Equivalents

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

2015/16	2016/17
£000	£000
3 Cash held by officers	3
(826) Bank current accounts	(149)
4,629 Call Accounts with Banks and investments in Money Market Funds	9,906
3,806 Total cash and cash equivalents	9,760

NOTES TO THE ACCOUNTS

19. Trading Operations

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

	2015/16		2016/17	
	£000	£000	£000	£000
<p>The Council currently operates three general produce markets on two car park sites in Sheringham and Cromer. They are provided to meet local demands and to promote tourism. The trading objective is to minimise the deficit relating to the service.</p>	Turnover	(61)	Turnover	(59)
	Expenditure	121	Expenditure	131
	Deficit	60	Deficit	73
<p>The Council lets a total of 17 industrial units over three sites in Fakenham, North Walsham and Catfield. The Catfield and Fakenham sites include starter units which were developed jointly with EEDA, to provide opportunities for local business start ups and developments. The trading objective is to minimise the deficit relating to the service.</p>	Turnover	(113)	Turnover	(109)
	Expenditure	124	Expenditure	170
	Deficit / (Surplus)	11	Deficit / (Surplus)	61
Net (surplus) / deficit on trading operations:		71		134

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 increased deficit is due to reduced rental income combined with additional repairs and maintenance costs due there being significant periods where premises remained vacant.

	2015/16	2016/17
	£000	£000
Net deficit/(surplus) on trading operations	71	134
Services to the public included in expenditure of continuing operations	(28)	(27)
Net deficit / (surplus) debited / (credited) to other operating expenditure	43	107

NOTES TO THE ACCOUNTS

20. External Audit Costs

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

	2015/16 Ernst Young £000	2016/17 Ernst Young £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	60	54
Fees payable for the certification of grant claims and returns for the year	32	26
Total	92	80

21. Members Allowances

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

2015/16		2016/17
£		£
267,823	Allowances	315,435
31,120	Expenses	28,256
298,943		343,691

NOTES TO THE ACCOUNTS

22. Officers' Remuneration

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

<u>Job Title</u>		Salary, Fees and Allowance £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Sub-total	Pension Contribution £	Total £
<u>1st April 2016 to October 2016</u>								
Chief Executive	2016/17	64,992	0	536	13,325	78,852	9,309	88,162
Corporate Director	2016/17	50,525	0	562	0	51,086	7,326	58,412
Corporate Director	2016/17	50,617	0	562	0	51,178	7,339	58,518
Section 151 Officer	2016/17	39,919	0	562	0	40,480	5,575	46,055
<u>October 2016 to 31st March 2017</u>								
Chief Executive	2016/17	0	0	0	0	0	0	0
Corporate Director and Head of Paid Service	2016/17	36,089	0	401	0	36,490	5,233	41,723
Corporate Director and Head of Paid Service	2016/17	36,155	0	401	0	36,556	5,242	41,798
Section 151 Officer	2016/17	28,731	0	432	0	29,163	4,166	33,329
Monitoring Officer	2016/17	23,798	0	432	0	24,230	3,694	27,924
<p><i>Between November 2015 and October 2016 the Chief Executive and Section 151 Officer were shared with Great Yarmouth Borough Council and the costs of remuneration and expenses were recharged accordingly. For 2015/16 the recharge to GYBC was £34,411 for the Chief Executive and £20,415 for the Section 151 Office and in 2016/17 the recharge to GYBC was £39,821.44 for the Chief Executive and £22,897.48 for the Section 151 Officer. Following the resignation of the Chief Executive a restructure was undertaken and this post was replaced by a joint Head of Paid Service.</i></p>								
<u>1st April 2015 to 31st March 2016</u>								
Chief Executive	2015/16	108,358	0	963	0	109,321	15,712	125,033
Corporate Director	2015/16	78,853	0	963	0	79,816	11,434	91,250
Corporate Director	2015/16	78,853	0	963	0	79,816	11,434	91,250
Section 151 Officer	2015/16	61,920	0	963	0	62,883	8,978	71,861

NOTES TO THE ACCOUNTS

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:

2015/16		2016/17	
Number of Employees	Remuneration Band	Number of Employees	
2	£50,000 - £54,999	4	
2	£55,000 - £59,999	2	
1	£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.

Bandings	2015/16				2016/17			
	Compulsory Redundancies	Other Departures	Total Number of Employees	Total Amount £	Compulsory Redundancies	Other Departures	Total Number of Employees	Total Amount £
	Number of Employees	Number of Employees			Number of Employees	Number of Employees		
£0 to £20,000	3	4	7	58,633	4	3	7	92,446
£20,001 to £40,000	1	2	3	73,095	3	2	5	144,064
£40,001 to £60,000	0	0	0	0	0	0	0	0
£60,001 to £80,000	0	0	0	0	1	0	1	62,376
£80,001 to £100,000	0	0	0	0	0	0	0	0
	4	6	10	131,728	8	5	13	298,886

NOTES TO THE ACCOUNTS

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 is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit final arrangement; under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post-employment benefits

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

NOTES TO THE ACCOUNTS

	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2016/17 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services:</u>		
Current service cost	1,971	1,713
Past Service Costs loss	14	99
 <u>Financing and Investment Income and Expenditure:</u>		
Interest cost	3,183	3,204
Expected return on scheme assets	(1,932)	(2,129)
Total post-employment benefit charged to the surplus/deficit on the provision of services	3,236	2,887
 <u>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:</u>		
Actuarial gains and (losses)	9,556	(10,365)
Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement	(12,792)	7,478
 <u>Movement in Reserves Statement:</u>		
Reversal of net charges made to the surplus/deficit for the provision of services for post-employment benefits in accordance with the code	(3,236)	(2,887)
 <u>Actual amount charged against the general fund balance for pensions in the year:</u>		
Employers' contributions payable to scheme	1,864	2,012

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31 March 2017 is a loss of £31,378m (£20,992m at 31 March 2016).

NOTES TO THE ACCOUNTS

Assets and liabilities in relation to post-employment benefits

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

	Funded Liabilities	
	Local Government	
	Pension Scheme	
	2015/16	2016/17
	£000	£000
Opening Balance at 1 April	99,920	92,134
Current service cost	1,971	1,713
Interest cost	3,183	3,204
Contributions by scheme participants	464	473
Actuarial (gains) and losses	(10,033)	15,192
Benefits paid	(3,126)	(3,114)
Unfunded Benefits paid	(259)	(250)
Past service costs	14	99
Closing Balance at 31 March	92,134	109,451

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

	Local Government	Local Government
	Pension Scheme	Pension Scheme
	2015/16	2016/17
	£000	£000
Opening balance at 1 April	60,908	61,306
Expected rate of return	1,932	2,129
Actuarial gains	(455)	4,826
Employers contributions	1,583	1,763
Contributions by scheme participants	464	473
Contributions in respect of Unfunded Benefits	259	250
Benefits paid	(3,126)	(3,114)
Unfunded Benefits paid	(259)	(250)
Closing balance at 31 March	61,306	67,383

NOTES TO THE ACCOUNTS

Fair Value of Employer Assets

	31 March 2016				31 March 2017			
	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	4,399.5	0.0	4,399.5	7%	5,018.3	0.0	5,018.3	7%
Manufacturing	3,194.7	0.0	3,194.7	5%	3,915.7	0.0	3,915.7	6%
Energy & Utilities	1,376.8	0.0	1,376.8	2%	1,871.8	0.0	1,871.8	3%
Financial Institutions	4,011.4	0.0	4,011.4	7%	4,331.1	0.0	4,331.1	6%
Health & Care	1,958.0	0.0	1,958.0	3%	2,037.2	0.0	2,037.2	3%
Information Technology	1,844.0	0.0	1,844.0	3%	1,925.9	0.0	1,925.9	3%
Other	0.0	0.0	0.0	0%	0.0	0.0	0.0	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%
Other	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Private Equity:								
All	0.0	3,941.6	3,941.6	6%	0.0	4,211.4	4,211.4	6%

NOTES TO THE ACCOUNTS

Fair Value of Employer Assets (cont'd)

	31 March 2016				31 March 2017			
	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	6,987.4	6,987.4	11%	0.0	6,289.7	6,289.7	9%
Overseas Property	0.0	944.8	944.8	2%	0.0	1,051.7	1,051.7	2%
Investment Funds & Unit Trusts:								
Equities	15,742.6	0.0	15,742.6	26%	17,897.1	0.0	17,897.1	27%
Bonds	15,771.9	0.0	15,771.9	26%	17,031.5	0.0	17,031.5	25%
Derivatives:								
Foreign Exchange	(189.6)	0.0	(189.6)	0%	(139.6)	0.0	(139.6)	0%
Other	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Cash & Cash Equivalents								
All	0.0	1,322.9	1,322.9	2%	0.0	1,941.2	1,941.2	3%
TOTALS	48,109	13,197	61,306	100%	53,889	13,494	67,383	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.

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Present Value of Liabilities:					
Local Government Pension Scheme	(104,920)	(87,892)	(95,208)	(81,765)	(80,213)
Unfunded obligations	(4,531)	(4,242)	(4,712)	(4,532)	(4,434)
Fair value of assets in the LGPS	67,383	61,306	60,908	54,581	52,807
(Deficit) in the scheme:					
Local Government Pension Scheme	(42,068)	(30,828)	(39,012)	(31,716)	(31,840)
Total	(42,068)	(30,828)	(39,012)	(31,716)	(31,840)

NOTES TO THE ACCOUNTS

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £42.068m 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 2017 is £1.8m.

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 2016.

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

NOTES TO THE ACCOUNTS

	Local Government Pension Scheme 2015/16	Local Government Pension Scheme 2016/17
Long-term expected rate of return on assets in the scheme:		
Equity investments	3.5%	2.6%
Bonds	3.5%	2.6%
Property	3.5%	2.6%
Cash	3.5%	2.6%
Mortality assumptions:		
<u>Longevity at 65 for current pensioners:</u>		
Men	22.1	22.1
Women	24.3	24.4
<u>Longevity at 65 for future pensioners:</u>		
Men	24.5	24.1
Women	26.9	26.4
Pension Increase Rate (CPI)	2.2%	2.4%
Rate of increase in salaries	3.2%	2.7%
Expected Return on Assets	3.5%	2.6%
Rate of discounting scheme liabilities	3.5%	2.6%

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 2016	31 March 2017
	%	%
Equities	59	61
Bonds	26	25
Property	13	11
Cash	2	3
	100	100

History of experience gains and losses

The actuarial losses identified as movements on the Pensions Reserve in 2015/16 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2017

	2017	2016	2015	2014	2013
	%	%	%	%	%
Difference between the expected and actual return on assets	7.2	(0.7)	8.3	1.0	7.0
Experience gains and losses on liabilities	(1.2)	(1.8)	0.4	0.6	(0.0)

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 2017 are shown in note 38.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 21. During 2016/17 works and services to the value of £368,091 were paid to drainage boards in which 13 members have an interest (£365,537 in 2015/16); £294,656 was paid to NORSE Environmental Waste Services with one Member being a director and a further £134,583 was paid to other entities in which 21 members had an interest. The Authority paid grants totalling £258,275 to voluntary organisations (£124,603 in 2015/16) in which 11 members had declared an interest. In all instances, the grants were made with proper consideration of declarations of interest. Income totalling £30,388.99 was received from entities in which 11 members had an interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

Officers

Chief Officers have not disclosed any material transactions with related parties.

NOTES TO THE ACCOUNTS

26. Leases

Authority as Lessee

Finance Leases

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

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

	31 March 2016	31 March 2017
	£000	£000
Property, Plant and Equipment	833	555
	833	555

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 2016	31 March 2017
	£000	£000
<u>Finance Lease Liabilities (Net present value of minimum lease payments):</u>		
- Current	311	333
- Non current	688	355
Finance costs payable in future years	132	66
Minimum Lease Payments	1,131	754

NOTES TO THE ACCOUNTS

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Not later than one year	377	377	311	333
Later than one year and not later than five years	754	377	687	354
	1,131	754	998	687

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 2016 £000	31 March 2017 £000
Not later than one year	58	61
Later than one year and not later than five years	111	80
Later than five years	8	8
	177	149

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

	31 March 2016 £000	31 March 2017 £000
Minimum Lease Payments	87	97
Contingent Rents	28	63
	115	160

NOTES TO THE ACCOUNTS

Authority as Lessor

Operating Leases

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

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

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

	31 March 2016 £000	31 March 2017 £000
Not later than one year	(155)	(151)
Later than one year and not later than five years	(529)	(576)
Later than five years	(300)	(193)
	(984)	(919)

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:

	2015/16 £000	2016/17 £000
Rental income from investment property	94	88
Direct operating expenses arising from investment property	(111)	(115)
Net gain/(loss)	(17)	(27)

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:

NOTES TO THE ACCOUNTS

	2015/16 £000	2016/17 £000
Opening Balance	255	1,060
Additions:		
- Subsequent expenditure	177	0
Net gains/losses from fair value adjustments	419	(545)
Transfers:	209	0
Closing Balance	1,060	515

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 2017, 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:

NOTES TO THE ACCOUNTS

	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 £63,267 charged to revenue in 2016/17 (£72,590 in 2015/16) was charged to the following lines within the income statement; Planning Services (£10,175), Environmental Services (£1,305), Customer Services (£42,287), CLT / Corporate (£7,000) and Legal and Democratic Services (£2,500).

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

	Internally Generated Assets £000	2015/16 Other Assets £000	Total £000	Internally Generated Assets £000	2016/17 Other Assets £000	Total £000
Opening Balance:						
Gross carrying amounts	0	1,334	1,334	0	1,373	1,373
Accumulated amortisation	0	(1,128)	(1,128)	0	(1,200)	(1,200)
Net carrying amount at start of year	0	205	205	0	172	172
Additions:						
- Purchases	0	39	39	0	184	184
Amortisation for the period	0	(73)	(73)	0	(63)	(63)
Closing Balance	0	173	173	0	294	294

There are no items of capitalised software that are individually material to the financial statements, and no significant contracts have been entered into during the financial year 2016/17.

NOTES TO THE ACCOUNTS

29. Impairment Losses

An impairment review was undertaken by NPS Property Consultants, for the financial year 2016/17. 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 2016/17 (£0 in 2015/16).

30. Property, Plant and Equipment

Movement on Balances

Movement in 2016/17:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment £000
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
At 1 April 2016	42,454	12,538	16,007	1,955	1,169	2,725	76,848
Additions	380	64	504	0	0	1,032	1,978
Revaluation increases/(decreases) recognised in the revaluation reserve	1,978	0	0	143	0	0	2,120
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(925)	0	0	(72)	0	0	(996)
Derecognition - disposals	(33)	0	0	(0)	0	0	(33)
Other movements in cost or valuation	26	277	125	72	(941)	(558)	(1,000)
At 31 March 2017	43,879	12,878	16,636	2,098	228	3,198	78,917

NOTES TO THE ACCOUNTS

Movement in 2016/17:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment £000
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and							
At 1 April 2016	8,331	7,230	9,280	44	31	0	24,916
Depreciation charge	575	956	459	21	0	0	2,011
Depreciation written out to the surplus/deficit on the provision of services	(1,259)	0	0	0	0	0	(1,259)
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	24	0	0	0	0	0	24
Derecognition - disposal	(2)	0	0	0	0	0	(2)
Other movements in depreciation and impairment	0	0	0	0	0	0	0
At 31 March 2017	7,669	8,186	9,739	65	31	0	25,690
Net Book Value							
At 31 March 2017	36,210	4,692	6,897	2,033	197	3,198	53,228
At 31 March 2016	34,123	5,307	6,727	1,911	1,138	2,725	51,931

NOTES TO THE ACCOUNTS

Comparative Movements in 2015/16:

	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 2015	45,469	11,704	13,892	2,014	2,061	2,246	77,385
Additions	531	217	1,698	17	0	909	3,373
Revaluation increases/(decreases) recognised in the revaluation reserve	(1,784)	1,074	0	(43)	343	0	(410)
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(839)	(449)	0	(1,151)	(268)	0	(2,707)
Derecognition - disposals	(264)	0	0	0	(4)	0	(267)
Other movements in cost or valuation	(661)	(8)	417	1,118	(964)	(430)	(527)
At 31 March 2016	42,454	12,538	16,007	1,955	1,169	2,725	76,848

NOTES TO THE ACCOUNTS

Comparative Movements in 2015/16:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment £000
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and							
At 1 April 2015	9,034	8,076	8,946	23	1,095	0	27,174
Depreciation charge	620	807	333	21	0	0	1,781
Depreciation written out to the surplus/deficit on the provision of services	(921)	(1,651)	0	0	0	0	(2,572)
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(319)	0	0	(257)	(765)	0	(1,341)
Derecognition - disposal	(6)	0	0	0	0	0	(6)
Other movements in depreciation and impairment	(76)	(2)	0	257	(300)	0	(122)
At 31 March 2016	8,331	7,230	9,280	44	31	0	24,915
Net Book Value							
At 31 March 2016	34,123	5,307	6,727	1,911	1,138	2,725	51,931
At 31 March 2015	36,435	3,628	4,945	1,991	966	2,246	50,211

NOTES TO THE ACCOUNTS

Capital Commitments

As at 31 March 2017, the Authority has entered into several contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years, budgeted to cost £5,532,695.14 in total. The major commitments relate to the following Schemes:

	2015/16	2016/17
	£	£
Cromer Pier and West Prom Refurbishment	78,413	69,446
Cromer 982 Coastal Protection Scheme	572,469	56,362
Surge Recovery	150,050	24,679
Sheringham West Coast Protection Scheme	211,539	0
Sheringham Gangway (FLAG)	32,753	0
	1,045,224	150,487

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 2016/17 accounts the programme of valuations have been carried out by Norfolk Property Services, and DVS – Property Specialists for the Public Sector. 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 9.

All revaluations have been undertaken as at 31st March 2017.

NOTES TO THE ACCOUNTS

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	9,595	16,636	1,954	0	3,198	31,383
<u>Valued at fair value as at:</u>							
31 March 2017	23,957	0	0	144	0	0	24,101
31 March 2016	7,200	3,283	0	0	228	0	10,711
31 March 2015	4,690	0	0	0	0	0	4,690
31 March 2014	8,032	0	0	0	0	0	8,032
31 March 2013	0	0	0	0	0	0	0
31 March 2012	0	0	0	0	0	0	0
Total Cost or Valuation	43,879	12,878	16,636	2,098	228	3,198	78,917

NOTES TO THE ACCOUNTS

31. Capital Expenditure and Capital Financing

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

	2015/16 £000	2016/17 £000
<i>Opening Capital Financing Requirement</i>	1,374	1,044
<u>Capital Investment:</u>		
Property, plant and equipment	3,106	1,978
Investment properties	267	0
Intangible assets	39	126
Revenue expenditure funded from capital under statute	600	209
 <u>Sources of finance:</u>		
Capital receipts	(939)	(1,305)
Government grants and other contributions	(2,103)	(664)
Sums set aside from revenue:		
- direct revenue contributions	(970)	(344)
- MRP	(330)	(311)
 Closing Capital Financing Requirement	1,044	733
 <i>Explanations of movements in year</i>		
Assets acquired under finance leases	(330)	(311)
 (Decrease) in Capital Financing Requirement	(330)	(311)

NOTES TO THE ACCOUNTS

32. Assets Held for Sale

During the financial year, seven assets have been reclassified as Assets Held for sale on the basis that they have been actively marketed and that a sale is anticipated within the 2017/18 financial year. These assets have been revalued as at the 31st March 2017

	2015/16 £000	2016/17 £000
Balance Brought Forward	-	390
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	232	937
Assets Sold	-	-
Other Movements	158	353
	390	1,680
Balance Carried Forward at Year End	390	1,680

33. Receivables

Receivables represent the amounts owed to the Authority at 31 March 2017 and are analysed below. 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.

	31 March 2016 £000	31 March 2017 £000
Central government bodies	1,643	667
Other local authorities	178	244
Other entities and individuals*	2,066	2,827
Sub Total	3,887	3,738
Less: Bad Debt Provision		
General Fund	(961)	(1,119)
Collection Fund	(170)	(161)
Sub Total	(1,131)	(1,280)
Total	2,756	2,458

NOTES TO THE ACCOUNTS

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

	31 March 2016	31 March 2017
	£	£
Insurance Contract Payment in Advance	140,743	140,743
Council Tax and Business Ratepayer Debtor:	430,276	296,861
Housing Benefit Overpayments being recovered by invoice and deductions from ongoing benefit	543,300	1,378,348
Victory Housing Vat Sharing Agreement	91,614	163,170
Car park income	93,957	0

34. Payables

Payables represent the amounts owed by the Authority at 31 March 2017.

	31 March 2016	31 March 2017
	£000	£000
Central government bodies	(1,613)	(2,564)
Other local authorities	(2,110)	(2,280)
Public corporations and trading funds	(3)	(3)
Other entities and individuals*	(5,248)	(4,788)
Sub Total	(8,974)	(9,635)
Less: Receipts in Advance		
Central government bodies	623	680
Public Corporations and Trading Funds	4	4
Sub Total	627	684
Total	(8,347)	(8,951)

NOTES TO THE ACCOUNTS

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

	31 March 2016	31 March 2017
	£	£
Waste and recycling contract payments	428,679	879,237
Rent Allowance payments to benefit claimants	2,085,982	1,961,102
Council Tax and Business Rate payer prepayments	210,826	235,995
Planning Developer Contributions	657,463	288,729
NNDC Employee Accumulated Absences provision	234,407	229,670

35. Provisions

The Authority has set aside a provision for potential liabilities as a result of Business Ratepayer appeals against rateable valuations. 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 2016	Additional Provisions Made in 2016/17	Amounts Used in 2016/17	Balance 31 March 2017
	£	£	£	£
NNDR Appeals - Total Collection Fund	2,135,861	463,313	(691,780)	1,907,393
NNDC Share	854,344	185,325	(276,712)	762,957

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

NOTES TO THE ACCOUNTS

36. Contingent Liabilities

At 31 March 2017, 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, its Lenders and the Norfolk Pension Fund.

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 and the Trust has provided a bond with an initial sum of £1.2 million in favour of the Authority with regard to any liabilities to the Norfolk Pension Fund in the event of the insolvency, winding up and liquidation of the Trust. In May 2017 the actuary's total value of the indemnity required to meet the deficit with a certainty of 80% to 85% was estimated at £2,018,000 (£2,687,000 for 2015/16). A bond of £3,168,000 (£5,774,000 for 2015/16), would be required to be 98% certain of meeting any deficit arising.

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) **NNDR Appeals** – Note 8 to the Collection Fund details the provision made for appeals. It is not possible to quantify the number and value of appeals that have not yet been lodged with the Valuation Office with any certainty, so there is a risk to the Authority that national and local appeals may have a future impact on the accounts. The Authority maintains an earmarked reserve to mitigate any adverse impact.
- (c) **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 £527,376 at 31 March 2017.
- (d) **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.

NOTES TO THE ACCOUNTS

37. Contingent Assets

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

- (a) **Freehold Reversions for 4 Shared Equity Dwellings off Roughton Road Cromer** – Following the Norfolk Homes Development on Roughton Road, Cromer, the Authority has acquired a 25% share in the freehold reversions for 4 shared equity dwellings. The Authority does not benefit from any ongoing rental income in relation to these properties, and will not realise the 25% 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 £712,000, with the Authority's share amounting to £178,000. This forms part of an ongoing agreement that covers the eventual transfer of 16 dwelling between now and 2020.

NOTES TO THE ACCOUNTS

38. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure accounts in 2016/17.

	2015/16	2016/17
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(2,404)	(1,575)
Relief for Flooded Properties	0	0
Business Rates	(3,757)	(3,905)
Business Rates Efficiency & Transformation	0	0
New Homes Bonus	(1,684)	(5,010)
Community Right to Challenge/ Community Right to Bid	0	0
Council Tax Freeze Funding	(58)	0
Council Tax Rural Services Delivery Grant	0	0
Council Tax Family Annexe Discount	(14)	(16)
Capital Grants and Contributions	(2,103)	(664)
Council Tax Support New Burdens	(21)	0
Total	(10,041)	(11,170)
Credited to Services		
DWP - Rent Allowances	(27,648)	(26,732)
DWP - Admin Subsidy	(522)	(335)
	(28,170)	(27,067)
Arts Council England	(17)	(18)
Cabinet Office	(121)	(486)
Dept. for Environment, Food & Rural Affairs (DEFRA)	(256)	(3)
Dept. for Communities and Local Govt (DCLG)	(661)	(1,129)
Marine Management Organisation	(36)	(0)
Norfolk County Council	(603)	(643)
Sport England	(45)	(71)
Other Grants & Contributions	(145)	(28)
Total	(30,053)	(29,445)
Total Revenue Grants Received	(40,094)	(40,615)

NOTES TO THE ACCOUNTS

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

	31 March 2016	31 March 2017
	£000	£000
Capital Grant Receipts in Advance		
Pathfinder	284	284
Travellers Site	182	138
Disabled Facilities Grant	158	259
Coastal Erosion Grant	0	0
Developer Contributions	3	3
Other	0	0
Total	627	684

NOTES TO THE ACCOUNTS

39. Financial Instruments

Categories of Financial Instruments

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

	Long Term 31 March 2016 £000	Current 31 March 2016 £000	Long Term 31 March 2017 £000	Current 31 March 2017 £000
Investments				
Loans and receivables	0	3,000	0	0
Available-for-sale investments	18,617	4,612	25,975	1,687
Total Investments	18,617	7,612	25,975	1,687
Cash and Cash Equivalents:				
Loans and receivables	0	1,001	0	0
Available-for-sale investments	0	3,628	0	9,906
Total Cash and Cash Equivalents	0	4,629	0	9,906
Debtors				
Loans and receivables	32	2	19	0
Trade receivables	0	1,209	0	1,512
Total Debtors	32	1,211	19	1,512
Other Long-term Liabilities				
Finance lease liabilities	688	311	355	333
Total Other Long-term Liabilities	688	311	355	333
Creditors				
Trade payables	0	2,320	0	2,624
Total Creditors	0	2,320	0	2,624
Total Financial Instruments	19,337	16,083	26,349	16,062

Investments which can be repaid on the balance sheet date – i.e. liquidity money market funds and call accounts, are classified as cash and cash equivalents. The difference between the current financial liabilities of £2,934,972 and the total Payables figure of £10,135,009 shown in Note 34 represents liabilities which are non-contractual or statutory in nature and therefore not financial instruments.

NOTES TO THE ACCOUNTS

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Authority has a legally enforceable right to set off 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.

	2015/16			2016/17		
	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	4,584	(4,584)	0	12,089	(12,089)	0
Financial Liabilities						
- Bank overdrafts	4,584	(5,410)	(826)	12,089	(12,239)	(150)

Income, Expense, Gains and Losses

	2015/16			2016/17		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Finance Leases	Loans and Receivables	Available for sale Investments	Finance Leases	Loans and Receivables	Available for sale Investments
	£000	£000	£000	£000	£000	£000
Interest income/expense included in surplus/deficit on the provision of services	91	(27)	(493)	66	(43)	(524)
Gains on revaluation	0	0	(1,398)	0	0	1,333
Net (gain)/loss for the year	91	(27)	(1,891)	66	(43)	809

Fair values of Assets and Liabilities

Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price.

NOTES TO THE ACCOUNTS

The carrying value of assets held at amortised cost (e.g. loans and receivables) is considered to be a close approximation of the fair value and are therefore excluded from the table below. Accordingly investments in bank deposits, trade and lease receivables and loans to employees are not shown.

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 2016 £000s	Fair Value Level	Fair Value 31 March 2017 £000s
Financial Assets held at fair value:		
3,628 Money Market Funds	1	9,906
6,419 Pooled Property Fund	1	6,391
5,993 Other Pooled Funds	1	15,066
10,817 Covered Bonds	1	6,205
26,857 Total Financial Assets		37,568
Recorded on the balance sheet as:		
18,617 Long-term investments		25,975
4,612 Short-term investments		1,687
3,628 Cash and Cash Equivalents		9,906
26,857 Total Financial Assets		37,568

NOTES TO THE ACCOUNTS

40. Nature and Extent of Risks arising from Financial Instruments

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 financial loss might arise for the Authority as a result of changes in such measures as interest rates, market process etc.

The Authority has adopted *CIPFA's Code of Practice on Treasury Management* and complies with The Prudential Code for Capital Finance in Local Authorities.

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 Annual 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). Once proper levels of security and liquidity have been achieved, consideration is given to seeking the highest rate of return consistent with those priorities.

Credit Risk- 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, Practices and Schedules.

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 the credit ratings of all three rating agencies and a range of economic indicators and financial information are taken into account.

The credit quality of £6m 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.

NOTES TO THE ACCOUNTS

Credit Rating	Long Term	Short Term	Long Term	Short Term
	31 March 2016 £000	31 March 2016 £000	31 March 2017 £000	31 March 2017 £000
AAA	12,198	8,240	10,676	11,593
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	1,000	0	0
A+	0	0	0	0
A	0	1	0	0
A-	0	0	0	0
Unrated	6,419	3,000	15,299	0
Total Investments	18,617	12,241	25,975	11,593

Note: Short Term Includes Cash & Cash Equivalents

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 or impaired during the year.

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.

NOTES TO THE ACCOUNTS

	31 March 2016 £000s	31 March 2017 £000s
Less than three months	81	48
Three months to one year	8	10
More than one year	12	20
	101	78

A bad debt provision of £18,638 has been made against debts which are more than one year old. 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 £512,012. Of the debts which are passed their due date (and not impaired) £48,295 is less than three months old, £9,661 is between three months and one year and £1,620 is more than one year, as per the table above. The aged debt note relates to trade receivables only and it is not possible to determine the credit quality of the debtor.

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to short-term borrowing should this be required, and there is no significant risk that it will be unable to raise funds to meet its commitments. The Authority does not have any long-term debt and therefore does not have any maturing liabilities for which funds would be required.

Market risk

Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its investments. 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.

Changes in interest receivable on variable rate investments will be taken to the Surplus or Deficit on the Provision of Services. Movements in the fair value of investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure. This is not the case for investments classed as "loans and receivables" which are carried at amortised cost and not fair value.

NOTES TO THE ACCOUNTS

The Treasury Management Strategy aims to mitigate the risk in interest rate movements. 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.

At the 31 March 2017, £2.25m of investments were exposed to fixed interest rates and £33.65m to variable rates. If all interest rates had been 1% higher (with all other variables held constant), there would be an increase in investment income of £336,500. A 1% fall in interest rates would produce a reduction in income of the same amount.

Price risk

The Authority has investments in bonds and pooled funds. A 1% rise in interest rates would reduce the fair value of the bonds by £22,547. The investment in the pooled property fund is subject to the risk of falling commercial property prices. A 1% fall in the value of the property in the fund would result in a £59,463 charge to Other Comprehensive Income and Expenditure, but this would have no impact on the General Fund until the investment is sold. This would also be the case for the pooled funds were a 1% fall in the value of the funds would result in a £173,056 charge.

Foreign Exchange Risk

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

COLLECTION FUND

2015/16	COLLECTION FUND	Notes	2016/17 Council Tax £000	2016/17 Business Rates £000	Total £000
£000					
	INCOME				
(59,069)	Council Tax	(4 & 5)	(61,763)	0	(61,763)
(24,336)	Business Rates	(2)	0	(25,420)	(25,420)
<u>(83,405)</u>			<u>(61,763)</u>	<u>(25,420)</u>	<u>(87,183)</u>
	EXPENDITURE				
	Precepts:				
6,937	- North Norfolk District Council (including Parish Councils)	(3)	7,156	0	7,156
42,681	- Norfolk County Council		45,179	0	45,179
7,783	- Office of the Police & Crime Commissioner for Norfolk		8,079	0	8,079
	Business Rate Shares:				
12,079	- Central Government	(6)	0	12,483	12,483
10,251	- North Norfolk District Council (including Renewable Energy Retained)		0	10,586	10,586
2,416	- Norfolk County Council		0	2,497	2,497
	Charges to the Collection Fund:				
236	- Cost of Collection		0	242	242
18	- Increase / (Decrease) in Provision for Bad & Doubtful Debts	(7)	(29)	(11)	(40)
220	- Write Offs of Uncollectable Amounts		110	48	158
1,298	- Increase / (Decrease) in Provision for Appeals	(7)	0	(228)	(228)
	Apportionment of Previous Year Deficit / (Surplus)	(3)			
(802)	- Central Government		0	(945)	(945)
(511)	- North Norfolk District Council		205	(756)	(551)
656	- Norfolk County Council		1,261	(189)	1,072
146	- Office of the Police & Crime Commissioner for Norfolk		230	0	230
<u>83,408</u>			<u>62,191</u>	<u>23,727</u>	<u>85,918</u>
<u>3</u>	(Surplus)/Deficit for the year		<u>428</u>	<u>(1,693)</u>	<u>(1,265)</u>
	COLLECTION FUND BALANCE	(6)			
227	Balance brought forward at 1 April		(2,086)	2,317	231
3	(Surplus)/Deficit for the year (as above)		428	(1,693)	(1,265)
<u>230</u>	Balance carried forward at 31 March		<u>(1,658)</u>	<u>624</u>	<u>(1,034)</u>

COLLECTION FUND

1. General

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

2. Income from Business Ratepayers

The Authority collects NNDR from ratepayers based on local rateable values provided by the Valuation Office Agency, multiplied by a uniform Business Rate in the £ set nationally by Central Government. The total rateable value for the District was £68,055,428 on 31 March 2017 (£66,800,327 on 31 March 2016). The national multipliers for 2016/17 were 48.4p for qualifying Small Businesses (48.0p in 2015/16), and the standard multiplier was set at 49.7 for all other businesses (49.3p in 2015/16).

The net income from Business Rate payers was £25,420,466 (£24,335,736 in 2015/16) after £34,898 of transitional protection payments to 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.

The transitional arrangements introduced following the last Revaluation in 2010, came to an end on 31 March 2015. However there have been changes to the transitional amounts paid to ratepayers in respect of previous years arising from backdated changes to bills, resulting in the amount now due to Central Government.

3. Precepts and Demands

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

Net Payment 2015/16 £000		Precept / Demand £000	Collection Fund Surplus £000	Net Payment 2016/17 £000
7,068	North Norfolk District Council (including Parish Precepts)	7,156	205	7,361
43,498	Norfolk County Council	45,179	1,260	46,439
7,929	Office of the Police & Crime Commissioner for Norfolk	8,079	230	8,309
58,495	Total	60,414	1,695	62,109

COLLECTION FUND

4. The Council Tax Base for 2016/17 is as follows:

Therefore each £1 of Council Tax set was calculated to produce income of £37,940 (£37,274 in 2015/16).

Valuation Band	Number of Chargeable Dwellings adjusted for Discounts		Equivalent Number of Band D Dwellings		Adjusted Equivalent Number of Band D Dwellings	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
A	6,858	7,038	4,568	4,689	4,478	4,595
B	10,322	10,525	8,028	8,186	7,867	8,024
C	9,375	9,509	8,334	8,453	8,167	8,283
D	7,510	7,649	7,510	7,649	7,360	7,496
E	4,172	4,241	5,099	5,183	4,997	5,079
F	1,971	2,000	2,847	2,889	2,790	2,832
G	905	912	1,508	1,520	1,477	1,490
H	70	72	141	144	138	141
Total Tax Base	41,183	41,946	38,035	38,713	37,274	37,940

5. Band D Tax Rate

This Authority set a Council Tax of £1,542.60 for a band D dwelling, (£1,492.74 in 2015/16), which consisted of £1,190.79 (£1,145.07 in 2015/16) for Norfolk County Council, £212.94 (£208.80 in 2015/16) for the Office of the Police & Crime Commissioner for Norfolk and £138.87 (£138.87 in 2015/16) for the District's requirements. Sums ranging from nil to £94.04 (nil to £88.82 in 2015/16) were charged in addition for parish and town council requirements.

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

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

COLLECTION FUND

6. Balances

The balance on the Collection Fund represents a surplus from Council Tax and a deficit from Business Rate transactions. The Council Tax surplus is shared between Norfolk County Council, the Office of the Police & Crime Commissioner for Norfolk and North Norfolk District Council in proportion to their respective precepts.

The deficit on Business Rate transactions is a result of changes in the year against initial estimates. Gross rates payable were higher than anticipated, mandatory reliefs were greater and the amount set aside in a provision to cover potential liabilities as a result of appeals against rateable values was increased. The deficit is shared in accordance with the proportionate shares of 50% for Central Government, 10% for Norfolk County Council and 40% for North Norfolk District Council.

The total balance is attributed as follows:

31 March 2016 Total £	Share of Balance	31 March 2017		
		Council Tax £	Business Rates £	Total £
674,714	North Norfolk District Council	(196,457)	249,576	53,118
(1,319,697)	Norfolk County Council	(1,240,217)	62,394	(1,177,823)
(282,895)	Office of the Police & Crime Commissioner for Norfolk	(221,779)	0	(221,779)
1,158,572	Central Government	0	311,969	311,969
230,694	Total	(1,658,453)	623,939	(1,034,514)

7. Bad Debt Provision and Appeals Accounting Policy

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

Authorities are expected to finance the cost of appeals made against rateable values and are required to make provision for these amounts. Successful appeals in 2016/17 to the value of £691,780 have been charged to this provision, and an additional £463,312 has been charged to the Collection Fund to ensure that there is an adequate provision to meet appeals not settled as at 31 March 2017, particularly in respect of purpose built Health Centres where significant reductions in rateable value are anticipated.

Subject to Audit

Subject to Audit

Subject to Audit

Subject to Audit

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

Collection Fund - The account which contains all the transactions relating to Community Charge, Council Tax and Business Rates together with the payments to this Authority, Norfolk County Council and Norfolk Police Authority to meet their requirements.

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

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY OF TERMS

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

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

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

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

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

National Non-Domestic Rate (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.'

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

VAT Shelter - A procedure agreed by the DCLG 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



Statement of Accounts



2016/2017

NORTH NORFOLK DISTRICT COUNCIL HOLT ROAD,
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7 September 2017

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

Dear Mark,

North Norfolk District Council – 2016/17 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 2017.

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 2017 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 2016/17.

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 2016/17.
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 2016/17 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 2016/17, that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. 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.
3. I have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, I have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. I have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. I have disclosed to you all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. 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: 5 September 2017.
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.

E. 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.

F. Subsequent Events

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

G. 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.

H. Expenditure Funding Analysis

1. I have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
2. I confirm that the financial statements reflect the operating segments reported internally to the Council.

I. Going Concern

1. I have made you aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

J. 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).

K. Reserves

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

L. 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 2016/17.
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 2016/17.
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.

M. 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.

N. 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 2016-2017.
2. I confirm that the content contained within the other information is consistent with the financial statements.

I understand that this letter of representation needs to be appropriately signed by myself as Section 151 Officer and the Chair of the Audit Committee on the proposed audit opinion date which is currently due to be 7 September 2017. I will add this item to the agenda of the Governance Risk and Audit Committee which is next due to meet on 5 September 2017 for approval and sign off.

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

Yours sincerely,

Duncan Ellis

Head of Finance and Assets (S151 Officer)

North Norfolk District Council

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Vincent FitzPatrick

Chair, Governance Risk and Audit Committee

North Norfolk District Council

GOVERNANCE, RISK & AUDIT COMMITTEE ON 06 JUNE 2017

ACTIONS ARISING FROM THE MINUTES

Minute No.	Agenda item and action	Action By
06.	Governance, Risk & Audit Update and Action List	
	To provide an update on the Committee for Full Council.	Vincent FitzPatrick
07.	Governance, Risk & Audit Work Programme	
	To remove Business Continuity from the work programme	Emma Denny
	Move Statement of Accounts forward to June 2018	Duncan Ellis/ Emma Denny
	To consider scheduling an additional meeting in July 2018 to review the Annual Governance Report	Committee (on Sep agenda)
	Review of Whistleblowing Policy & Fraud Corruption Policy	Committee (on Sep agenda)

GOVERNANCE, RISK & AUDIT COMMITTEE WORK PROGRAMME 2017 - 2018

SEPTEMBER 2017	DECEMBER 2017	MARCH 2018	JUNE 2018	POSSIBLE MEETING JULY 2018	SEPTEMBER 2018
EY 2015/16 Annual Governance report (ISA260) Completion of external audit and conclusion of reporting	EY Annual Audit Letter	EY Audit Plan (with overview) Annual Grant Certification Report from EY		EY 2015/16 Annual Governance report (ISA260)	Completion of external audit and conclusion of reporting
Progress Report on Internal Audit Activity	Progress Report on Internal Audit Activity	Progress Report on Internal Audit Activity	Progress report on Internal Audit Activity		Progress Report on Internal Audit Activity
Whistleblowing Policy and Counter Fraud Policy	Follow Up Report on Internal Audit Recommendations (to include update on historical recommendations)	Undertake self-assessment	Follow up on Internal Audit Recommendations (to include update on historical recommendations)		
		Strategic and Annual Audit Plans	Annual Report and Opinion and Review of the Effectiveness of Internal Audit		
Corporate Risk Register		Corporate Risk Register	Monitoring Officer's Report	Statement of Accounts	Corporate Risk Register
Statement of Accounts		Risk Management Framework	Annual Governance Statement		
Letter of Representation					
Decision on extra meeting to receive Annual Governance report					

Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 1st April to 1st August 2017

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

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1. INTRODUCTION

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

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 28th March 2017, the Annual Internal Audit Plan for the year was approved by the Governance, Risk and Audit Committee, identifying the specific audits to be delivered. Since then, there have been no significant changes to that 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 66 days of programmed work has been completed, equating to 34% of the Internal Audit Plan for 2017/18.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the definitions shown in the table below.

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 definitions shown in the table below.

Urgent	Fundamental control issue on which action to implement should be taken within 1 month.
Important	Control issue on which action to implement should be taken within 3 months.
Needs Attention	Control issue on which action to implement should be taken within 6 months.

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

4.4 During the period covered by the report Internal Audit Services have issued four final reports and the Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members from the Head of Internal Audit.

4.5 As a result of these audits 12 recommendations have been raised; no urgent (priority one), five important (priority two) and seven needs attention (priority three), all of these have been agreed by management. In addition, one Operational Effectiveness Matter has been proposed to management for consideration.

4.6 In summary the final reports issued conclude the following:

Performance Management, Corporate Policy & Business Planning – Substantial Assurance

The Council’s Corporate Plan lists the priorities for the Council for the period 2015-2019, giving the shared vision and values & listing the priority areas on which the Council intends to concentrate its efforts. The Annual Action Plan explains how the priorities in the Corporate Plan will be realised over the forthcoming 12 months.

The Council's Performance Management Framework sets out how the Council will manage performance, which includes agreeing the above Annual Action Plan & assessing quarterly performance reports of the progress in delivering the plan.

The audit reviewed these key areas and the intrinsic links within to ensure that the Council has a robust framework in place to ensure delivery of key priorities, supported by SMART

performance measures. On conclusion of the review a substantial assurance was concluded with only three needs attention recommendations agreed with management.

Building Control – Substantial Assurance

The scope of the audit was to review the key deliverables of the service; plan checks & decisions, inspection & completion certificates, Fee setting & income and the performance of the service.

On conclusion of the review no recommendations were raised, indicating a strong and stable control environment.

There were some points noted within the report to provide clarity as follows:

The team now scan the relevant documents and store these within IDOX which makes the service much more efficient, the team now need to progress with scanning and archiving historic documentation in line with retention guidelines, as part of the corporate project.

The Council's new website has the functionality to receive applications and online payments, the Building Control Manager is now considering implementing a process for applicants to be able to apply and pay online which may help reduce the number of applications received without fees being receipted.

Prior to the 2017/18 financial year, fees invoiced for full plan application inspections were chased up by the Council's sundry debt team with support from the building control team where required. This recovery function has been brought within the building control team to allow for a more customer focused approach to debt recovery.

Previous reconciliations between the system and the general ledger have proved to be overly resource intensive. Differences between the two systems were not fully investigated, as the amounts involved were relatively small scale, and primarily due to timing issues. As a compensating control a check is made monthly to ensure that all work has been invoiced for, and to match payment to applications. On this basis management accepted the risk of no longer carrying out a reconciliation.

Land Charges – Reasonable Assurance

This audit provided assurance over the data that is held by the Council and its integrity and reasonableness, prior to the service transferring to Land Registry. The audit also reviewed compliance with the new Local Land Charges Rules 2017.

On conclusion of the review two important and two needs attention recommendations were agreed with management. The important recommendations will ensure that; there a documented processes and procedures in place for the service, which is particularly important due to the lack of contingency resources, and the fees & charges to be updated on the website to cover the full range of services provided.

Disaster Recovery - Reasonable Assurance

An audit of Disaster Recovery and Fakenham Physical Security was last conducted in December 2015 and a follow up review was undertaken to help provide assurance over the implementation of the agreed actions resulting from this audit. The audit also included a visit to the Fakenham Disaster Recovery site to review physical access at the site due to it being is a shared facility.

On conclusion of the review three important and two needs attention recommendations were agreed with management. The important recommendations will ensure that; the disaster recovery overview document is updated to appropriately support the IT business continuity plan & enable seamless recovery of key Council systems, the errors reported from back-ups are investigated & resolved and the disaster recovery test plan is formally utilised to provide assurance that the Council can recover from any such disasters.

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

5. PERFORMANCE MEASURES

5.1 The new Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over four areas. The performance measures can be seen at **Appendix 3**.

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

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

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

5.3 The first quarters work has been completed and a report on the performance measures provided, performance is currently at green status with targets having been satisfactorily met for this quarter.

5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that delivery of the internal audit plan for North Norfolk DC is on track.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK


Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
Performance Management, Corporate Policy & Business Planning	NN1801	10	10	10	Final Report issued 13 June 2017	Substantial	0	0	3	0	5th September 2017
Building Control	NN1802	7	7	7	Final Report issued 13 June 2017	Substantial	0	0	0	0	5th September 2017
Land Charges	NN1803	7	7	7	Final Report issued 13 June 2017	Reasonable	0	2	2	0	5th September 2017
TOTAL		24	24	24							
Quarter 2											
Accountancy Services	NN1805	16	16	12	Fieldwork underway						
Cross Authority Review HR & Payroll	NN1806	6	6	3	Analysis underway						
Environmental Health	NN1807	12	12	11	Fieldwork underway						
Car Parking	NN1811	10	10	1	Audit to start 4th September 2017						
TOTAL		44	44	27							
Quarter 3											
Accounts Receivable	NN1809	10	10	0							
Income	NN1810	7	7	0							
Beach Huts	NN1812	8	8	0							
TOTAL		25	25	0							
Quarter 4											
Risk Management	NN1814	6	6	0							
Key Controls & Assurance	NN1815	15	15	0							
Procurement	NN1816	10	10	0							
Waste Management	NN1817	15	15	0							
Development Management	NN1818	12	12	0							
TOTAL		58	58	0							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
IT Audits											
Disaster Recovery inc Fakenham Site	NN1804	10	10	10	Final Report issued 5 June 2017	Reasonable	0	3	2	1	5th September 2017
Revenues & Benefits Application	NN1808	10	10	2	Fieldwork underway						
Contact Management System	NN1813	10	10	0							
TOTAL		30	30	12							
Follow Up											
Follow Up	NA	12	12	3							
TOTAL		12	12	3							
TOTAL		193	193	66			0	5	7	1	
Percentage of plan completed				34%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of the Performance Management, Corporate Policy and Business Planning (includes action plans) Arrangements

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p>  <p>The diagram shows a central green circle labeled 'SUBSTANTIAL ASSURANCE' surrounded by a blue ring with the text 'Adequate & effective governance, risk and control processes'. To the right, four horizontal bars represent assurance levels: 'SUBSTANTIAL ASSURANCE' (green), 'REASONABLE ASSURANCE' (yellow), 'LIMITED ASSURANCE' (orange), and 'NO ASSURANCE' (red).</p>	<p>ACTION POINTS</p> <table border="1"> <thead> <tr> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Corporate Plan and Annual Action Plan</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Use of TEN</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Performance measures and reporting</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Total</td> <td>0</td> <td>0</td> <td>3</td> <td>0</td> </tr> </tbody> </table>	Control Area	Urgent	Important	Needs Attention	Operational	Corporate Plan and Annual Action Plan	0	0	1	0	Use of TEN	0	0	1	0	Performance measures and reporting	0	0	1	0	Total	0	0	3	0
Control Area	Urgent	Important	Needs Attention	Operational																						
Corporate Plan and Annual Action Plan	0	0	1	0																						
Use of TEN	0	0	1	0																						
Performance measures and reporting	0	0	1	0																						
Total	0	0	3	0																						
<p>SCOPE</p> <p>The objective of the audit was to review the systems and controls in place within Performance Management, Corporate Policy and Business Planning, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.</p>																										

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'needs attention' recommendations being raised upon the conclusion of our work.
- This assurance opinion indicates that the overall level of control has not changed since the previous audit of Performance Management in 2014/15, which also concluded in a 'Substantial' assurance opinion.

POSITIVE FINDINGS

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

- The priorities from the Corporate Plan feed into the Annual Action Plan.
- Performance objectives and measures are uploaded onto the TEN system and assigned to responsible officers.
- Activities and performance indicators related to corporate objectives are recorded and monitored in service plans.
- Performance indicators have targets which have been agreed by management and which are reviewed and adjusted in response to actual performance.
- Corporate targets in the Annual Action Plan are approved by senior managers and the Council's Cabinet.
- Quarterly and annual performance reports are presented to Cabinet to monitor progress.
- Outcomes with negative performance ratings are subject to scrutiny at monthly management team meetings.

ISSUES TO BE ADDRESSED

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

Corporate Plan and Annual Action Plan

- The Council review its performance management framework to ensure that it is reflective of current practices, thereby reducing the risk of misleading or inaccurate outcomes being reported.

Use of TEN

- A second officer be granted administrator access to the TEN system, in the absence of the current administrator, so as to reduce the risk of access limitations to update the system and of increased costs with having to acquire the support of the systems suppliers should urgent access be required.

Performance measures and reporting

- All indicators below target to include management responses on the quarterly Cabinet reports explaining why they are not meeting target so to reduce the risk of underperformance not being explained / challenged.

Previous audit recommendations

This area was last reviewed in 2014/15, where a substantial assurance opinion was concluded having raised one low priority (needs attention) recommendation. This recommendation had been previously confirmed as implemented

Assurance Review of the Building Control Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Plan checks and decisions	0	0	0	0
Inspections and completion certificates	0	0	0	0
Fee setting and income	0	0	0	0
Performance of the service	0	0	0	0
Total	0	0	0	0

SCOPE

The objective of the audit was to review the systems and controls in place within Building Control to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

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

POSITIVE FINDINGS

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

- There is a dedicated building control system in place to manage the application process where user access rights are restricted to relevant, authorised personnel.
- A standardised application form is used for all building control applications and there is a process in place to ensure these are completed and retained within the building control system.
- Building control application plans are checked against building regulations by qualified surveyors prior to decisions being made.
- Building control fees have been set, approved and charged to applicants in accordance with Council policy and statutory regulations.
- An inspection fee is raised on the Full Plan applications in a timely manner with a debtors account raised to recover payment;
- Building control application decisions and completions are authorised in line with delegated levels of authority.
- Key performance indicators have been introduced with monitoring to be undertaken on a monthly basis and reporting on a quarterly basis during the 2017/18 financial year.

ISSUES TO BE ADDRESSED

There are no recommendations for management to consider.

Operational Effectiveness Matters


There are no operational effectiveness matters for management to consider.

Other points noted

- There are documented procedure notes in place for all aspects of the building control service, however instances have been identified where procedure notes have not been reviewed due to resource limitations within the admin team. Now up to full complement, the admin team is currently working through each procedure note, reviewing these and annotating version control to ensure that these notes are up-to-date and kept up-to-date. Evidence of this review process has been sighted by audit and as such, no recommendation has been raised.
- From April 2017, the Building control team has implemented a process of scanning in application documentation on the IDOX system. Prior to this, all application documentation was placed in archive and stored within an industrial unit near to the Council offices. The Council is due to lose this storage facility by August 2019, therefore a project plan and corporate bids have been put in place to scan and retain historic application documentation as per the building control performance standards requirements. Works are currently in the planning/information gathering stage (and will be until the end of May 2017) with implementation of the process due to start in August 2017 and expected to be completed by April 2019.
- The Building Control Manager is considering implementing a process for applicants to be able to apply and pay online which may help reduce the number of applications received without fees being receipted. The Council's new website has the functionality to receive applications and online payments and this is due to be rolled out corporately to each service which requires them. The Building Control Manager will make a decision on whether this will be implemented for building control in conjunction with the fees and charges review being undertaken which is due to be completed by October 2017.
- Prior to the 2017/18 financial year, fees invoiced for full plan application inspections were chased up by the Council's sundry debt team with support from the building control team where required. From the 2017/18 financial year, the recovery function has been brought within the building control team to allow for a more customer focused approach to debt recovery.
- There is no formal, monthly reconciliation between the building control system and the general ledger. The Head of Planning stated that the differences between the two systems are not fully investigated, as the amounts involved are relatively small scale, and primarily due to timing issues. Previous manual systems have proved overly resource intensive and to resolve this issue properly would involve sufficient resource from Finance, IT and the service. Management have accepted that the risk involved is not considered great enough to warrant actions being taken to implement this reconciliation process and as a consequence, no recommendation has been raised within this review.

Assurance Review of the Land Charges Arrangements

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>ACTION POINTS</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #2c5e8c; color: white;"> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Policies and procedures</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr> <td>Land charges</td> <td>0</td> <td>1</td> <td>2</td> <td>0</td> </tr> <tr style="font-weight: bold;"> <td>Total</td> <td>0</td> <td>2</td> <td>2</td> <td>0</td> </tr> </tbody> </table>	Control Area	Urgent	Important	Needs Attention	Operational	Policies and procedures	0	1	0	0	Land charges	0	1	2	0	Total	0	2	2	0
Control Area	Urgent	Important	Needs Attention	Operational																	
Policies and procedures	0	1	0	0																	
Land charges	0	1	2	0																	
Total	0	2	2	0																	

SCOPE

The objective of the audit was to review the systems and controls in place within land charges, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

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

POSITIVE FINDINGS

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

- Preparations are being made in readiness for the transfer of the Council's local land charge data over to Land Registry as and when required.
- There is a dedicated land charge system in place to maintain the local land charge register and manage the process where user access rights are restricted to relevant, authorised personnel.
- Scanning in of historic land charge documentation to the dedicated land charges system commenced in June 2016 with completion expected by the end of August 2017.
- Searches for land charges are processed and responded to in a timely manner.
- Fees and charges for land charge searches have been formally approved by the Council through delegated authority.
- Supporting evidence has been retained in relation to the fees and charges levied for land charge searches.
- VAT has been charged and accounted for land charge searches undertaken in line with HMRC requirements.

ISSUES TO BE ADDRESSED

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

Policies and procedures

- To produce procedures covering all aspects of the local land charge service with appropriate version control and review dates, with particular regard to additions and disposals where there is currently a lack of contingency. This will reduce the risk of errors being made within the process by staff following incorrect practices.

Land charges

- The current fees and charges list for Local Land Searches be updated to include the fee for building regulation searches (including VAT) and appropriately approved, thereby reducing the risk of disputes arising over fees charged.

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

Land charges

- Implementation of a checking process for additions, amendments and deletions to the local land charge register is required so as to reduce the risk of errors or anomalies within the local land charge register.
- Reconciliations between land charge records and the general ledger be independently reviewed with evidence of sign off from the reconciling officer and independent reviewer, thereby reducing the risk of delays and or errors in the reconciliation process which are not identified and remain outstanding.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Other points noted

The Team Leader stated that issues have been experienced where departments have failed to notify the land charges team where a new charge needs to be placed. However, a recommendation has not been raised as a data cleansing exercise is due to be undertaken and completed by the end of the 2017/18 financial year to confirm the accuracy of the local land charge register prior to its transfer to the Land Registry. This will include reviews undertaken with each department to confirm that land charges have been placed, removed and amended correctly and to confirm that there are no anomalies within the data. The deadline for completion of this review will depend on the resource available and the work load of the team up to the end of the year. At the time of writing, no date has been provided to the Council for the transfer to Land Registry however the Land Registry have confirmed that this process must be complete for all Local Authorities by 2023

Assurance Review of the Disaster Recovery including Fakenham Site Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



The diagram shows a central yellow circle labeled 'REASONABLE ASSURANCE' surrounded by a blue ring with the text 'Adequate & effective governance, risk and control processes'. To the right, four horizontal bars represent assurance levels: 'SUBSTANTIAL ASSURANCE' (light green), 'REASONABLE ASSURANCE' (yellow), 'LIMITED ASSURANCE' (orange), and 'NO ASSURANCE' (red).

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Adequacy of Disaster Recovery Provision	0	1	2	0
Backup & Recovery Capabilities	0	1	0	0
Disaster Recovery Testing	0	1	0	0
Continuous Improvement	0	0	0	1
Total	0	3	2	1

No recommendations have been raised in the areas of Alignment with the Business Continuity Plan, DR Development for New Systems, 3rd Party Management and Physical Security at the Fakenham DR Site.

SCOPE

An audit of this area was conducted in the 2015/16 audit year and a follow up review has been included to help demonstrate that the controls put in place and noted in the 15/16 audit continue to be adequate and effective.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

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

- IT management are actively involved with the Business Continuity (BC) management meetings and are included in the BC Group.
- The Council does not specify explicit Recovery Time Objectives (RTO) data for each of their priority systems and services because the available technology supports the simultaneous recovery of all relevant systems.
- The resilience of the Council's Lync telephony infrastructure has undergone testing in August 2016 with the assistance of InterCall, an external specialist telecommunications provider. The test results showed that the available resilience performed as expected.
- CCTV is located within the open plan office space that is used by the Department for Work and Pensions (DWP). The Council's locked hot desk office space is located at the far end of the open plan office. Hence, all those accessing the locked office space are being captured by the CCTV systems as they cross this space to access the hot desk office.

ISSUES TO BE ADDRESSED

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

Adequacy of Disaster Recovery Provision

- The IT Disaster Recovery overview document, which supports the IT BC Plan, requires immediate review to reduce the risk that key IT systems cannot be recovered adequately and as required by the business.

Backup & Recovery Capabilities

- There is a need to review the Veeam backup processes to better understand the reasons for the frequency of the partial failures of the backup jobs and the impact of the error messages that are being generated. Doing so will reduce the risk of a lack of data integrity and availability.

Disaster Recovery Testing

- The Disaster Recovery test plan needs to be formally utilised to plan, document and implement testing and ensure incidents are recorded. This will ensure a reporting mechanism is in place and will help to demonstrate that Council systems can be recovered from a range of incident types in a timely manner. If this does not occur, there is an increased risk of a failure to recover the Council's systems as required.

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

Adequacy of Disaster Recovery Provision

- Hard copies of the Disaster Recovery overview document need to be stored at the Fakenham Disaster Recovery site to reduce the risk that a lack of electronic systems results in soft copies of the document not being available during an incident.
- The Disaster Recovery overview document needs to be communicated once it has been reviewed and updated to reduce the risk that the ability to recover key Council systems cannot be adequately demonstrated.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the need to conduct ongoing periodic reviews of the Disaster Recovery overview document ideally in line with the corporate Business Continuity review cycle.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which two remain outstanding. These were discussed with management and revised deadline dates agreed. Those outstanding recommendations have been superseded by recommendations one and four raised within this audit, the control issues are still present but the recommendations have been expanded and modified to reflect the testing results and current situation

APPENDIX 3 – PERFORMANCE MEASURES

Area / Indicator	Target
<u>Audit Committee / Senior Management</u> 1. Audit Committee Satisfaction – measured annually 2. Chief Finance Officer Satisfaction – measured quarterly	Adequate Good
<u>Internal Audit Process</u> 3. Each quarters audits completed to draft report within 10 working days of the end of the quarter 4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter 5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager) 6. Compliance with Public Sector Internal Audit Standards 7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.	100% 100% 100% Full 100%
<u>Clients</u> 8. Average feedback score received from key clients (auditees) 9. Percentage of recommendations accepted by management	Adequate 90%
<u>Innovations and Capabilities</u> 10. Percentage of qualified (including experienced) staff working on the contract each quarter 11. Number of training hours per member of staff completed per quarter	60% 1 day

COUNTER FRAUD, CORRUPTION & BRIBERY STRATEGY AND WHISTLEBLOWING POLICY

- Summary: The Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy have been updated in line with best practice and relevant legislation.
- Conclusions: The Committee is requested to review the updated Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy.
- Recommendations: The Committee are requested to approve and agree the Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy to agree, subject to any amendments.
- Reasons for Recommendations: To ensure the Council follows best practice and has the appropriate policies in place to counter fraud/

Cabinet Member(s)	All
Contact Officer, telephone number and email: Emma Hodds, Head of Internal Audit 01508 533791 ehodds@s-norfolk.gov.uk	

1. Introduction

- 1.1 The Committee are asked to review the Counter Fraud, Corruption and Bribery Strategy and the Whistleblowing Policy together due to the intrinsic links between the two documents.
- 1.2 The Anti-Money Laundering Policy is currently being drafted, and it was planned to bring this Policy to the Committee at the same time. However new regulations came into force at the end of June 2017 and these are now being reviewed so that they can be reflected in the aforementioned Policy. Once updated the Policy will come to the Committee for review.

2. Background

- 2.1 North Norfolk District Council has had a Fraud Strategy in place for a number of years, however with the changes in relation to Benefit Fraud and the wider recognition of corporate fraud at Local Authorities, the Strategy has been re-written. The Strategy sets out the Council’s commitment to a zero tolerance attitude towards to fraud, corruption and bribery.

- 2.2 The Whistleblowing Policy sets out that the Council is keen to encourage staff, Councillors, partner bodies and members of the public to raise concerns that they have, in the knowledge that the Council will aim to ensure that they face no reprisal or victimisation as a result of taking such action.

3. Current Position

- 3.1 The Counter Fraud, Corruption and Bribery Strategy and the Whistleblowing Policy have been reviewed and updated to ensure that best practice is followed. These have been consulted upon with the Corporate Leadership Team, key senior officers, Unison (Whistleblowing only) and has also been compared to other Council's arrangements.
- 3.2 Historically the Council has had relatively low numbers of whistleblowing cases reported under the Whistleblowing Policy. However, the consequences of the failure to act should issues be reported can be significant, the Council has a duty to respond to matters that are in the public interest and to protect its employees.
- 3.3 The revised Counter Fraud, Corruption and Bribery Strategy is attached at **Appendix A** to this report. The Strategy has been brought up to date in terms of content to ensure that best practice is followed and the opportunity has also been taken to update the responsible officers and ensure that there is a route for making staff aware of the requirements of the Strategy through training, post approval.
- 3.4 The Whistleblowing Policy has been updated to show the changes in key staff and a lot of repetition has been removed to ensure the document can be easily read by those accessing it. In summary, the section that was entitled "Handling Whistleblowing Allegations" is mainly now part of the "Internal Allegations" section and the repetition has been removed.
- 3.5 In this regard a tracked changes version is attached at **Appendix B** for Members information, with a clean version attached at **Appendix C**.
- 3.6 The changes that have been made have been subject to careful consideration and consultation with key senior officers and the Corporate Leadership Team.
- 3.7 Following acceptance and endorsement the Head of Internal Audit will organise training for key officers at the Council.

4. Conclusion

- 4.1 The Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy have been updated in line with best practice and relevant legislation. The Committee is requested to approve the associated documents.

5. Implications and Risks

- 5.1 Financial – safeguarding the Council's assets and the Public Purse.
- 5.2 Legal – ensure that the Council is discharging its duties under the legal framework and following best practice.

- 5.3 Environmental – ensuring that concerns relating to the environment are raised appropriately and that those concerns are responded to in order to minimize any potential impact.
- 5.4 Equalities – ensuring that the Council does not victimize or discriminate against anyone who raises concerns within the Council.
- 5.5 Crime reduction – ensuring that concerns relating to criminal activity are raised appropriately and that those concerns are responded to in order to minimize any potential losses.

Appendices:

- Appendix A Counter Fraud, Corruption and Bribery Strategy
- Appendix B Whistleblowing Policy – tracked changes
- Appendix C Whistleblowing Policy

NORTH NORFOLK DISTRICT COUNCIL

COUNTER FRAUD, CORRUPTION AND BRIBERY STRATEGY

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Effective Date: tbc post Committee approval

This Strategy will be subject to regular review with any significant variations leading to re-presentation of the Strategy.

INTRODUCTION:

1. Why have a Strategy

1.1 North Norfolk District Council (NNDC) has a Corporate Plan 2015-2019 which sets out the priorities for the four year period. This is a strategic document, listing the priorities for Council actions for the period 2015-2019, giving the shared vision and values and listing the priority areas on which the council intends to concentrate its efforts:

- Jobs and the Local Economy
- Housing and Infrastructure
- Coast and Countryside
- Health and Well-Being
- Delivering Service Excellence

1.2 In order to deliver against our priorities, we need to ensure that we minimise losses to fraud, corruption and bribery. For every pound we lose to these activities, there is a pound less we can spend on delivering our objectives. As a public service authority, we have a duty to ensure we promote effective stewardship and value for money in the use of our public funds. Fraud, corruption and bribery reduce the reputation, and confidence that can be placed in the Council and public service bodies generally.

1.3 Historically, the Council has relatively low levels of detected fraud activity in relation to its business operations. Where such activity has been identified, we have addressed this promptly and sought sanctions as appropriate. However, this does not mean that the Council is immune to future activity, and so it is important that this strategy makes clear our commitment to ensuring losses to fraud and corruption are minimised, enabling resources to be used for their intended purpose, which is to deliver quality services to the community in accordance with identified requirements.

1.4 The Bribery Act 2010 places an expectation that organisations will have appropriate and adequate procedures in place to minimise the risk of bribery occurring. This Strategy seeks to reduce this risk, and to outline the Council's anti-bribery approach.

2. Objectives of the Strategy

2.1 The key objectives of this strategy are to:

- Increase staff and Members awareness of the corporate counter fraud culture which the Council actively supports and encourage individuals to promptly report suspicious of fraudulent and corrupt behaviour.
- Communicate to partners, suppliers, contractors and other organisations that interact with the Council that it expects them to maintain high standards aimed at minimising fraud and corruption in their dealings with the Council.
- Further embed and support the management of fraud risk within the Council.
- Demonstrate the arrangements that the Council has in place to counter fraud and corruption.
- Minimise the likelihood and extent of losses through fraud and corruption.

3. Statement of Intent / Policy Statement

- 3.1 NNDC is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption.
- 3.2 There is an expectation and requirement that all individuals and organisations associated in whatever capacity with the Council will act with integrity and that Council Members and staff, at all levels, will lead by example in these matters.
- 3.3 The Council's staff and elected Members are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns which they may have on those issues where they are associated with the Council's activity. They can do this in the knowledge that such concerns will be treated in confidence, properly investigated and fairly dealt with.

4. Definitions and Examples

- 4.1 CIPFA (the Chartered Institute of Public Finance and Accountancy) define fraud as "the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."
- 4.2 With reference to corruption, CIPFA describes this as "the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person".
- 4.4 We might usually term this as bribery – for example, if someone was to try to offer an incentive to ensure that a planning application was approved, or, conversely someone accepted or asked for something of material value from contractors, suppliers or persons in return for their being approved to provide services / goods to the Council.
- 4.5 The legal framework for fraud and corruption is defined by a number of acts. Primarily, the Fraud Act 2006 establishes a criminal liability for fraud through either false representation, failing to disclose information or abuse of position. Section 17 of the Theft Act 1968 creates an offence of destroying, defacing, concealing or falsifying any account, record or document made, or required, for any accounting purposes. The Bribery Act 2010 makes it an offence to attempt to bribe someone, or receive a bribe where that may result in improper discharge of a public function.
- 4.6 Examples of fraud and corruption are:
 - Theft of Council property or services
 - Evading liability for payment
 - False accountancy, including the destruction, concealment or falsification of any account or record, or giving misleading, false or deceptive information
 - Obtaining property by false pretences
 - Misuse of office
 - Bribery
 - Working while on sick leave
 - Falsifying time or mileage sheets, including flex time
 - Selling Council equipment inappropriately
 - Failure to declare an interest
 - Fraudulent tendering process
 - Fraudulent property letting
 - Accepting any gift or consideration as an inducement for doing or refraining from doing anything in relation to Council business

5. Responsible Officers

- 5.1 There are many stakeholders who have roles and responsibilities in relation to fraud, corruption and bribery; these are noted in sections 8 through to 13.
- 5.2 In particular the Head of Internal Audit is responsible for reviewing and updating the Counter Fraud, Corruption and Bribery Strategy, along with making staff aware of the Strategy's requirements through training and publicising initiatives.
- 5.3 Concerns can be raised in confidence and with the knowledge that they will be properly addressed, in line with the Whistleblowing Policy. If necessary, a route other than a line manager may be used, as follows:

Corporate Directors and Heads of Paid Service	Nick Baker Nick.baker@north-norfolk.gov.uk Steve Blatch Steve.blatch@north-norfolk.gov.uk
Monitoring Officer	Emma Duncan Ema.dunca@eastlaw.org.uk 01263 516045
Head of Internal Audit	Emma Hodds ehodds@s-norfolk.gov.uk 01508 533791

- 5.4 All concerns raised and the outcomes will be reported to the Governance, Risk and Audit Committee (GRAC), by the Head of Internal Audit, annually in a form that does not endanger confidentiality. However, if no concerns are raised no report will be provided.
- 5.5 This strategy is to be reviewed at least every 3 years (or more frequently if required by changes to statutory legislation) and the following parties will be consulted prior to finalising and submitting the strategy to Cabinet for subsequent approval:
- Corporate Leadership Team
 - Governance, Risk and Audit Committee (GRAC)
- 5.6 On an annual basis the details of the responsible officers shall be reviewed by the Head of Internal Audit to ensure that details remain relevant and up to date. This review will not require re-endorsement of the strategy.

PREVENTION AND DETERRENCE

6. Corporate Framework

6.1 The Council has a number of policies, procedures and guidance that are designed to support this policy in countering, and preventing fraud occurring. These policies take account of legislation and expected standards in public life. Such documents include:

- The Codes of Conduct for Members and Employees;
- The Council Constitution;
- Disciplinary Procedures;
- Complaints Procedures;
- Whistleblowing Policy;
- Anti-Money Laundering Policy; and
- Register of Interests and Register of Gifts and Hospitality.

7. Cultural Framework

7.1 The Council is determined to promote a culture of honesty, integrity and opposition to fraud, corruption and bribery. The prevention and detection of this is the responsibility of all. To deliver this the Council will:

- Accurately identify the risk of fraud
- Create and maintain a strong counter fraud culture
- Take action to deter, prevent and detect fraud
- Investigate and apply sanctions and seek redress where fraud is proven
- Record and report our outcomes annually (where appropriate) to the GRAC

7.2 To this end, the Council expects the highest possible standard of service to the public, and employees and Councillors are expected, without fear of recrimination, to bring to the attention of the Council's Monitoring Officer any unlawfulness or maladministration in the provision of services. Further details in respect of this are included within the Council's Constitution and the Code of Conduct for Members and Employees.

7.3 The Council has adopted a Whistleblowing Policy, which encourages employees, Members and other parties to raise concerns, in the knowledge that they will not suffer victimisation, or harassment, as a result.

7.4 The Council endeavours to be open and transparent in the way that it conducts business and in making decisions. The Council's Constitution outlines the decision making framework within the Council, and demonstrates where functions may be delegated. The Council has published details of all expenditure over £500 on its website, and will endeavour to meet all transparency requirements of Central Government. The Council has policies and procedures to respond to Freedom of Information Act requests.

7.5 Both Councillors and Employees ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues, etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

8. Members

- 8.1 All Councillors are expected to maintain high standards of Conduct when performing the public duties. The Monitoring Officer works with the Standards Committee to monitor standards of conduct and provide advice, guidance and training with both the legal requirements, and the Council's own expectations.
- 8.2 Councillors are provided a copy of the Code of Conduct, advice and guidance on the declaration of interests, gifts and hospitality, and protocols on Member / Employee behaviour and involvement in planning and other judicial matters.
- 8.3 The Council's GRAC is responsible for the oversight of the production and delivery of this strategy.

9. Employees

- 9.1 A successful counter fraud culture is one where acts of fraud, corruption and bribery are widely recognised as unacceptable behaviour and whistleblowing is perceived as a public-spirited action. The Council has put in place a number of policies, procedures and other actions to promote an anti-fraud culture to the Council's officers, as detailed in paragraph 6.1.
- 9.2 All officers must abide by the Council's Code of Conduct for Employees, which sets out the Council's requirement on personal conduct. Professionally qualified officers of the Council are also expected to follow any Code of Conduct or Ethics as required by their Professional Institute.
- 9.3 In particular the Heads of Paid Service have overall responsibility for the Council's counter fraud, corruption and bribery arrangements.

Heads of Service and Service Managers support the Heads of Paid Service in this role; they are responsible for the prevention and detection of theft, fraud, corruption and other irregularities within their area of responsibility. They are expected to:

- Identify, be familiar with and assess the types of risks and fraud or corruption that might occur within their area;
- Promote the Strategy, publicity and relevant training of staff and bodies they do business with;
- Be alert for any indication of fraud or corruption; and
- Be ready to take appropriate action in a timely way should there be a suspicion of theft, fraud or corruption.

The Section 151 Officer has a statutory duty to report where a decision has been made that would involve expenditure, or a loss, which is unlawful. This officer will also ensure the Council has adequate resources in place for the provision of an Internal Audit Service that is able to provide an annual opinion on the quality of systems of internal control which inform the Council's Annual Governance Statement.

- 9.4 The Council also has disciplinary procedures for all categories of employee. Any breach of conduct will be dealt with under these procedures and may result in dismissal.
- 9.5 Officers must comply with the Code of Conduct in respect of the declarations of interests, and in particular declaring any financial or non-financial interests that could conflict with the Council's interests, or could cause your conduct to be questioned.

10. Partners, Suppliers, Contractors and Other Organisations that the Council interacts with

- 10.1 The Council expects the highest standards from all organisations that have dealings with it. Any partners, suppliers, contractors and other third parties funded by or in receipt of payments from the Council are required to adopt or abide by Council policies, procedures, protocols, and codes of practice, where appropriate, in order to prevent and detect fraud.
- 10.2 All transactions with suppliers and other organisations will be entered into in line with the Council's Contract Standing Orders. These make appropriate provisions for declaring interests and the circumstances where such regulations may not apply, and rules regarding entering into contracts and verifying contract conditions. In addition, prior to entering into significant, ongoing transactions, Procurement Procedures require that appropriate due diligence checks are undertaken to ensure that suppliers have an appropriate financial and risk profile before transactions are entered into.

11. Members of the Public

- 11.1 Members of the public have an important role to alert the Council to any concerns about the potential for fraud, corruption or bribery that they may become aware of. They are encouraged to report their concerns, either through the Council's complaint procedure or by contacting the officers, as noted

12. Internal Control environment

- 12.1 The Council's internal control environment plays a key role in ensuring that fraud can be prevented. Soundly designed systems, with adequate checks built in, minimise the opportunities for untoward activities. This could be through automated controls, or through management oversight of transaction activity.
- 12.2 Management retains responsibility for the oversight of the internal control environment within their specific service areas, internal and external inspections additionally play an important role in ensuring that operational arrangements are operating effectively.
- 12.3 For example, Internal Audit prepares a risk based audit plan each year, which is cognisant of those areas where historically, there has been the potential for fraud and corruption, and effectively provides for a work programme which encompasses those services and systems (financial and non financial) that are subject to the highest level of inherent risk.
- 12.4 In the course of completing audit assignments, Internal Audit will also separately identify fraud risks, determine what management control mechanisms have been put in place to address those risks and review their adequacy and effectiveness. Recommendations will be put forward aimed at strengthening systems of internal control which are designed to remove potential opportunities for fraud and corruption in the future. This also ensures that any concerns that External Audit may have with regards to the risk of misstatement due to fraud and error is both sufficiently addressed and appropriate recommendations made where necessary.
- 12.5 The Council also recognises that a key preventative measure against the possibility of fraud or corruption is to take effective steps at the recruitment stage to establish, as far as possible, the propriety and integrity of potential employees. This include temporary and contract staff. Agencies providing temporary staff should be required to confirm references have been obtained and validated.

12.6 The Council requires recruitment to be in accordance with the Council's Recruitment Policy. Written references should be obtained and any relevant qualifications should be confirmed prior to appointment.

12.7 Once recruited, employees are subject to an induction process. Similarly, upon election, Members are also required to complete an induction. As part of this induction, Members and officers must review the relevant Codes of Conduct, and familiarise themselves with the Whistleblowing Policy and this strategy.

13. Working with others – External Audit and National Fraud Initiative

13.1 External Audit are charged with ensuring that the Council is correctly reporting its arrangements in relation to counter fraud, corruption and bribery and where cases are uncovered involving sums in excess of £10,000 or of a particularly complex nature, these are being brought to its attention by Internal Audit. In the event that External Audit suspects a fraud, they will pass this over to Internal Audit for investigation, or in exceptional circumstances reserve the right to retain control over a fraud investigation.

13.2 Annually the Head of Internal Audit provides a response to the External Auditors; "Internal Audit's Views on the Risk of Fraud". This provides information to assist the External Auditors in assessing the Council in relation to:

- Knowledge of any actual, suspected or alleged fraud affecting the Authority;
- Views about the risks of fraud at the Authority;
- Areas within the Council at greater risk of fraud;
- Procedures used by Internal Audit to detect fraud; and
- Management's response to any findings as a result of these procedures.

13.3 The Council participates, wherever possible, with exercises specifically developed to ensure that opportunities to identify instances and risks of fraud and corruption are maximised. In this regard, the Council takes part in activities such as the National Fraud Initiative (NFI) and utilises data from the Housing Benefit Matching Service (HBMS), as well as being a member of the National Anti Fraud Network (NAFN) and being responsive to their bulletins and guidance.

13.4 The Council has also regularly reviews Single Person Discount, the first round of this was completed in 2012 / 13 and this has occurred annually since.

13.5 In addition, the Council seeks to work with partners and other stakeholders to make the best use of resources and exchange information (subject to provisions of the Data Protection Act and Human Rights Act) to minimise losses. Other partners include the Police, the Department for Work and Pension, the National Health Service and other local Council's.

DETECTING AND INVESTIGATING

14. Detecting Fraud that has occurred

14.1 The Council has several measures in place designed to detect fraudulent activity.

14.2 Managing the risk of fraud, corruption and bribery is the responsibility of Heads of Service and Service Managers. Hence, the Council expects its Senior Managers to be vigilant regarding the possibility of fraud or corruption having occurred within their spheres of control. However, it is often the

alertness of other employees, Councillors or members of the public that enables detection to occur and appropriate action to take place.

- 14.3 Despite best efforts some fraudulent activity or corrupt acts will be discovered by chance, “tip off” or via a whistleblowing incident. The Council has developed appropriate arrangements to enable such matters to be handled through the Whistleblowing Policy.
- 14.4 Employees are required to report any suspicion they have that fraud or corruption has taken place or may be about to take place. The Code of Conduct for Employees also advises them to report any aspect of the provision of service or behaviour of a colleague which might, if more widely known, bring the Council into disrepute.
- 14.5 In addition, participating in activities such as NFI and utilising data from HBMS more readily helps the Council to identify where fraud has potentially occurred. The work of Internal Audit and the Council’s External Auditors may lead to detection of fraud.

15. Investigative approach

- 15.1 The primary means of investigating frauds is through the Monitoring Officer and is able to apply appropriate sanctions and call in other relevant officers for support as required. This will apply to all benefits related fraud, and the majority of other “internal” frauds.
- 15.2 There are provisions in the Internal Audit Service contract to engage Counter Fraud trained auditors, to work under the direction of the Head of Internal Audit, and in addition, the Head of Internal Audit can be involved in such special investigations. **Appendix A** provides the detailed processes that need to be followed.
- 15.3 The Monitoring Officer is responsible for monitoring and ensuring the investigation of Whistleblowing concerns received. Where such cases involve an instance of fraud and corruption, these will need to be jointly overseen by the Monitoring Officer and the Head of Internal Audit.
- 15.4 The Head of Internal Audit shall be responsible for the reporting of the outcomes of **non**-housing and council tax support fraud cases to Council Members, through providing updates in response to any cases that arise.

SANCTIONS AND REDRESS

16. Taking action where necessary

- 16.1 Where it has been identified that fraud, corruption or bribery has occurred, the Council is committed to ensuring that all appropriate sanctions and courses of redress are undertaken.
- 16.2 Although the Council’s primary means of sanction and redress of employees is through the Disciplinary Procedure, and Members may be investigated through the Standards Committee, this does not preclude the Council taking additional action.
- 16.3 The Council will seek to work with other parties, in particular the Police, wherever necessary or appropriate. The Council also has a public duty to seek financial redress, wherever feasible.

Appendix A

Investigative approach

1. Introduction

- 1.1 The purpose of the Council's Fraud, Corruption and Bribery Investigative Approach is to set out the action to be taken when a fraud is suspected or discovered. This plan forms part of the Council's overall approach to countering fraud and corruption.
- 1.2 Adhering to this will enable the Council to ensure that all incidents of fraud, corruption and bribery are handled in a consistent and responsible manner and the relevant responsibilities when responding to an incident are clear.

2. Reporting Concerns of Fraud, Corruption and Bribery

- 2.1 Anyone who has a concern that a potential incident of fraud, corruption or bribery has arisen should always attempt to raise these concerns at the earliest opportunity. The Council acknowledges that this can be a difficult and challenging act to do in some cases, and the Whistleblowing Policy has been established to provide those raising concerns with a safe avenue with which to do so. It also offers sources of advice and guidance that they may turn to.
- 2.2 The Whistleblowing Policy makes clear that the Council will always respect the confidentiality of those who raise a concern. Wherever possible, it encourages the whistleblower not to remain anonymous, and ensure that concerns are in writing to ensure that the facts of the situation are clarified.
- 2.3 Wherever the concern raised or identified relates to a matter of fraud, corruption and bribery (that is not housing and council tax support fraud), it is important to ensure that the Head of Internal Audit is notified in order that they can ensure appropriate investigatory measures are undertaken. Wherever possible, and whilst respecting confidentiality, the Head of Internal Audit will work with other officers to ensure that the right people are kept informed of incidents; in particular, they may need to notify the Section 151 Officer and members of the Corporate Leadership Team. The Monitoring Officer and the Head of Internal Audit should liaise to ensure that cases raised in respect of whistleblowing are appropriately addressed, and to ensure the Head of Internal Audit is aware of all issues that may impact upon delivery of the Annual Internal Audit Plan.

3. Reacting to reports of fraud, corruption and bribery

- 3.1 All reported cases will be handled in a fair and consistent manner. The Council will remain mindful of the legislative framework governing the investigation of concerns, in particular:
- Freedom of Information Act 2000
 - Data Protection Act 1998
 - Human Rights Act 1998
 - Criminal Procedures and Investigations Act 1996
 - Police and Criminal Evidence Act 1984
- 3.2 As the Whistleblowing Policy identifies, if someone raises a malicious allegation they know is untrue, then the Council will not investigate the case further. The Council will also endeavour to be sensitive to the alleged wrongdoers, to ensure minimisation of damage where subsequently, allegations cannot be substantiated.

- 3.3 Any investigations which involve potential fraud in relation to housing and council tax support will be undertaken in line with the Monitoring Officer's standard procedures, which follow guidance issued by the Department of Work and Pensions. The team will remain responsible for monitoring all statistics and the progression of cases in line with their standard framework. As such, the processes for the conduct of investigation set out below only relate to cases that are not of a benefits fraud nature.

4. Conducting Investigations

- 4.1 The Head of Internal Audit is responsible for overseeing the progress of fraud, corruption and bribery investigations to ensure they are undertaken in a consistent and appropriate manner, and undertaken in line with legislative requirements and agreed procedures. If the concern directly affects the Head of Internal Audit, this role will be adopted by the Section 151 Officer.
- 4.2 The Head of Internal Audit will also remain responsible for liaising with Service managers as to the incident raised and the progression of the investigation. Should disputes arise during the course of an investigation, these will be referred to the Section 151 Officer (and, if necessary, the Head(s) of Paid Service) to assist resolution.
- 4.3 A number of options will be considered when determining who will be responsible for undertaking investigative work but for the most part, the Monitoring Officer will be called upon to perform this work, unless the investigation directly affects an officer within that team, or it is deemed that additional expertise is required to undertake the review. If necessary, external investigators (e.g. forensic auditors) may be appointed to undertake the investigation.
- 4.4 At the commencement of any investigation, the Head of Internal Audit will agree the method and terms of reference for the investigation. Although it is acknowledged that flexibility will be required depending on the nature of the case, it is expected that the following will need to be considered:
- Who will conduct the investigation
 - The arrangements for collecting and documenting evidence
 - Estimated time span for the investigation
 - Consideration of direct referral to / liaison with other authorities (e.g. Police)
 - Agreeing the mechanism for reporting progress and the final outcomes
 - Liaison with Human Resources over potential suspension / transfer / disciplinary action with regards alleged wrongdoers
- 4.5 Where it is deemed necessary to refer cases to the police, careful consideration will be given as to whether to proceed with internal investigation. However, it is expected that all staff, Members and third parties will be expected to comply with both internal and police investigations as appropriate, and wherever possible Council and police enquiries will be co-ordinated to maximise their effectiveness.
- 4.6 Upon completion of any investigation, it is expected that a report will be produced highlighting the main findings. The report will be shared with the Head of Internal Audit, who will then be responsible for identifying the further necessary action in line with other appropriate officers (e.g. liaison with Human Resources if disciplinary action is required, or referral to the Section 151 Officer where inappropriate spending has been identified). Where it has been found that fraud or corruption has occurred, then a summary of the findings will be presented to the Corporate Leadership Team. Where fraud or corruption could not be proven, the findings will only be shared with those who have a genuine and legitimate need to know.

- 4.7 The Head of Internal Audit will also keep the person raising the concern informed of the progress of the investigation, however will not necessarily be able to share either the report or the conclusions of the investigation. Where this relates to a whistleblowing case, the Head of Internal Audit will continue to work with the Monitoring Officer in this regard.
- 4.8 It is the responsibility of management to ensure that any losses arising from an investigation are recovered, provided that there are reasonable grounds for doing so. There are various methods of recovery the Council can utilise, for example recovery from the perpetrator, through the Council's insurers, or through legal proceedings.

5. General Processes

- 5.1 This investigative approach will be available to staff and Members through the Council's intranet. It is acknowledged that circumstances may dictate further updates to the plan, and as such any changes can be made subject to agreement with the Section 151 Officer, Head of Internal Audit and Human Resources.
- 5.2 The Head of Internal Audit will remain responsible for ensuring that records in respect of fraud cases are appropriately maintained, and, in line with guidance issued by The National Archives, records relating to proven frauds will be maintained for at least 6 years.

Corporate Counter Fraud Awareness Action Plan

Aim	Actions	Outcome
To measure exposure to fraud risk and address fraud risks identified.	<p>There is a corporate risk register and relevant fraud risks are recorded therein.</p> <p>There is also national data available though the National Fraud Initiative which is analysed periodically, data from the Housing Benefit Matching Service, information from National Anti Fraud Network and information sharing with External Audit.</p>	A record of potential fraud risks and a record of these are mitigated and monitored.
To undertake validation / verification checks on areas at risk of fraud.	These are identified as part of the annual audit planning process and also during each audit. These will be tested to gain assurance that fraud risks are appropriately mitigated.	A Council that is pro-active in mitigating the risk of fraud.
To increase internal fraud awareness	<p>We will increase the awareness of fraud among employees through:</p> <ul style="list-style-type: none"> • Targeted fraud awareness training for key teams and staff in high fraud risks areas; • General fraud training for all staff and Members; • Consideration of other publicity methods i.e. counter fraud item in Council's Staff Bulletin and counter fraud pages on the Intranet. • Regular promotion of the Whistleblowing Policy and ways staff 	<p>A counter fraud and corruption culture.</p> <p>Staff are alert to the risk, and indicators, of fraud.</p> <p>Staff know when and how to report fraud concerns.</p> <p>Fraudsters are deterred from committing fraud.</p>

	<p>can report concerns;</p> <ul style="list-style-type: none">• This Strategy and the Whistleblowing Policy being accessible to staff through the Intranet.	
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NORTH NORFOLK DISTRICT COUNCIL
WHISTLEBLOWING POLICY AND PROCEDURE

Version Control:

Version 2.4a – 28 January 2015

[Version 2.5 – tbc on approval](#)

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WHISTLEBLOWING POLICY

1.0 INTRODUCTION TO THE POLICY

- 1.1 The Whistleblowing Policy is intended to provide a local framework for disclosing concerns about unacceptable conduct with the public interest in mind. The Public Interest Disclosure Act 1998 provides statutory protection to any person who raises any concerns in good faith about a possible wrong-doing. However, as the Committee on Standards in Public life observed:

“The statutory framework is a helpful driver but must [not be seen] as a substitute for cultures that actively encourage the challenge of inappropriate behaviour”.

This policy and associated procedures have been developed in the spirit of this observation.

- 1.2 Public Concern at Work (a charity which provides independent advice and information on whistleblowing) draws the following distinction between whistleblowing and pursuing a complaint:

“When someone blows the whistle they are raising a concern about danger or illegality that affects others (e.g. customers, members of the public, or their employer). The person blowing the whistle is usually not directly, personally affected by the danger or illegality. Consequently, the whistleblower rarely has a personal interest in the outcome of any investigation into their concern - they are simply trying to alert others. For this reason, the whistleblower should not be expected to prove the malpractice. He or she is a messenger raising a concern so that others can address it.”

- 1.23 Employees are often the first to realise that there may be actions or activities that are wrong or unacceptable within the Council. However, they may not be confident about expressing their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may seem easier to ignore the concern rather than report what may just be a suspicion of malpractice. However, if the Council has the chance to deal with a potentially serious problem at the earliest opportunity this can minimise the risks before serious damage can be caused to persons, property or reputation. Allegations made under the Whistleblowing Policy should relate to a matter within the public interest and not in relation to a personal or employment matter.
- 1.34 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment the Council expects employees, councillors, organisational partners, contractors and members of the public to raise concerns about any impropriety or illegality in the Council's work. It is recognised that most cases will have to proceed on a confidential basis.
- 1.45 It is also expected that contractors will be required to have their own Whistleblowing policies and arrangements established in accordance with thresholds set in the Council's contract conditions through the tendering process. Where a contractor does not have its own policy, it is expected that the principles and arrangements of the Council's policy and associated procedures will apply.
- 1.56 This policy document makes it clear that employees, Councillors, organisational partners, contractors and members of the public can raise such matters in good faith

without fear of subsequent victimisation, discrimination or disadvantage by the Council as a result of their allegation.

1.67 This policy and associated procedure is intended to encourage and enable employees and others to raise concerns about impropriety or illegality within the Council rather than overlooking the problem or 'blowing the whistle' outside the Council. If they decide that the matter needs to be taken up outside, then they should be aware of this policy and ensure that they do not disclose confidential information. The Public Interest Disclosure Act 1998 encourages people to raise concerns within the Council in the first instance, and does not offer the same protection to those who raise concerns to outside parties inappropriately. Therefore, if they are concerned information may be confidential, they should seek advice from the Responsible Officer(s).

1.78 The procedures accompanying this policy document are in addition to the Council's complaints procedures and other statutory reporting procedures. Directors and Heads of Service are responsible for ensuring their managers and staffs are aware of the existence of this policy and procedures and managers and relevant employees are responsible for making organisational partners and contractors aware through the procurement and contract process. The Council is responsible for promoting awareness of this policy and procedures amongst members of the public through a range of media. This policy and procedures can be accessed directly through the North Norfolk District Council website.

1.89 Where it is deemed necessary or appropriate, to ensure all individuals are equally able to raise concerns under this policy, the Council will make provision for:

- An interpreter or relevant support mechanisms to ensure a fair and consistent level of understanding
- Flexibility in scheduling meetings to accommodate caring responsibilities or similar commitments
- Suitable rooms with easy access or facilities for those with disabilities
- Flexibility in scheduling meetings to accommodate religious days and beliefs.

2.0 AIMS AND SCOPE OF THIS POLICY

2.1 This policy aims to:

- encourage employees and others to feel confident in raising serious concerns and to question and act upon concerns about practice and procedures;
- provide avenues for employees and others to raise their concerns [and receive feedback on any action taken](#);
- receive a response to their concerns and to be aware of how to pursue them if they are not satisfied;
- reassure employees and others that they will be protected from reprisals or victimisation if they have made any allegation or disclosure in good faith.

2.2 There are existing procedures in place to enable employees to raise matters relating to their own employment, including grievances, bullying and harassment. This policy is intended to cover concerns of impropriety and illegality that are within the public interest and fall outside the scope of such employment procedures.

2.3 [The Public Interest Disclosure Act 1998, as amended by the Enterprise and Regulatory Reform Act 2013 Sections 17 – 20 outlines that a “protected” disclosure of a concern is one which demonstrates one or more of the following:](#)

- that a criminal offence has been committed, is being committed or is likely to be committed;
- that a person has failed, is failing or is likely to fail to comply with a legal obligation;
- that a miscarriage of justice has occurred, is occurring or is likely to occur;
- that the health and safety of any individual has been, is being or is likely to be endangered;
- that the environment has been, is being or is likely to be damaged;
- that information relating to any of the above has been or is likely to be deliberately concealed.

2.4 Beyond the legal context above, the Council would encourage employees, members of the public, and any other interested parties to raise any significant concerns that they may have, as soon as they are reasonably aware of them. These concerns could be about any aspects of the Council's activities, e.g. with reference to Council employees, Members of suppliers acting on behalf of the Council, and relate to issues that are either occurring now or are likely to happen in the future.

2.5 It should be emphasised that this Policy is intended to assist individuals who have discovered malpractice or serious wrongdoing, provided they make the disclosure in accordance with the Policy. Individuals who make disclosures outside the arrangements set out here will not be protected under this Policy and may not be protected under the Act.

~~A concern raised through this policy may be about something that makes the individual think that the behaviours or actions of others are contrary to the Council's adopted policies and procedures; or fall below established standards of practice; or amount to improper conduct, and can include:~~

- ~~• conduct which is an offence or a breach of law (e.g. theft, false claims)~~
- ~~• disclosures related to miscarriages of justice~~
- ~~• health and safety risks, including risks to the public as well as other employees~~
- ~~• dangerous issues or working practices~~
- ~~• conduct which has led or could lead to damage to the environment (for example, inappropriate disposal of waste)~~
- ~~• the unauthorised use of public funds~~
- ~~• possible fraud and corruption~~
- ~~• sexual, physical or verbal abuse of clients, employees, members of the public or others~~
- ~~• improper or other unethical conduct~~
- ~~• showing undue favour over a contractual matter or to a job applicant~~
- ~~• information on any of the above that has been, or is being, or is likely to be concealed.~~

~~Please note this list is not exhaustive.~~

3.0 SAFEGUARDS

3.1 The Council is committed to good practice and high standards and wants to be supportive of individuals when raising concerns.

- 3.2 The Council recognises that the decision to report a concern can be a difficult one to make. If what an individual is saying is true or reasonably believed to be true, they have nothing to fear. In these circumstances, the individuals will be doing their duty to their employer, the Council and those for whom they are providing a service.
- 3.3 The Council will not tolerate any harassment or victimisation, including informal pressures, of whistleblowers or witnesses, and will take appropriate action to protect the individual when they raise a concern in good faith.
- 3.4 If an individual is found to have been victimised, harassed or disadvantaged as a result of raising a concern, the Council will take the following action against the perpetrators:
- (a) An employee will be subject to the Council's disciplinary process;
 - (b) A councillor will be the subject of a Standards inquiry;
 - (c) A contractor or supplier will be considered to be in breach of contract and will be required to stop such behaviour. This may have serious implications for existing and future contract relations, up to and including termination of the contract;
 - (d) A customer or service user may be considered to be in breach of the conditions of service. This may make it necessary to modify or discontinue the service provided.
- 3.5 If an individual is being considered under the Council's Disciplinary, Staff Adjustment or other dispute resolution procedures, this will not affect their right to raise a concern under this procedure.

4.0 CONFIDENTIALITY

- 4.1 [In accordance with the Public Interest Disclosure Act 1998, the Council undertakes to protect, as best it can, an employee who blows the whistle from personal claims, victimisation, harassment or bullying as a result of his or her disclosures. This assurance is not extended to someone who maliciously raises a matter they know are untrue; such instances will be subject to the Council's disciplinary procedure.](#)
- 4.2 All concerns will be treated in confidence and every effort will be made not to reveal the individual's identity if they so wish. However, it may become evident that in order to investigate an allegation, the confidentiality of the whistleblower may be compromised. The Responsible Officer will endeavour to notify the whistleblower where this is likely to arise. Further, having completed any investigation or enquiries, it may be necessary for them to come forward as a witness or provide a statement as part of the evidence.
- 4.23 The Responsible Officers (see 78.0 below) will do all they reasonably can to support the individual once they have taken the decision to voice their concerns, including providing the individual with access to:
- internal support through the Responsible Officers, Human Resources team, trade union representatives and managers, as appropriate; or
 - external, confidential advice such as Public Concern at Work or the Council's Employee Assistance Programme.
- 4.43 If confidentiality is compromised and this creates a tension between the whistleblower and their manager, the subject of the allegation or other employees, it may be necessary to make provision to mitigate associated difficulties. Depending on

the nature of the allegations, this may include mediation, counselling, retraining or redeployment.

5.0 ANONYMOUS ALLEGATIONS

- 5.1 This policy encourages individuals to put their name to their allegation whenever possible.
- 5.2 Concerns expressed anonymously are more difficult for the Council to investigate and resolve as there is no opportunity to discuss the issue and relevant information with the whistleblower. In addition, those individuals who make anonymous allegations are not protected by the provisions of the Public Interest Disclosure Act 1998. Therefore, concerns expressed anonymously will be considered at the discretion of the Responsible Officers.
- 5.3 In exercising this discretion, the factors taken into account when reviewing anonymous allegations include:
- the seriousness of the issues raised
 - the quality of any documentary evidence
 - the credibility of the concern; and
 - the likelihood of confirming the allegation from attributable sources.

6.0 ASSURANCES TO THIRD PARTIES

6.1 The assurances provided to employees raising concerns set out in section 4 above cannot be given in the same way to third parties. For example, the Council cannot guarantee protection to employees of third party (contractor) organisations. However, we expect that all contractors are aware of the Council's whistleblowing procedures, and act in accordance with these.

6.2 Further, with regard to members of the Public, whilst they are not afforded statutory protection in the same way as employees, the Council is committed to treating all citizens fairly. Raising a concern under this policy will not affect the rights of any Council citizens.

7.0 UNTRUE ALLEGATIONS

7.1 If an individual makes an allegation in good faith, which is not confirmed by the investigation, no action will be taken against the individual. However, if an individual makes an allegation for personal advantage, or with malicious intent, disciplinary action may be taken against them. Allegations of this nature are not protected by the Public Interest Disclosure Act 1998.

8.0 THE RESPONSIBLE OFFICERS AND PROCESS INTEGRITY

8.1 For the purposes of this policy, there are ~~four~~ three Responsible Officers with specific and shared responsibilities. Those officers are the Monitoring Officer, the Heads of Paid Service Chief Executive and the Head of Internal Audit Consortium Manager, or their nominated deputies ~~(nominated deputies for the Chief Executive are the Corporate Directors).~~

8.2 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. That officer maintains a confidential record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality unless you choose to waive this protection) and will report to the Heads of Paid Service, Chief

~~Executive, Governance, Risk and Audit Committee (GRAC), Standards Committee and Full Council as necessary and appropriate. This policy is subject to annual review and update where appropriate. If no concerns are raised no report will be provided.~~

~~87.3~~ The Whistleblowing Evaluation Panel (the "Panel"), composed of all ~~four~~three Responsible Officers, will have joint responsibility for the efficient and effective handling of whistleblowing allegations. The Panel will determine whether an investigation will take place or whether an alternative course of action would be appropriate. Furthermore, at the end of the investigation the Panel will adjudicate on what has been found and determine what, if any, action is required.

~~87.4~~ In addition, the ~~Council will annually nominate a Cabinet Member as a point of contact for the Panel and Members Chair~~ of the ~~Governance, Risk and Audit Committee~~ will be responsible for satisfying themselves that the ~~Whistleblowing Policy~~ and procedures are effective, ~~being the Council's nominated responsible Member in the context of effective corporate governance.~~

~~87.5~~ The integrity of the Whistleblowing process is critical for individuals to be confident in coming forward with their concerns. The process must be robust, independent and ensure all relevant contributions are considered. The judgement of the Panel will not be allowed to be fettered by representations made by staff, councillors or any third party. Any officer or councillor with a personal interest in the whistleblowing matter will be excluded in order to preserve the integrity of the process.

~~8.6~~ This policy is to be reviewed at least every three years (or more frequently if required by changes to statutory legislation) by the Head of Internal Audit and the following parties will be consulted prior to finalising and submitting the policy to the Governance, Risk and Audit Committee (GRAC) for approval:

- Unison
- Senior Officers as listed at Appendix A
- Corporate Leadership Team

~~8.7~~ On an annual basis, Appendix A of the policy, which provides details of the key parties responsible for whistleblowing, shall be reviewed by the Head of Internal Audit to ensure the details remain relevant and up-to-date. This review will not require re-endorsement of the policy.

~~8.8~~ The Head of Internal Audit is responsible for making staff aware of the Policies' requirements through training and publicising initiatives.

WHISTLEBLOWING PROCEDURES

INTERNAL ALLEGATIONS PROCEDURE

98.0 HOW TO RAISE A CONCERN

98.1 As a first step, you should normally raise your concerns with your immediate manager. If you are unable to do so for any reason, you should go to any other member of the ~~M~~management ~~t~~Team in whom you have confidence. The important issue is to raise the matter with a manager with whom you feel comfortable, bearing in mind the seriousness and sensitivity of the issues involved and who is suspected of the malpractice.

98.2 Concerns may be raised verbally or, preferably, in writing. Individuals who submit their concerns in writing are invited to use the following format:

- the background and history of the concern (giving relevant dates);
- details of any evidence that supports the concern;
- the reason why you are particularly concerned about the situation.

98.3 If your concern is raised verbally with a Responsible Officer, they will confirm with you in writing the nature of the allegation to ensure there is a full and accurate understanding of the matter.

98.4 The earlier you express the concern the greater the likelihood that an appropriate intervention may be made, to minimise the risk, impact or continuation of the concern in question.

98.5 Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern. However, it is important to note that your responsibility under this policy is to report your concerns; you are not expected to investigate them.

98.6 Advice and guidance on how your specific matters of concern may be pursued can be obtained from [the Responsible Officers \(contact details can be found at Appendix A\)](#):

- The Monitoring Officer,
- The [Corporate Directors and Chief Executive/Heads of Paid Service](#)
- ~~The~~ [Head of Internal Audit/Consortium Manager](#)

And also from:

- Trade Union Representatives
- ~~Public Concern at Work 020 7404 6609 (www.pcaw.co.uk).~~
- ~~Further details about the role of Public Concern at Work can be found at Appendix „B’. Please note that Public Concern at Work are most effective when consulted before raising whistleblowing concerns rather than afterwards.~~

98.7 You may wish to consider discussing your concern with a colleague first or your trade union representative and you may find it easier to raise the matter together with a colleague if there are two (or more) of you who have had the same experience or concerns.

98.8 You may invite your trade union representative, another employee of the Council or another person previously agreed with the Monitoring Officer to be present during any meetings or interviews in connection with the concerns you have raised.

98.9 Having considered the nature of the issue that gives you cause for concern, and having taken advice or guidance, as necessary, it will be a matter for you to decide to which of the Responsible Officers (~~Monitoring Officer, Chief Executive or Internal Audit Consortium Manager~~) you will submit your allegation.

9.10 In the event of an allegation concerning one of the Council's statutory officers, namely the Corporate Directors and Heads of Paid Service, the Monitoring Officer, the Section 151 Officer or the internal audit service, different arrangements will be made as follows:

- If the allegation is against or implicates the **Monitoring Officer**, the Responsible Officers will be the Corporate Directors and Heads of Paid Service, the Head of Internal Audit, the Leader of the Council and the ~~Chair of the Governance, Risk and Audit Committee~~nominated Cabinet Member.
- If the allegation is against or implicates the **Corporate Directors and Head(s) of Paid Service**, the Responsible Officers will be the Monitoring Officer, the Head of Internal Audit, the Leader of the Council and the ~~Chair of the Governance, Risk and Audit Committee~~nominated Cabinet Member.
- If the allegation is against or implicates the **Section 151 Officer**, the Responsible Officers will be the Corporate Directors and Head(s) of Paid Service, the Monitoring Officer, the Leader of the Council and the ~~Chair of the Governance, Risk and Audit Committee~~nominated Cabinet Member.
- If the allegation is against or implicates **more than one statutory officer**, alternative arrangements will be made by the remaining officers and will involve the Leader of the Council and the ~~Chair of the Governance, Risk and Audit Committee~~nominated Cabinet Member.
- If the allegation concerns the **internal audit service**, the Responsible Officers will be the Corporate Directors and Head(s) of Paid Service and the Monitoring Officer.

9.11 In the event of the above allegations involving statutory officers the nominated Responsible Officers will undertake a preliminary assessment of the allegation and gauge its nature and validity. If it is concluded that the allegation should be investigated, the following considerations must be addressed:

- Is it appropriate for the investigation to be undertaken in accordance with the procedures outlined?
- Is it appropriate for the relevant officer to remain at work whilst any investigation is undertaken?

9.12 If the answers to either of these questions is "no" the Responsible Officers must refer to Chapter 10, Section 7 of the Council Constitution and arrange for the appointment of a designated independent person in accordance with Regulation 7 of the Local Authorities (Standing Orders) (England) Regulations 2001 (Investigation of alleged misconduct). The independent person appointed will then liaise with the Responsible

Officers on the appropriate course of action, including suspension during the investigation and any subsequent disciplinary sanctions.

910.0 HOW THE COUNCIL WILL RESPOND

910.1 A whistleblowing allegation may originate from within or outside the Council and will be received by any of the Responsible Officers.

10.2 The Whistleblowing Panel (composed of the Responsible Officers or their nominated deputies) will be convened as soon as possible. In the event of long-term absence of any of these individuals, or a post being vacant, then any two of the four offices of the Panel can act as the full Panel. Having decided to raise your concerns under this Whistleblowing Policy, and in order to protect individuals and those accused of possible misdeeds or malpractice, the Whistleblowing Panel Responsible Officer(s) will make initial enquiries with you to establish will determine whether or not:

- your concerns should be considered under this policy;
- your concerns can be allayed satisfactorily without invoking a formal whistleblowing investigation;
- no further investigation is necessary;
- your concerns may be resolved by other mechanisms or action, e.g. mediation, training or review; or
- there is sufficient substance behind your concerns to trigger an investigation.

~~9.2 Depending on the nature of the allegation and your preferences, it will be possible to conduct all communication through either the Responsible Officer with whom you had your first point of contact or through more than one member of the Whistleblowing Evaluation Panel (composed of the Monitoring Officer, Chief Executive and Internal Audit Consortium Manager, or their nominated deputies). However, it will be for the panel to make a collective decision about how to proceed.~~

109.3 Where concerns or allegations fall within the scope of other specific procedures (for example, discrimination issues) they will be normally referred for consideration under those procedures.

109.4 Some concerns may be resolved by agreed action without the need for investigation. Where this is the case, the Whistleblowing Evaluation Panel will make a record of the outcome agreed with you as the whistleblower.

109.5 Where the Whistleblowing Evaluation Panel concludes that no further investigation is required, they will make and retain a confidential record of the concern for future reference in the event of further concerns arising and advise you accordingly. A conclusion of no action will be recorded. There will be no cross reference to the subject employees or employees personal file(s). If their identity is known, the whistleblower will be advise of the outcome. If the Panel believes that the allegation was made vexatiously or with malicious intent, they will decide if disciplinary action should be taken where the whistleblower is a member of staff. If disciplinary action is pursued, it will be undertaken as a management action, not within the remit of this policy. Where the whistleblower is not a member of staff the Panel will decide whether any other form of action is appropriate and practical – a clear and intended outcome must be stated and the benefit which the Council will derive must justify taking such action. Any confidential records retained will be kept for a period of 6 years and then destroyed. The nominated Chair of the Governance, Risk and Audit

~~Committee~~~~Cabinet Member~~ will be informed that a whistleblowing allegation was received and that no investigatory action is being taken.

109.6 It is expected that the subject of the allegation will be told about the matters raised but there may be exceptional circumstances where this is not appropriate. The decision to tell the subject of the allegation ~~will be informed by a risk assessment, which~~ will consider the consequences of disclosing or not disclosing the information.

109.7 Testing out your concern is not the same as either accepting or rejecting it. Where it is agreed that your concern needs further formal investigation, and depending on the nature of your concerns, the matters raised may:

- be investigated by management or internal audit;
- be referred to the Standards Committee
- be referred to the police;
- be referred to the external auditor;
- form the subject of an independent inquiry.

109.8 If the allegation relates to both a ~~C~~eouncillor and an officer it will be necessary to conduct a joint investigation. In the event that the investigation finds that there are matters requiring action against the ~~C~~eouncillor, this would be conducted through the Standards Committee; if action is required against the officer, this would be conducted through the Council's disciplinary procedure.

109.9 If, ~~the Whistleblowing Panel determine that having undertaken a risk assessment, it is clear that~~ the nature of the whistleblowing concern requires urgent action, this will be taken immediately to reduce or remove the risk to individuals, assets and property, and to protect staff and ~~C~~eouncillors. Urgent matters may include theft or fraud that could result in the Council bearing financial losses, or health and safety failings that could result in serious injury or loss of life.

109.10 Where the Whistleblowing Evaluation Panel decides that an investigation should be carried out, the Panel will ~~meet to determine~~:

- (i) confirm who will be responsible for managing the investigation (the Investigation Manager);
- (ii) identify and authorise the resources required to undertake the investigation effectively (which may include budgets, internal audit staff (see Appendix A) or external investigators);
- (iii) agree the steps needed to progress the investigation (including interviews, document reviews and data analysis) along with indicative timescales
- (iv) ensure that the investigation manager and investigators have the appropriate competencies to discharge their responsibilities.

~~9.11 In the event that the concern relates to the Chief Executive, the Monitoring Officer or the Internal Audit Consortium Manager, then they will not be permitted to participate in any pre-investigation meetings or the investigation itself. In this situation the Leader of the Council will be advised of the situation and invited to participate in the pre-investigation meeting with those officers not implicated by the whistleblower, or their nominated deputies. Where more than one of these officers is implicated in the whistleblowing concern it may be necessary to commission an independent inquiry.~~

10.119-12 Within ten working days of being authorised to undertake a whistleblowing investigation, the ~~Responsible Officer(s)~~ Investigation Manager will ~~contact~~ write to you (in a way which does not arouse suspicions in your workplace):

- ~~(a)~~ (a) acknowledging that your concern has been received and allocated for action;
- (b) indicating how it is proposed to deal with the matter;
- (c) giving an estimate of how long it will take to provide a final response;
- ~~(d)~~ (d) telling you whether any initial enquires have been made;
- ~~(e)~~ (e) supplying you with information on staff support mechanisms and advising you of your entitlement to seek where you can get further advice and support (e.g. trade union or the Employee Assistance Scheme), as appropriate;
- ~~(f)~~ (f) agreeing with you how to process if you have chosen to remain anonymous; and
- ~~(g)~~ (g) advising you of any other relevant issues concerning the investigation-

10.129-13 Depending on the nature of the concern, the Investigation Manager may undertake the investigation or may manage the work of others (e.g. internal audit staff).

10.139-14 The Investigation Manager or other investigator may need to arrange a meeting with you and if you so wish you may be accompanied by your trade union representative or another employee.

10.149-15 The ~~Investigation Manager~~ ~~Responsible Officer(s)~~ will give you as much feedback as possible during the course of the investigation but will not be able to infringe any duty of care or confidence owed to someone else. If it is apparent that the investigation will not be completed within 28 days of authorising the investigation, the ~~Responsible Officer(s)~~ ~~(your original point of contact)~~ Investigation Manager will advise you of progress to date and any revised timeframe. You can expect to be updated at least every four weeks thereafter until the investigation is complete.

10.159-16 The ~~Responsible Officer(s)~~ Investigation Manager will take steps to minimise any difficulties you may experience as a result of raising your concern. However, depending on the findings, it may be necessary to convene additional meetings with you or to require you to give evidence in criminal or disciplinary proceedings. In such circumstances the ~~Responsible Officer(s)~~ Investigation Manager will arrange for you to receive relevant advice or support.

10.169-17 Once the Investigation Manager has completed their investigations, they will produce a written report to the Whistleblowing Panel that sets out:

- (a) the background to the whistleblowing concern;
- (b) the findings of fact and associated evidence;
- (c) the proposed decision and reasons for the decision; and
- (d) the proposed recommendations and associated action plan.

10.17 The Panel will review the report and reach a collective decision on what actions to pursue. The following will be considered in reaching a conclusion:

- If the allegation has been substantiated, and / or in the event of ancillary issues being revealed, the Panel must compile an action plan to address what has happened and the consequences for the Council. Consideration must be given to the following as appropriate:
 - Disciplinary action against the member(s) of staff concerned

- Remedial actions to recover any financial losses where there has been fraud etc.
- The potential for legal action against third parties
- Restoration of the Council's reputation
- Review / strengthening of relevant internal controls if breached and / or the introduction of new controls and refer to the Governance, Risk and Audit Committee (GRAC) as appropriate.
- If the allegation has not been substantiated, the Panel will reflect on the contest in which the original concern was raised. The Panel must reach a judgment on whether they still believe in the light of the findings that the original allegation was made in good faith. Where they concluded that this was not the case, the appropriate management action will be agreed concerning the whistleblower and the subject(s) of the allegation.
- Circulation of the report. It should be noted that whistleblowing reports, by their nature, should be treated as confidential, and wider circulation should be clearly justified.

109.18 The Council accepts that you need to be assured that the cause of your concern has been properly investigated and addressed. Upon conclusion of the investigation the ~~Responsible Officer(s)~~Investigation Manager will arrange to meet with you to ensure this is the case. Subject to legal constraints or other reasonable limitations, the outcomes of any investigation will be shared with you.

109.19 If for any reason you are not satisfied with the conduct of the investigation you may decide it is still appropriate to take your concerns outside the Council. While it is hoped a satisfactory outcome can be achieved internally, details of how you may take your concerns further are set out in section 134.0 below.

109.20 At the end of each whistleblowing investigation, the Whistleblowing Evaluation Panel will meet to review the investigative process. That review will consider:

- (a) whether the Policy has been properly followed and that the whistleblower's confidentiality was not compromised;
- (b) the extent to which the whistleblower's concerns have been addressed based on the facts of the matter and the evidence gathered;
- (c) the adequacy of an action plan for issues arising from the investigation and report;
- (d) the extent to which the draft report and action plan should be circulated internally;
- (e) whether any other bodies should be informed of the outcomes (e.g. the Police or the ~~Audit Commission~~external auditors);
- (f) whether the report outcomes and action plan should be reported to the Governance, Risk and Audit Committee (GRAC), Standards Committee or Overview and Scrutiny Committee.

10.21 Actions relating to internal controls will be fed into and monitored through the Council's performance management system and will be subject to further internal audit review as appropriate to ensure adequacy of the actions taken.

10.22 The Panel will ensure that the case file is completed as soon as possible. It will then be closed and retained as a confidential document by the Monitoring Officer. The subsequent outcomes of any ongoing management or legal actions will be placed on the file when those actions are concluded.

110.0 WITHDRAWING YOUR ALLEGATION

- 110.1 You do of course have the right to withdraw any allegation previously made under this Procedure. You should think very carefully before taking this course of action, bearing in mind an investigation may have started and you may need to explain your change of heart.
- 110.2 If you wish to withdraw your allegation you will need to write to the [Responsible Officer\(s\) Investigation Manager](#). However, even though you have asked for your allegation to be withdrawn, it may be the case that the subject of the allegation is already aware of, or has discovered, the matter(s) of concern. In such circumstances, this could create a tension between you and the subject of the allegation, which may make it necessary to provide appropriate support to address potential difficulties. Depending on the nature of the allegations, this may include mediation, counselling, retraining or redeployment.
- 110.3 If it is considered appropriate, despite the complainant withdrawing the allegation, the investigation of the allegation/complaint may continue if the [Responsible Officer/Panel](#) /Investigation Manager deem it necessary.

12.0 THE INVOLVEMENT OF COUNCILLORS IN THE WHISTLEBLOWING PROCESS

12.1 Except where the Leader acts as a member of the Whistleblowing Panel (see 9.10 above), Councillors will not make decisions on the processing of whistleblowing allegations. This is the role of the Panel who will inform the Councillors of the outcomes, as appropriate. The primary role for Councillors will be to ensure that appropriate actions stemming from whistleblowing investigations are endorsed and implemented, especially where these relate to governance arrangements. Should a Councillor receive a whistleblowing allegation, they should pass it on immediately to a Responsible Officer.

12.2 Councillors do have a number of formal roles in the whistleblowing process:

- TheA Chair of the Governance, Risk and Audit CommitteeMember of the Cabinet will be nominated annually to be the point of contact for the Whistleblowing Evaluation Panel. Communication will be:
 - Advised that an allegation has been received and whether or not it is to be investigated;
 - A headline summary of the allegation;
 - Update on progress and of the final outcome.
- The Leader of the Council is involved as outlined at 9.10 when allegations relate to one or more of the statutory officers. The Panel may also notify the Leader if the allegations are o a serious concern to the governance and reputation of the Council.
- The Governance, Risk and Audit Committee (GRAC) will receive recommendations and update on progress in addressing these as appropriate.
- Councillors will determine any recommendations to Council where it has been necessary to appoint a designated independent person, as outlined in 9.12.

- Councillors may individually provide support by acting as a friend or advisor to other councillors who come forward as whistleblowers.
- Councillors will be required to formally endorse the Whistleblowing Policy at least every three years.

EXTERNAL ALLEGATIONS PROCEDURE

143.0 HOW THE MATTER CAN BE TAKEN FURTHER

143.1 This policy is intended to provide you with an avenue within the Council to raise concerns. The Council hopes you will be satisfied with any action taken.

134.2 However, if you decide not to use the internal Whistleblowing Procedure set out in the sections above, or you are dissatisfied with the outcome, you are at liberty to make a complaint externally at any time to the appropriate independent organisation. A list of those external agencies which may be used are set out in Appendix C. ~~The telephone numbers are general contact numbers so you will need to explain the nature of your concern and ask to be put through to the appropriate Department and/or person.~~

143.3 You will then need to follow the instructions and procedures of the relevant independent organisation should they decide to investigate your complaint.

143.4 Before consulting an external party, the Council recommends that the whistleblower seeks independent legal advice (disclosures to a legal advisor is protected by law). The law most readily protects disclosures that are seen to be 'reasonable'. i.e. disclosures that are made within the Council or to an appropriate regulator at an early stage. If the matter is taken outside of the Council, the whistleblower should ensure that they do not disclose information about a third party that may be covered by a duty of confidentiality (e.g. commercially sensitive information or personal, private data). It is recognised that potentially the Public Interest Disclosure Act and the Data Protection Act could have some bearing on disclosures, however one statute does not overrule the other and both must be complied with, and thus each case would need to be considered on its individual merits.

13.5 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information and ensure that you comply with the requirements of the Public Interest Disclosure Act 1998 so that you do not lose the protection of the Act against dismissal or other detriment. Seek advice from the contact point about this.

~~If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. If you want to do this then you may need to check with the Responsible Officer(s) about whether your information is confidential. Depending on the nature of the information, it may be confidential to North Norfolk District Council, commercially sensitive to a third party or personal and private to an individual.~~

124.0 WITHDRAWING YOUR ALLEGATION

142.1 As with the internal Whistleblowing Procedure, you do of course have the right to withdraw any allegation previously made under this Procedure. You should think very carefully before taking this course of action bearing in mind an investigation may have started and you may need to explain your change of heart.

142.2 If you use this Procedure it will be up to the Independent Organisation to whom the allegation has been referred as to how you should do this and you will need to take their advice.

135.0 PROCEDURE FOR THE PUBLIC, CONTRACTORS, COUNCILLORS AND PARTNERS

- 153.1 Members of the Public, [contractors, Councillors and partners](#) who suspect a [Council](#) employee, [Councilors](#), organisational partners or contractors (in their business dealings with the Council) of impropriety or illegality should contact the District Council's [Chief Executive/Head\(s\) of Paid Service](#), Monitoring Officer or [the Head of Internal Audit/Consortium Manager](#).
- 153.2 If your suspicion is about the [Chief Executive/Corporate Directors and Head\(s\) of Paid Service](#), Monitoring Officer or [the Head of Internal Audit/Consortium Manager](#) then you should contact ~~either~~ the External Auditor, [contact details are at Appendix A.](#) ~~(PriceWaterhouseCoopers on 01603 883321) or the Audit Commission Complaints and Public Information Disclosure Act Manager on 0845 052 2646 (confidential public interest disclosure line).~~
- 153.3 All allegations are treated as confidential and will be thoroughly investigated and reported appropriately. The identity of the whistleblower will only be disclosed with their express permission.
- 153.4 For confidential advice about how to proceed with a suspicion anyone can contact Public Concern at Work ~~on 020 7404 6609~~.

HANDLING WHISTLEBLOWING ALLEGATIONS

14.0 INTRODUCTION

14.1 This manual explains how whistleblowing allegations are processed at North Norfolk District Council and accompanies the Council's Whistleblowing Policy which can be found in Section 2.2 of Part 5 of the Constitution. The Policy and process manual were adopted by Council on 16 December 2009 and are subject to annual review and update where appropriate.

14.2 The manual is a guide to those involved in evaluating, investigating and determining the validity of whistleblowing allegations. It has been written to support the publication of the Council's revised Whistleblowing Policy and draws upon our experience of handling whistleblowing allegations. It has been designed to address the shortcomings associated with the earlier policy and to avoid inconsistent decision-making. It addresses those issues on which we were previously silent.

14.3 The overriding aims of the revised Policy and of this guidance are to ensure that whistleblowing allegations are handled within a context of best practice, that they are processed and determined in an efficient and effective manner, and that they inspire confidence amongst staff in knowing that genuine concerns raised through this channel will be dealt with fairly and appropriately, that confidentiality will be maintained throughout, and that there will be no recriminations affecting job security, or any other aspects of the relationship between the whistleblower and the Council.

15.0 RECEIVING THE WHISTLEBLOWING ALLEGATION(S)

15.1 A whistleblowing allegation may originate from within or outside the Council and will be received by any or all of the following three nominated staff:

- The Monitoring Officer (MO)
- The Chief Executive (CEX)
- The Internal Audit Consortium Manager (IACM)

15.2 The Whistleblowing Evaluation Panel will be convened as soon as possible. The Panel comprises the CEX, the MO and the IACM, or their nominated deputies. In the event of the long term absence of any of these individuals, or a post being vacant, then any two of the three members of the Panel can act as the full Panel.

15.3 The roles of councillors in the whistleblowing process are described in subsection 20.0, and include the nomination of a member of the Cabinet other than the Leader, referred to below as the nominated Cabinet member.

15.4 In the event of an allegation concerning one of the Council's statutory officers, namely the Head of Paid Service (the Chief Executive), the MO and the Section 151 Finance Officer, or concerning the Internal Audit Service, different arrangements for the initial Panel meeting will be made as follows:

- If the allegation is against or implicates the **MO**, the Panel will comprise the CEX, a Corporate Director, IACM, the Leader of the Council and the nominated Cabinet member.
- If the allegation is against or implicates the **CEX**, the Panel will comprise , a Corporate Director, MO, the IACM, the Leader of the Council and the nominated Cabinet member.

- If the allegation is against or implicates the **Section 151 Officer**, the Panel will comprise the CEX, the MO, the IACM, the Leader of the Council and the nominated Cabinet member.
- If the allegation is against or implicates **more than one statutory officer** member of the Panel, appropriate alternative arrangements will be made by the remaining members including the a Corporate Director and will involve the Leader of the Council and the nominated Cabinet member.
- In all of the exceptions listed above, a separate protocol will be triggered for the investigation and determination of the allegation(s). This is described later in paragraph 19.2. If the allegation concerns the **Internal Audit Service**, the Panel will comprise the CEX, a Corporate Director and the MO and will agree an appropriate course of action.

16.0 AGREEING THE COURSE OF ACTION TO BE TAKEN

16.1 The Panel will review the content and nature of the allegation and will refer to the Whistleblowing Policy for guidance. A member of the Panel will be nominated as the whistleblower's point of contact and will arrange a meeting with the whistleblower where his/her identity is known, to explore the detail of the allegation. The whistleblower will be assured of the Panel's commitment to maintaining confidentiality and will be advised of the process to be followed, what feedback and communication from the Panel can be expected and when it will be received.

16.2 If it is apparent that the nature of the whistleblowing concern requires urgent action (see paragraph 9.9) or would benefit from immediate reference to other parties (such as the Police) the Panel may wish to seek guidance from relevant third parties before meeting to evaluate the allegation.

16.3 The Panel will assess the credibility of any allegation that is submitted to them, regardless of how they are raised. In all cases, in deciding what if any action to take, the Panel will be responsible for considering whether the allegation or concern raised was done so for personal advantage.

17.0 NO INVESTIGATORY ACTION TO BE TAKEN

17.1 If the Panel decides that the allegation should not be or is incapable of being investigated, a conclusion of *no action* will be determined and recorded. There will be no cross reference to the subject employee's or employees' personal file(s). If their identity is known, the whistleblower will be advised of the outcome. If the Panel believes that the allegation was made vexatiously or with malicious intent, they will decide if disciplinary action should be taken where the whistleblower is a member of staff. If disciplinary action is pursued, it will be undertaken as a management action, not within the remit of the Whistleblowing Policy. Where the whistleblower is a member of the public, the Panel will decide whether any other form of further action is appropriate and practical — a clear intended outcome must be stated and the benefit which the Council will derive must justify taking such action.

17.2 The nominated Cabinet member will be notified by the Monitoring Officer that a whistleblowing allegation was received and that no investigatory action is being taken.

17.3 The Panel will decide on the merits of advising the subject(s) of the allegations about what was alleged and what has happened. This decision must be informed by a risk

~~assessment. Consideration for the subject(s) of malicious allegations is discussed in subsection 21.0.~~

~~18.0 INVESTIGATORY ACTION TO BE TAKEN~~

~~18.1 If the Panel decides that the allegation(s) should be investigated, an Investigation Manager will be appointed. Except where the allegation would deem it inappropriate, a Corporate Director, the Head of Finance or the Head of Organisational Development will be the Investigation Manager and will be briefed on the allegation and agree with the Panel the terms of reference and course of action to be taken, including the possibility of involving the Police and/or the Council's external auditors.~~

~~18.2 The nominated Cabinet member will be advised by the Monitoring Officer that a whistleblowing allegation has been received and that it is being investigated. A headline summary of the allegation will be provided without breaching confidentiality or compromising the course of the investigation.~~

~~18.3 Where it is expected that the investigation will be handled internally, it will be commissioned by a Corporate Director and normally undertaken by Internal Audit. If it is necessary to engage external expertise, eg because of the technical nature of the subject matter, the Corporate Director will oversee the procurement and related budget management. The Panel and the Corporate Director will set an indicative timescale for the investigation to be completed as soon as possible. Depending upon the anticipated time span, agreement will be reached to provide the whistleblower (if known) and the nominated Cabinet member with progress reports as the investigation proceeds.~~

~~18.4 When the investigation is complete, the Investigation Manager will report with recommendations to the Panel and a collective decision will be taken on what actions to pursue. The Panel will have the power to accept or reject the investigation findings, or partially accept or reject them, and the responsibility for providing reasons for conclusions reached and decisions made. The following issues will be considered:~~

- ~~• If the allegation has been substantiated, and/or in the event of ancillary issues being revealed, the Panel must compile an action plan to address what has happened and the consequences for the Council. Consideration must be given to the following as appropriate:
 - ~~○ Disciplinary action against the member(s) of staff concerned~~
 - ~~○ Remedial actions to recover any financial losses where there has been fraud, etc~~
 - ~~○ The potential for legal action against third parties~~
 - ~~○ Restoration of the Council's reputation~~
 - ~~○ Review/strengthening of relevant internal controls if breached and/or the introduction of new controls and refer to the Audit or Standards Committee, as appropriate~~~~
- ~~• If the allegation has not been substantiated, the Panel will reflect on the context in which the original concern was raised. In line with paragraph 17.1 above, the Panel must reach a judgement on whether they still believe in the light of their findings that the original allegation was made in good faith in the interests of the Council. Where they conclude that this was not the case, appropriate management actions will be agreed concerning the whistleblower and the subject(s) of the allegations.~~

- ~~Circulation of the report. It should be noted that whistleblowing reports, by their nature should be treated as confidential, and wider circulation (e.g. to Corporate Leadership Team (CLT) or to Committee) should be clearly justified.~~

~~18.5 When the action plan has been produced as discussed in paragraph 18.4 above, the Panel will agree what formal reporting is appropriate to any or all of the Audit, Overview and Scrutiny and Standards Committees, and CLT. Where there has been a breach of any constitutional code, illegality or maladministration, the Panel will confirm that the Monitoring Officer will issue a formal report to the Cabinet and/or Council as required. The Leader and the nominated Cabinet member will be informed of the outcome and of the actions being taken.~~

~~18.6 The Panel member acting as the point of contact will arrange a formal meeting with the whistleblower to advise of the outcome of the investigations and the actions to be taken. Normally, it is expected that this meeting will constitute closure of the episode for the whistleblower, however, any potential consequences for the whistleblower will be reviewed and discussed at this meeting. Depending on the nature of the allegations, it may be necessary to make provision to mitigate any associated difficulties or tensions, which may include mediation, counselling, retraining or redeployment. Any support needs identified may be provided internally (e.g. by Human Resources) or externally (e.g. through the Employee Assistance Programme), as appropriate.~~

~~18.7 Actions relating to internal controls, etc will be fed into and monitored through the Council's performance management process and will be subject to further Internal Audit review as appropriate to ensure the adequacy of the actions taken. It shall be the responsibility of the Corporate Director relevant to the service area to oversee the implementation of actions relating to more general issues and they shall report back on the progress of these to CLT.~~

~~18.8 The Panel will ensure that the case file is completed as soon as possible. It will then be closed and retained as a confidential document by the Monitoring Officer. The subsequent outcomes of any ongoing management or legal actions will be placed on the file when those actions are concluded.~~

~~19.0 WHISTLEBLOWING ALLEGATIONS AGAINST THE CHIEF EXECUTIVE (HEAD OF PAID SERVICE), THE S151 FINANCE OFFICER, THE MONITORING OFFICER AND INTERNAL AUDIT SERVICES.~~

~~*[NB Depending upon the nature of the allegation, these provisions may also apply to those Corporate Directors not holding a statutory designation]*~~

~~19.1 Paragraph 15.4 above describes how the Whistleblowing Evaluation Panel will be constituted in the event of an allegation being made against any of the Council's statutory officers. The Panel will undertake a preliminary assessment of the allegation to gauge its nature and validity. If the Panel concludes that the allegation should be investigated, the following considerations must be addressed:~~

- ~~Is it appropriate for the investigation to be undertaken in accordance with the procedures outlined in this manual?~~
- ~~Is it appropriate for the relevant officer to remain at work whilst any investigation is undertaken?~~

~~19.2 If the answers to either of these questions is „no‘, the panel must refer to Chapter 10, Section 7 of the Council Constitution and arrange for the appointment of a designated independent person in accordance with Regulation 7 of the Local Authorities (Standing Orders) (England) Regulations 2001 (Investigation of alleged misconduct). The independent person appointed will then liaise with the Panel and advise the Council on the appropriate course of action to take, including suspension during the investigation and any subsequent disciplinary sanctions.~~

20.0 The involvement of councillors in the whistleblowing process

~~20.1 Except where the Leader or nominated Cabinet member act as members of the Whistleblowing Evaluation Panel (see paragraph 15.4 above), councillors will not make decisions on the processing of whistleblowing allegations. This is the role of the Panel who will inform councillors of outcomes. The primary role for councillors will be to ensure that appropriate actions stemming from whistleblowing investigations are endorsed and implemented, especially where these relate to the Council's governance arrangements. Should a councillor receive a whistleblowing allegation, they should pass it immediately to a Responsible Officer.~~

~~20.2 Councillors will have a number of formal roles in the whistleblowing process as summarised below:~~

~~a) A member of the Cabinet other than the Leader of the Council will be nominated annually to be the point of contact for the Whistleblowing Evaluation Panel. He/she is referred to as the *nominated Cabinet member* and it is recommended that this be the Deputy Leader. He/she will be advised by the Panel that a whistleblowing allegation has been received and whether or not it is to be investigated. He/she will be given a headline summary of the nature of the allegation but will not receive details of the whistleblower or of the subject(s) of the allegation. The Panel will update the councillor of progress and of the outcome of any investigation. The nominated Cabinet member will be involved as outlined in paragraph 15.4 above.~~

~~b) The Leader of the Council will be involved as outlined in paragraph 15.4 above. In addition to this role, the Panel may decide that the Leader should be informed of a whistleblowing allegation where the nature and potential consequences are of serious concern to the governance and reputation of the Council. In such cases, the nominated Cabinet member will be advised of the Leader's involvement.~~

~~c) Councillors will be involved in receiving recommendations and determining actions stemming from reports to the Audit, Overview and Scrutiny and Standards Committees as appropriate.~~

~~d) Councillors will determine any recommendations to Council where it has been necessary to appoint a designated independent person as outlined in paragraph 19.2 above.~~

~~e) Individually, councillors may provide support by acting as a friend or advisor to other councillors who come forward as whistleblowers and may refer allegations to the Responsible Officer(s).~~

~~f) Councillors will be required to formally endorse the Whistleblowing Policy at least every three years, although it will be necessary to review and update the policy on an annual basis.~~

21.0 Consideration for the subject(s) of mistaken/malicious allegations

~~21.1 Where the Panel concludes, either without conducting a formal investigation or upon completion of an investigation, that the allegations have been made wrongly but in~~

~~good faith, or where they have been made with malicious intent and with no other substantive motive, the Panel members must ensure that the potential or actual implications for the subject(s) of the allegations are assessed and appropriate action taken.~~

~~21.2 If the subject is not aware of the allegations, especially where it is decided not to conduct an investigation, agreement must be reached on if, how and when to tell them. The expectation is that the subject will be told but there may be exceptional circumstances where this is not appropriate. This decision must be informed by a risk assessment which will include consideration of the consequences of disclosing or not disclosing the information. Any confidential records retained will be kept for a period of 6 years and then destroyed.~~

~~21.3 The subject may become aware of the allegations as part of the investigation process, either before or during the investigation, but where the allegations remain unfounded.~~

~~21.4 In all of these situations, the Panel must consider the welfare of the subject(s) and ensure that when they become aware of the allegations, where false or made erroneously in good faith, they are offered suitable support and advice. That support and advice may include interventions such as mediation and counselling, and may be provided internally (e.g. by Human Resources) or externally (e.g. through the Employee Assistance Programme), as appropriate.~~

~~21.5 The potential impact on work relationships with the whistleblower must be considered in the context of respective roles in the organisation and the whistleblower's motive in making the allegations in the first place. These considerations will also support any disciplinary action and will inform any subsequent management decisions about the individuals concerned.~~

APPENDIX A**SCHEDULE OF KEY CONTACTS**

Contact Title	Name	Tel No	Email Address
Monitoring Officer	Emma Duncan	01263 516045	Emma.duncan@eastlaw.org.uk north-norfolk.gov.uk
Chief Executive Head(s) of Paid Service	Sheila Oxtoby Nick Baker Steve Blatch	01263 516000 tbc	Sheila.oxtoby@north-norfolk.gov.uk Nick.baker@north-norfolk.gov.uk Steve.blatch@north-norfolk.gov.uk
Head of Internal Audit Consortium Manager	Emma Hodds	01508 533791	ehodds@s-norfolk.gov.uk
Head of Finance & Assets	Karen Sly Duncan Ellis	01263 516330243	Karen.sly@north-norfolk.gov.uk duncan.ellis@north-norfolk.gov.uk
Head of Organisation Development HR Manager	Alex Triplow Julie Cooke	01263 516352040	Julie.cooke@north-norfolk.gov.uk Alex.triplow@north-norfolk.gov.uk
UNISON – Branch Convenor	Simon Case	01263 516142	Simon.case@north-norfolk.gov.uk
UNISON – Branch Secretary	Jonathon Dunning	01603 624760	Unison.norfolkcounty@btconnect.com
Leader of the Council	Cllr Tom Fitzpatrick	01328 820063	Tom.fitzpatrick@north-norfolk.gov.uk
Nominated Cabinet Member Chair of the Governance, Risk and Audit Committee	Cllr Angie Fitch- Tillett Vincent Fitzpatrick	07808 299549 01263 576648	Angie.tillett@north-norfolk.gov.uk Vincent.fitzpatrick@north-norfolk.gov.uk
Internal Auditors – Field Manager	Colin Saville (TIAA Ltd) (Mazars Public Sector Internal Audit)	01727 839000 or 07818 076531 07980 738513	Colin.saville@tiaamazars.co.uk

APPENDIX B

PUBLIC CONCERN AT WORK

Public Concern at Work (PCaW) is the independent authority on public interest whistleblowing. Established as a charity in 1993 following a series of scandals and disasters, PCaW has played a leading role in putting whistleblowing on the governance agenda and in developing legislation in the UK and abroad. All our work is informed by the free advice we offer to people with whistleblowing dilemmas and the professional support we provide to enlightened organisations.

We have four activities. We:

- offer free, confidential advice to people concerned about crime, danger or wrongdoing at work;
- help organisations to deliver and demonstrate good governance;
- inform public policy; and
- promote individual responsibility, organisational accountability and the public interest.

We do:

Advise how to raise concerns

Explain the public interest

Separate message from messenger

Provide an impartial, objective view

We don't:

Duck difficult questions

Claim we have all the answers

Litigate or Investigate

Encourage anonymous informing

Whistleblowing do's and don'ts:

Do:

- Keep calm;
- Think about the risks and outcomes before you act;
- Remember you are a witness, not a complainant; and
- Phone us for advice – 020 7404 6609

Don't:

- Forget there may be an innocent or good explanation;
- Become a private detective;
- Use a whistleblowing procedure to pursue a personal grievance; and
- Expect thanks.

APPENDIX C

LIST OF INDEPENDENT ORGANISATIONS

Name and Address	Area of Concern
<p>Public Concern at Work 3rd Floor Bank Chambers 6-10 Borough High Street 7 – 14 Great Dover Street London SE1 9QQ (Telephone: 0207 404 6609) www.pcaw.org.uk whistle@pcaw.org.uk</p>	<p>All matters of malpractice and / or wrong doing</p>
<p>Complaints Investigation Officer Audit Policy and Appointments Audit Commissions 1 Vincent Square London SW1P 2PN Ernst and Young One Cambridge Business Park Cambridge CB4 0WZ (Telephone: 01223 394400) (Telephone: 0845 052 2646)</p>	<p>Financial Probity</p>
<p>Local Government Ombudsman The Commission for Local Administration on England The Oaks No 2 Westwood Way Westwood Business Park Coventry CV4 8JB (Telephone: 0845 602 1983)</p>	<p>Maladministrartion</p>
<p>Norfolk Constabulary Operations and Communications Centre Jubilee House Falconers Chase Wymondham Norfolk NR18 0WW (Telephone: 0845 456 4567)</p>	<p>Breaches of Criminal Law</p>
<p>The Serious Fraud Office 2 – 4 Cockspur Street London SW1Y 5BS confidential@sfo.gsi.gov.uk Elm House 10-16 Elm Street London WC1X 0BJ (Telephone: 0207 239 7272)</p>	<p>Fraud and Corruption</p>
<p>The National Crime Agency Units 1 – 6 Citadel Place</p>	<p>For money laundering issues</p>

<p>Tunworth Street London SE11 5EF (Telephone: 0370 496 7622) www.nationalcrimeagency.gov.uk</p>	
<p>The Health and Safety Executive Rosebery Court, 2nd Floor St Andrews Business Park Norwich Norfolk NR7 0HS Lakeside 500 Old Chapel Way Broadland Business Park Norwich Norfolk NR7 0WQ (Telephone: 0845 345 0055)</p>	<p>Health and Safety dangers</p>
<p>Planning Aid East of England Region PO Box 1225 Kenninghall Norwich NR16 2WR (Telephone: 0870 850 9801)</p>	<p>Planning help, advice and information</p>
<p>The Environment Agency National Customer Contact Centre PO Box 544 Rotherham S60 1BY (Telephone: 0800 80 70 60) Anglian Regional Officer Kingfisher House Goldhay Way Orton Goldhay Peterborough Cambridgeshire PE2 5ZR (Telephone: 08708 506506)</p>	<p>Environment dangers</p>
<p>Standards for England 4th Floor Griffin House 40 Lever Street Manchester M1 1BB (Telephone: 0845 078 8181)</p>	<p>Breached of the Council's Code of Conduct</p>

APPENDIX D

GLOSSARY OF TERMS

Anonymous – an individual who does not identify him or herself at any stage to anyone.

Confidential – information may be confidential when it is non-public and disclosed to predetermined individuals in the trust and expectation that it will not be shared more widely. Information may be confidential to the Council, to a third party (e.g. a commercial contract) or to an individual (e.g. personal and private medical information).

Confidentiality – where the whistleblower's name is known but will not be disclosed without their consent, unless required by law.

Impropriety – an act that is deemed improper or unacceptable in relation to established rules, practices and conventions.

Illegality – a failure to comply with the requirements of, or an act not permitted by, prevailing law.

Malicious – an allegation may be considered malicious if it is a calculated and deliberate decision or act intended to be harmful or spiteful. There is no rigid test or definition, however the key question is whether the decision to or act of making the allegation was undertaken for no other reason than to cause harm to someone.

Personal advantage – a deliberate act or omission which is intended to secure an immediate or future benefit for the individual raising the concern (e.g. increased salary or promotion).

Vexatious – deciding whether an allegation is vexatious is a balancing exercise, taking into account all the circumstances of the case. There is no rigid test or definition, however, the key question is whether the allegation is likely to cause distress, disruption or irritation, without any proper or justified cause.

Whistleblower – one or more individuals who have a reasonable and honest suspicion of an impropriety or illegality about which they disclose to the relevant organisation.

Witnesses – one or more individuals who have, or provide, independent evidence relevant to the allegation, with voluntarily in advance of an investigation or as part of an investigation.

**NORTH NORFOLK DISTRICT COUNCIL
WHISTLEBLOWING POLICY AND PROCEDURE**

Version Control:

Version 2.4a – 28 January 2015

Version 2.5 – tbc on approval

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WHISTLEBLOWING POLICY

1.0 INTRODUCTION TO THE POLICY

- 1.1 The Whistleblowing Policy is intended to provide a local framework for disclosing concerns about unacceptable conduct with the public interest in mind. The Public Interest Disclosure Act 1998 provides statutory protection to any person who raises any concerns in good faith about a possible wrong-doing. However, as the Committee on Standards in Public life observed:

“The statutory framework is a helpful driver but must [not be seen] as a substitute for cultures that actively encourage the challenge of inappropriate behaviour”.

This policy and associated procedures have been developed in the spirit of this observation.

- 1.2 Public Concern at Work (a charity which provides independent advice and information on whistleblowing) draws the following distinction between whistleblowing and pursuing a complaint:

“When someone blows the whistle they are raising a concern about danger or illegality that affects others (e.g. customers, members of the public, or their employer). The person blowing the whistle is usually not directly, personally affected by the danger or illegality. Consequently, the whistleblower rarely has a personal interest in the outcome of any investigation into their concern - they are simply trying to alert others. For this reason, the whistleblower should not be expected to prove the malpractice. He or she is a messenger raising a concern so that others can address it.”

- 1.3 Employees are often the first to realise that there may be actions or activities that are wrong or unacceptable within the Council. However, they may not be confident about expressing their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may seem easier to ignore the concern rather than report what may just be a suspicion of malpractice. However, if the Council has the chance to deal with a potentially serious problem at the earliest opportunity this can minimise the risks before serious damage can be caused to persons, property or reputation. Allegations made under the Whistleblowing Policy should relate to a matter within the public interest and not in relation to a personal or employment matter.
- 1.4 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment the Council expects employees, councillors, organisational partners, contractors and members of the public to raise concerns about any impropriety or illegality in the Council's work. It is recognised that most cases will have to proceed on a confidential basis.
- 1.5 It is also expected that contractors will be required to have their own Whistleblowing policies and arrangements established in accordance with thresholds set in the Council's contract conditions through the tendering process. Where a contractor does not have its own policy, it is expected that the principles and arrangements of the Council's policy and associated procedures will apply.
- 1.6 This policy document makes it clear that employees, Councillors, organisational partners, contractors and members of the public can raise such matters in good faith

without fear of subsequent victimisation, discrimination or disadvantage by the Council as a result of their allegation.

- 1.7 This policy and associated procedure is intended to encourage and enable employees and others to raise concerns about impropriety or illegality within the Council rather than overlooking the problem or 'blowing the whistle' outside the Council. If they decide that the matter needs to be taken up outside, then they should be aware of this policy and ensure that they do not disclose confidential information. The Public Interest Disclosure Act 1998 encourages people to raise concerns within the Council in the first instance, and does not offer the same protection to those who raise concerns to outside parties inappropriately. Therefore, if they are concerned information may be confidential, they should seek advice from the Responsible Officer(s).
- 1.8 The procedures accompanying this policy document are in addition to the Council's complaints procedures and other statutory reporting procedures. Directors and Heads of Service are responsible for ensuring their managers and staffs are aware of the existence of this policy and procedures and managers and relevant employees are responsible for making organisational partners and contractors aware through the procurement and contract process. The Council is responsible for promoting awareness of this policy and procedures amongst members of the public through a range of media. This policy and procedures can be accessed directly through the North Norfolk District Council website.
- 1.9 Where it is deemed necessary or appropriate, to ensure all individuals are equally able to raise concerns under this policy, the Council will make provision for:
 - An interpreter or relevant support mechanisms to ensure a fair and consistent level of understanding
 - Flexibility in scheduling meetings to accommodate caring responsibilities or similar commitments
 - Suitable rooms with easy access or facilities for those with disabilities
 - Flexibility in scheduling meetings to accommodate religious days and beliefs.

2.0 AIMS AND SCOPE OF THIS POLICY

- 2.1 This policy aims to:
 - encourage employees and others to feel confident in raising serious concerns and to question and act upon concerns about practice and procedures;
 - provide avenues for employees and others to raise their concerns and receive feedback on any action taken;
 - receive a response to their concerns and to be aware of how to pursue them if they are not satisfied;
 - reassure employees and others that they will be protected from reprisals or victimisation if they have made any allegation or disclosure in good faith.
- 2.2 There are existing procedures in place to enable employees to raise matters relating to their own employment, including grievances, bullying and harassment. This policy is intended to cover concerns of impropriety and illegality that are within the public interest and fall outside the scope of such employment procedures.
- 2.3 The Public Interest Disclosure Act 1998, as amended by the Enterprise and Regulatory Reform Act 2013 Sections 17 – 20 outlines that a “protected” disclosure of a concern is one which demonstrates one or more of the following:

- that a criminal offence has been committed, is being committed or is likely to be committed;
- that a person has failed, is failing or is likely to fail to comply with a legal obligation;
- that a miscarriage of justice has occurred, is occurring or is likely to occur;
- that the health and safety of any individual has been, is being or is likely to be endangered;
- that the environment has been, is being or is likely to be damaged;
- that information relating to any of the above has been or is likely to be deliberately concealed.

2.4 Beyond the legal context above, the Council would encourage employees, members of the public, and any other interested parties to raise any significant concerns that they may have, as soon as they are reasonably aware of them. These concerns could be about any aspects of the Council's activities, e.g. with reference to Council employees, Members of suppliers acting on behalf of the Council, and relate to issues that are either occurring now or are likely to happen in the future.

2.5 It should be emphasised that this Policy is intended to assist individuals who have discovered malpractice or serious wrongdoing, provided they make the disclosure in accordance with the Policy. Individuals who make disclosures outside the arrangements set out here will not be protected under this Policy and may not be protected under the Act.

3.0 SAFEGUARDS

3.1 The Council is committed to good practice and high standards and wants to be supportive of individuals when raising concerns.

3.2 The Council recognises that the decision to report a concern can be a difficult one to make. If what an individual is saying is true or reasonably believed to be true, they have nothing to fear. In these circumstances, the individuals will be doing their duty to their employer, the Council and those for whom they are providing a service.

3.3 The Council will not tolerate any harassment or victimisation, including informal pressures, of whistleblowers or witnesses, and will take appropriate action to protect the individual when they raise a concern in good faith.

3.4 If an individual is found to have been victimised, harassed or disadvantaged as a result of raising a concern, the Council will take the following action against the perpetrators:

- (a) An employee will be subject to the Council's disciplinary process;
- (b) A councillor will be the subject of a Standards inquiry;
- (c) A contractor or supplier will be considered to be in breach of contract and will be required to stop such behaviour. This may have serious implications for existing and future contract relations, up to and including termination of the contract;
- (d) A customer or service user may be considered to be in breach of the conditions of service. This may make it necessary to modify or discontinue the service provided.

3.5 If an individual is being considered under the Council's Disciplinary, Staff Adjustment or other dispute resolution procedures, this will not affect their right to raise a concern under this procedure.

4.0 CONFIDENTIALITY

- 4.1 In accordance with the Public Interest Disclosure Act 1998, the Council undertakes to protect, as best it can, an employee who blows the whistle from personal claims, victimisation, harassment or bullying as a result of his or her disclosures. This assurance is not extended to someone who maliciously raises a matter they know are untrue; such instances will be subject to the Council's disciplinary procedure.
- 4.2 All concerns will be treated in confidence and every effort will be made not to reveal the individual's identity if they so wish. However, it may become evident that in order to investigate an allegation, the confidentiality of the whistleblower may be compromised. The Responsible Officer will endeavour to notify the whistleblower where this is likely to arise. Further, having completed any investigation or enquiries, it may be necessary for them to come forward as a witness or provide a statement as part of the evidence.
- 4.3 The Responsible Officers (see 8.0 below) will do all they reasonably can to support the individual once they have taken the decision to voice their concerns, including providing the individual with access to:
- internal support through the Responsible Officers, Human Resources team, trade union representatives and managers, as appropriate; or
 - external, confidential advice such as Public Concern at Work or the Council's Employee Assistance Programme.
- 4.4 If confidentiality is compromised and this creates a tension between the whistleblower and their manager, the subject of the allegation or other employees, it may be necessary to make provision to mitigate associated difficulties. Depending on the nature of the allegations, this may include mediation, counselling, retraining or redeployment.

5.0 ANONYMOUS ALLEGATIONS

- 5.1 This policy encourages individuals to put their name to their allegation whenever possible.
- 5.2 Concerns expressed anonymously are more difficult for the Council to investigate and resolve as there is no opportunity to discuss the issue and relevant information with the whistleblower. In addition, those individuals who make anonymous allegations are not protected by the provisions of the Public Interest Disclosure Act 1998. Therefore, concerns expressed anonymously will be considered at the discretion of the Responsible Officers.
- 5.3 In exercising this discretion, the factors taken into account when reviewing anonymous allegations include:
- the seriousness of the issues raised
 - the quality of any documentary evidence
 - the credibility of the concern; and
 - the likelihood of confirming the allegation from attributable sources.

6.0 ASSURANCES TO THIRD PARTIES

- 6.1 The assurances provided to employees raising concerns set out in section 4 above cannot be given in the same way to third parties. For example, the Council cannot guarantee protection to employees of third party (contractor) organisations.

However, we expect that all contractors are aware of the Council's whistleblowing procedures, and act in accordance with these.

- 6.2 Further, with regard to members of the Public, whilst they are not afforded statutory protection in the same way as employees, the Council is committed to treating all citizens fairly. Raising a concern under this policy will not affect the rights of any Council citizens.

7.0 UNTRUE ALLEGATIONS

- 7.1 If an individual makes an allegation in good faith, which is not confirmed by the investigation, no action will be taken against the individual. However, if an individual makes an allegation for personal advantage, or with malicious intent, disciplinary action may be taken against them. Allegations of this nature are not protected by the Public Interest Disclosure Act 1998.

8.0 THE RESPONSIBLE OFFICERS AND PROCESS INTEGRITY

- 8.1 For the purposes of this policy, there are four Responsible Officers with specific and shared responsibilities. Those officers are the Monitoring Officer, the Heads of Paid Service and the Head of Internal Audit, or their nominated deputies.
- 8.2 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. That officer maintains a confidential record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality unless you choose to waive this protection) and will report to the Heads of Paid Service, Governance, Risk and Audit Committee (GRAC), Standards Committee and Full Council as necessary and appropriate. If no concerns are raised no report will be provided.
- 8.3 The Whistleblowing Evaluation Panel (the "Panel"), composed of all four Responsible Officers, will have joint responsibility for the efficient and effective handling of whistleblowing allegations. The Panel will determine whether an investigation will take place or whether an alternative course of action would be appropriate. Furthermore, at the end of the investigation the Panel will adjudicate on what has been found and determine what, if any, action is required.
- 8.4 In addition, the Chair of the Governance, Risk and Audit Committee will be responsible for satisfying themselves that the Whistleblowing Policy and procedures are effective, being the Council's nominated responsible Member in the context of effective corporate governance.
- 8.5 The integrity of the Whistleblowing process is critical for individuals to be confident in coming forward with their concerns. The process must be robust, independent and ensure all relevant contributions are considered. The judgement of the Panel will not be allowed to be fettered by representations made by staff, councillors or any third party. Any officer or councillor with a personal interest in the whistleblowing matter will be excluded in order to preserve the integrity of the process.
- 8.6 This policy is to be reviewed at least every three years (or more frequently if required by changes to statutory legislation) by the Head of Internal Audit and the following parties will be consulted prior to finalising and submitting the policy to the Governance, Risk and Audit Committee (GRAC) for approval:

- Unison

- Senior Officers as listed at Appendix A
 - Corporate Leadership Team
- 8.7 On an annual basis, Appendix A of the policy, which provides details of the key parties responsible for whistleblowing, shall be reviewed by the Head of Internal Audit to ensure the details remain relevant and up-to-date. This review will not require re-endorsement of the policy.
- 8.8 The Head of Internal Audit is responsible for making staff aware of the Policies' requirements through training and publicising initiatives.

WHISTLEBLOWING PROCEDURES

INTERNAL ALLEGATIONS PROCEDURE

9.0 HOW TO RAISE A CONCERN

- 9.1 As a first step, you should normally raise your concerns with your immediate manager. If you are unable to do so for any reason, you should go to any other member of the Management Team in whom you have confidence. The important issue is to raise the matter with a manager with whom you feel comfortable, bearing in mind the seriousness and sensitivity of the issues involved and who is suspected of the malpractice.
- 9.2 Concerns may be raised verbally or, preferably, in writing. Individuals who submit their concerns in writing are invited to use the following format:
- the background and history of the concern (giving relevant dates);
 - details of any evidence that supports the concern;
 - the reason why you are particularly concerned about the situation.
- 9.3 If your concern is raised verbally with a Responsible Officer, they will confirm with you in writing the nature of the allegation to ensure there is a full and accurate understanding of the matter.
- 9.4 The earlier you express the concern the greater the likelihood that an appropriate intervention may be made, to minimise the risk, impact or continuation of the concern in question.
- 9.5 Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern. However, it is important to note that your responsibility under this policy is to report your concerns; you are not expected to investigate them.
- 9.6 Advice and guidance on how your specific matters of concern may be pursued can be obtained from the Responsible Officers (contact details can be found at Appendix A):
- The Monitoring Officer,
 - The Corporate Directors and Heads of Paid Service
 - The Head of Internal Audit
- And also from:
- Trade Union Representatives
- Public Concern at Work 9.7 You may wish to consider discussing your concern with a colleague first or your trade union representative and you may find it easier to raise the matter together with a colleague if there are two (or more) of you who have had the same experience or concerns.
- 9.8 You may invite your trade union representative, another employee of the Council or another person previously agreed with the Monitoring Officer to be present during any meetings or interviews in connection with the concerns you have raised.
- 9.9 Having considered the nature of the issue that gives you cause for concern, and having taken advice or guidance, as necessary, it will be a matter for you to decide to which of the Responsible Officers you will submit your allegation.

9.10 In the event of an allegation concerning one of the Council's statutory officers, namely the Corporate Directors and Heads of Paid Service, the Monitoring Officer, the Section 151 Officer or the internal audit service, different arrangements will be made as follows:

- If the allegation is against or implicates the **Monitoring Officer**, the Responsible Officers will be the Corporate Directors and Heads of Paid Service, the Head of Internal Audit, the Leader of the Council and the Chair of the Governance, Risk and Audit Committee.
- If the allegation is against or implicates the **Corporate Directors and Head(s) of Paid Service**, the Responsible Officers will be the Monitoring Officer, the Head of Internal Audit, the Leader of the Council and the Chair of the Governance, Risk and Audit Committee.
- If the allegation is against or implicates the **Section 151 Officer**, the Responsible Officers will be the Corporate Directors and Head(s) of Paid Service, the Monitoring Officer, the Leader of the Council and the Chair of the Governance, Risk and Audit Committee.
- If the allegation is against or implicates **more than one statutory officer**, alternative arrangements will be made by the remaining officers and will involve the Leader of the Council and the Chair of the Governance, Risk and Audit Committee.
- If the allegation concerns the **internal audit service**, the Responsible Officers will be the Corporate Directors and Head(s) of Paid Service and the Monitoring Officer.

9.11 In the event of the above allegations involving statutory officers the nominated Responsible Officers will undertake a preliminary assessment of the allegation and gauge its nature and validity. If it is concluded that the allegation should be investigated, the following considerations must be addressed:

- Is it appropriate for the investigation to be undertaken in accordance with the procedures outlined?
- Is it appropriate for the relevant officer to remain at work whilst any investigation is undertaken?

9.12 If the answers to either of these questions is "no" the Responsible Officers must refer to Chapter 10, Section 7 of the Council Constitution and arrange for the appointment of a designated independent person in accordance with Regulation 7 of the Local Authorities (Standing Orders) (England) Regulations 2001 (Investigation of alleged misconduct). The independent person appointed will then liaise with the Responsible Officers on the appropriate course of action, including suspension during the investigation and any subsequent disciplinary sanctions.

10.0 HOW THE COUNCIL WILL RESPOND

10.1 A whistleblowing allegation may originate from within or outside the Council and will be received by any of the Responsible Officers.

10.2 The Whistleblowing Panel (composed of the Responsible Officers or their nominated deputies) will be convened as soon as possible. In the event of long-term absence of

any of these individuals, or a post being vacant, then any two of the four offices of the Panel can act as the full Panel. The Whistleblowing Panel will determine whether or not:

- your concerns should be considered under this policy;
- your concerns can be allayed satisfactorily without invoking a formal whistleblowing investigation;
- no further investigation is necessary;
- your concerns may be resolved by other mechanisms or action, e.g. mediation, training or review; or
- there is sufficient substance behind your concerns to trigger an investigation.

10.3 Where concerns or allegations fall within the scope of other specific procedures (for example, discrimination issues) they will be normally referred for consideration under those procedures.

10.4 Some concerns may be resolved by agreed action without the need for investigation. Where this is the case, the Whistleblowing Evaluation Panel will make a record of the outcome agreed with you as the whistleblower.

10.5 Where the Whistleblowing Evaluation Panel concludes that no further investigation is required, they will make and retain a confidential record of the concern for future reference in the event of further concerns arising and advise you accordingly. A conclusion of no action will be recorded. There will be no cross reference to the subject employees or employees personal file(s). If their identity is known, the whistleblower will be advise of the outcome. If the Panel believes that the allegation was made vexatiously or with malicious intent, they will decide if disciplinary action should be taken where the whistleblower is a member of staff. If disciplinary action is pursued, it will be undertaken as a management action, not within the remit of this policy. Where the whistleblower is not a member of staff the Panel will decide whether any other form of action is appropriate and practical – a clear and intended outcome must be stated and the benefit which the Council will derive must justify taking such action. Any confidential records retained will be kept for a period of 6 years and then destroyed. The nominated Chair of the Governance, Risk and Audit Committee will be informed that a whistleblowing allegation was received and that no investigatory action is being taken.

10.6 It is expected that the subject of the allegation will be told about the matters raised but there may be exceptional circumstances where this is not appropriate. The decision to tell the subject of the allegation will consider the consequences of disclosing or not disclosing the information.

10.7 Testing out your concern is not the same as either accepting or rejecting it. Where it is agreed that your concern needs further formal investigation, and depending on the nature of your concerns, the matters raised may:

- be investigated by management or internal audit;
- be referred to the Standards Committee
- be referred to the police;
- be referred to the external auditor;
- form the subject of an independent inquiry.

- 10.8 If the allegation relates to both a Councillor and an officer it will be necessary to conduct a joint investigation. In the event that the investigation finds that there are matters requiring action against the Councillor, this would be conducted through the Standards Committee; if action is required against the officer, this would be conducted through the Council's disciplinary procedure.
- 10.9 If, the Whistleblowing Panel determine that the nature of the whistleblowing concern requires urgent action, this will be taken immediately to reduce or remove the risk to individuals, assets and property, and to protect staff and Councillors. Urgent matters may include theft or fraud that could result in the Council bearing financial losses, or health and safety failings that could result in serious injury or loss of life.
- 10.10 Where the Whistleblowing Evaluation Panel decides that an investigation should be carried out, the Panel will determine:
- (i) confirm who will be responsible for managing the investigation (the Investigation Manager);
 - (ii) identify and authorise the resources required to undertake the investigation effectively (which may include budgets, internal audit staff (see Appendix A) or external investigators);
 - (iii) agree the steps needed to progress the investigation (including interviews, document reviews and data analysis) along with indicative timescales
 - (iv) ensure that the investigation manager and investigators have the appropriate competencies to discharge their responsibilities.
- (a) 10.11 Within ten working days of being authorised to undertake a whistleblowing investigation, the Investigation Manager will contact you (in a way which does not arouse suspicions in your workplace): acknowledging that your concern has been received and allocated for action;
- (b) indicating how it is proposed to deal with the matter;
 - (c) giving an estimate of how long it will take to provide a final response;
 - (d) telling you whether any initial enquires have been made;
 - (e) supplying you with information on staff support mechanisms and advising you of your entitlement to seek advice and support (e.g. trade union or the Employee Assistance Scheme), as appropriate;
 - (f) agreeing with you how to process if you have chosen to remain anonymous; and
 - (g) advising you of any other relevant issues concerning the investigation
- 10.12 Depending on the nature of the concern, the Investigation Manager may undertake the investigation or may manage the work of others (e.g. internal audit staff).
- 10.13 The Investigation Manager or other investigator may need to arrange a meeting with you and if you so wish you may be accompanied by your trade union representative or another employee.
- 10.14 The Investigation Manager will give you as much feedback as possible during the course of the investigation but will not be able to infringe any duty of care or confidence owed to someone else. If it is apparent that the investigation will not be completed within 28 days of authorising the investigation, the Investigation Manager will advise you of progress to date and any revised timeframe. You can expect to be updated at least every four weeks thereafter until the investigation is complete.
- 10.15 The Investigation Manager will take steps to minimise any difficulties you may experience as a result of raising your concern. However, depending on the findings, it

may be necessary to convene additional meetings with you or to require you to give evidence in criminal or disciplinary proceedings. In such circumstances the Investigation Manager will arrange for you to receive relevant advice or support.

10.16 Once the Investigation Manager has completed their investigations, they will produce a written report to the Whistleblowing Panel that sets out:

- (a) the background to the whistleblowing concern;
- (b) the findings of fact and associated evidence;
- (c) the proposed decision and reasons for the decision; and
- (d) the proposed recommendations and associated action plan.

10.17 The Panel will review the report and reach a collective decision on what actions to pursue. The following will be considered in reaching a conclusion:

- If the allegation has been substantiated, and / or in the event of ancillary issues being revealed, the Panel must compile an action plan to address what has happened and the consequences for the Council. Consideration must be given to the following as appropriate:
 - Disciplinary action against the member(s) of staff concerned
 - Remedial actions to recover any financial losses where there has been fraud etc.
 - The potential for legal action against third parties
 - Restoration of the Council's reputation
 - Review / strengthening of relevant internal controls if breached and / or the introduction of new controls and refer to the Governance, Risk and Audit Committee (GRAC) as appropriate.
- If the allegation has not been substantiated, the Panel will reflect on the contest in which the original concern was raised. The Panel must reach a judgment on whether they still believe in the light of the findings that the original allegation was made in good faith. Where they concluded that this was not the case, the appropriate management action will be agreed concerning the whistleblower and the subject(s) of the allegation.
- Circulation of the report. It should be noted that whistleblowing reports, by their nature, should be treated as confidential, and wider circulation should be clearly justified.

10.18 The Council accepts that you need to be assured that the cause of your concern has been properly investigated and addressed. Upon conclusion of the investigation the Investigation Manager will arrange to meet with you to ensure this is the case. Subject to legal constraints or other reasonable limitations, the outcomes of any investigation will be shared with you.

10.19 If for any reason you are not satisfied with the conduct of the investigation you may decide it is still appropriate to take your concerns outside the Council. While it is hoped a satisfactory outcome can be achieved internally, details of how you may take your concerns further are set out in section 13.0 below.

10.20 At the end of each whistleblowing investigation, the Whistleblowing Evaluation Panel will meet to review the investigative process. That review will consider:

- (a) whether the Policy has been properly followed and that the whistleblower's confidentiality was not compromised;
- (b) the extent to which the whistleblower's concerns have been addressed based on the facts of the matter and the evidence gathered;
- (c) the adequacy of an action plan for issues arising from the investigation and report;
- (d) the extent to which the draft report and action plan should be circulated internally;
- (e) whether any other bodies should be informed of the outcomes (e.g. the Police or the external auditors);
- (f) whether the report outcomes and action plan should be reported to the Governance, Risk and Audit Committee (GRAC), Standards Committee or Overview and Scrutiny Committee.

- 10.21 Actions relating to internal controls will be fed into and monitored through the Council's performance management system and will be subject to further internal audit review as appropriate to ensure adequacy of the actions taken.
- 10.22 The Panel will ensure that the case file is completed as soon as possible. It will then be closed and retained as a confidential document by the Monitoring Officer. The subsequent outcomes of any ongoing management or legal actions will be placed on the file when those actions are concluded.

11.0 WITHDRAWING YOUR ALLEGATION

- 11.1 You do of course have the right to withdraw any allegation previously made under this Procedure. You should think very carefully before taking this course of action, bearing in mind an investigation may have started and you may need to explain your change of heart.
- 11.2 If you wish to withdraw your allegation you will need to write to the Investigation Manager. However, even though you have asked for your allegation to be withdrawn, it may be the case that the subject of the allegation is already aware of, or has discovered, the matter(s) of concern. In such circumstances, this could create a tension between you and the subject of the allegation, which may make it necessary to provide appropriate support to address potential difficulties. Depending on the nature of the allegations, this may include mediation, counselling, retraining or redeployment.
- 11.3 If it is considered appropriate, despite the complainant withdrawing the allegation, the investigation of the allegation/complaint may continue if the Panel /Investigation Manager deem it necessary.

12.0 THE INVOLVEMENT OF COUNCILLORS IN THE WHISTLEBLOWING PROCESS

- 12.1 Except where the Leader acts as a member of the Whistleblowing Panel (see 9.10 above), Councillors will not make decisions on the processing of whistleblowing allegations. This is the role of the Panel who will inform the Councillors of the outcomes, as appropriate. The primary role for Councillors will be to ensure that appropriate actions stemming from whistleblowing investigations are endorsed and implemented, especially where these relate to governance arrangements. Should a Councillor receive a whistleblowing allegation, they should pass it on immediately to a Responsible Officer.
- 12.2 Councillors do have a number of formal roles in the whistleblowing process:

- The Chair of the Governance, Risk and Audit Committee will be nominated annually to be the point of contact for the Whistleblowing Evaluation Panel. Communication will be:
 - Advised that an allegation has been received and whether or not it is to be investigated;
 - A headline summary of the allegation;
 - Update on progress and of the final outcome.
- The Leader of the Council is involved as outlined at 9.10 when allegations relate to one or more of the statutory officers. The Panel may also notify the Leader if the allegations are of a serious concern to the governance and reputation of the Council.
- The Governance, Risk and Audit Committee (GRAC) will receive recommendations and update on progress in addressing these as appropriate.
- Councillors will determine any recommendations to Council where it has been necessary to appoint a designated independent person, as outlined in 9.12.
- Councillors may individually provide support by acting as a friend or advisor to other councillors who come forward as whistleblowers.
- Councillors will be required to formally endorse the Whistleblowing Policy at least every three years.

EXTERNAL ALLEGATIONS PROCEDURE

13.0 HOW THE MATTER CAN BE TAKEN FURTHER

- 13.1 This policy is intended to provide you with an avenue within the Council to raise concerns. The Council hopes you will be satisfied with any action taken.
- 13.2 However, if you decide not to use the internal Whistleblowing Procedure set out in the sections above, or you are dissatisfied with the outcome, you are at liberty to make a complaint externally at any time to the appropriate independent organisation. A list of those external agencies which may be used are set out in Appendix C.
- 13.3 You will then need to follow the instructions and procedures of the relevant independent organisation should they decide to investigate your complaint.
- 13.4 Before consulting an external party, the Council recommends that the whistleblower seeks independent legal advice (disclosures to a legal advisor is protected by law). The law most readily protects disclosures that are seen to be 'reasonable'. i.e. disclosures that are made within the Council or to an appropriate regulator at an early stage. If the matter is taken outside of the Council, the whistleblower should ensure that they do not disclose information about a third party that may be covered by a duty of confidentiality (e.g. commercially sensitive information or personal, private data). It is recognised that potentially the Public Interest Disclosure Act and the Data Protection Act could have some bearing on disclosures, however one statute does not overrule the other and both must be complied with, and thus each case would need to be considered on its individual merits.
- 13.5 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information and ensure that you comply with the requirements of the Public Interest Disclosure Act 1998 so that you do not lose the protection of the Act against dismissal or other detriment. Seek advice from the contact point about this.

14.0 WITHDRAWING YOUR ALLEGATION

- 14.1 As with the internal Whistleblowing Procedure, you do of course have the right to withdraw any allegation previously made under this Procedure. You should think very carefully before taking this course of action bearing in mind an investigation may have started and you may need to explain your change of heart.
- 14.2 If you use this Procedure it will be up to the Independent Organisation to whom the allegation has been referred as to how you should do this and you will need to take their advice.

15.0 PROCEDURE FOR THE PUBLIC, CONTRACTORS, COUNCILLORS AND PARTNERS

- 15.1 Members of the Public, contractors, Councillors and partners who suspect a Council employee, Councillors, organisational partners or contractors (in their business dealings with the Council) of impropriety or illegality should contact the District Council's Head(s) of Paid Service, Monitoring Officer or the Head of Internal Audit.
- 15.2 If your suspicion is about the Corporate Directors and Head(s) of Paid Service, Monitoring Officer or the Head of Internal Audit then you should contact the External Auditor, contact details are at Appendix A. 15.3 All allegations are treated as

confidential and will be thoroughly investigated and reported appropriately. The identity of the whistleblower will only be disclosed with their express permission.

- 15.4 For confidential advice about how to proceed with a suspicion anyone can contact Public Concern at Work.

APPENDIX A**SCHEDULE OF KEY CONTACTS**

Contact Title	Name	Tel No	Email Address
Monitoring Officer	Emma Duncan	01263 516045	Emma.duncan@eastlaw.org.uk north-norfolk.gov.uk
Head(s) of Paid Service	Nick Baker Steve Blatch	tbc	Nick.baker@north-norfolk.gov.uk Steve.blatch@north-norfolk.gov.uk
Head of Internal Audit	Emma Hodds	01508 533791	ehodds@s-norfolk.gov.uk
Head of Finance & Assets	Duncan Ellis	01263 516330	duncan.ellis@north-norfolk.gov.uk
HR Manager	Alex Triplow	01263 516352	Alex.triplow@north-norfolk.gov.uk
UNISON – Branch Convenor	Simon Case	01263 516142	Simon.case@north-norfolk.gov.uk
UNISON – Branch Secretary	Jonathon Dunning	01603 624760	Unison.norfolkcounty@btconnect.com
Leader of the Council	Cllr Tom Fitzpatrick	01328 820063	Tom.fitzpatrick@north-norfolk.gov.uk
Chair of the Governance, Risk and Audit Committee	Cllr Vincent Fitzpatrick	07808 299549	Vincent.fitzpatrick@north-norfolk.gov.uk
Internal Auditors – Manager	Colin Saville (TIAA Ltd)	07980 738513	Colin.saville@tiaamazars.co.uk

APPENDIX B

PUBLIC CONCERN AT WORK

Public Concern at Work (PCaW) is the independent authority on public interest whistleblowing. Established as a charity in 1993 following a series of scandals and disasters, PCaW has played a leading role in putting whistleblowing on the governance agenda and in developing legislation in the UK and abroad. All our work is informed by the free advice we offer to people with whistleblowing dilemmas and the professional support we provide to enlightened organisations.

We have four activities. We:

- offer free, confidential advice to people concerned about crime, danger or wrongdoing at work;
- help organisations to deliver and demonstrate good governance;
- inform public policy; and
- promote individual responsibility, organisational accountability and the public interest.

We do:

Advise how to raise concerns

Explain the public interest

Separate message from messenger

Provide an impartial, objective view

We don't:

Duck difficult questions

Claim we have all the answers

Litigate or Investigate

Encourage anonymous informing

Whistleblowing do's and don'ts:

Do:

- Keep calm;
- Think about the risks and outcomes before you act;
- Remember you are a witness, not a complainant; and
- Phone us for advice – 020 7404 6609

Don't:

- Forget there may be an innocent or good explanation;
- Become a private detective;
- Use a whistleblowing procedure to pursue a personal grievance; and
- Expect thanks.

APPENDIX C

LIST OF INDEPENDENT ORGANISATIONS

Name and Address	Area of Concern
Public Concern at Work 7 – 14 Great Dover Street London SE1 9QQ (Telephone: 0207 404 6609) whistle@pcaw.org.uk	All matters of malpractice and / or wrong doing
Ernst and Young One Cambridge Business Park Cambridge CB4 0WZ (Telephone: 01223 394400)	Financial Probity
Local Government Ombudsman The Commission for Local Administration on England The Oaks No 2 Westwood Way Westwood Business Park Coventry CV4 8JB (Telephone: 0845 602 1983)	Maladministration
Norfolk Constabulary Operations and Communications Centre Jubilee House Falconers Chase Wymondham Norfolk NR18 0WW (Telephone: 0845 456 4567)	Breaches of Criminal Law
The Serious Fraud Office 2 – 4 Cockspur Street London SW1Y 5BS confidential@sfo.gsi.gov.uk	Fraud and Corruption
The National Crime Agency Units 1 – 6 Citadel Place Tunworth Street London SE11 5EF (Telephone: 0370 496 7622) www.nationalcrimeagency.gov.uk	For money laundering issues
The Health and Safety Executive Rosebery Court, 2 nd Floor St Andrews Business Park Norwich Norfolk NR7 0HS (Telephone: 0845 345 0055)	Health and Safety dangers

<p>Planning Aid East of England Region PO Box 1225 Kenninghall Norwich NR16 2WR (Telephone: 0870 850 9801)</p>	<p>Planning help, advice and information</p>
<p>The Environment Agency National Customer Contact Centre PO Box 544 Rotherham S60 1BY (Telephone: 0800 80 70 60)</p>	<p>Environment dangers</p>
<p>Standards for England 4th Floor Griffin House 40 Lever Street Manchester M1 1BB (Telephone: 0845 078 8181)</p>	<p>Breached of the Council's Code of Conduct</p>

APPENDIX D

GLOSSARY OF TERMS

Anonymous – an individual who does not identify him or herself at any stage to anyone.

Confidential – information may be confidential when it is non-public and disclosed to predetermined individuals in the trust and expectation that it will not be shared more widely. Information may be confidential to the Council, to a third party (e.g. a commercial contract) or to an individual (e.g. personal and private medical information).

Confidentiality – where the whistleblower's name is known but will not be disclosed without their consent, unless required by law.

Impropriety – an act that is deemed improper or unacceptable in relation to established rules, practices and conventions.

Illegality – a failure to comply with the requirements of, or an act not permitted by, prevailing law.

Malicious – an allegation may be considered malicious if it is a calculated and deliberate decision or act intended to be harmful or spiteful. There is no rigid test or definition, however the key question is whether the decision to or act of making the allegation was undertaken for no other reason than to cause harm to someone.

Personal advantage – a deliberate act or omission which is intended to secure an immediate or future benefit for the individual raising the concern (e.g. increased salary or promotion).

Vexatious – deciding whether an allegation is vexatious is a balancing exercise, taking into account all the circumstances of the case. There is no rigid test or definition, however, the key question is whether the allegation is likely to cause distress, disruption or irritation, without any proper or justified cause.

Whistleblower – one or more individuals who have a reasonable and honest suspicion of an impropriety or illegality about which they disclose to the relevant organisation.

Witnesses – one or more individuals who have, or provide, independent evidence relevant to the allegation, with voluntarily in advance of an investigation or as part of an investigation.

Summary Register

Risk	Ref.	Current Score	Target Score	Direction of Travel	Officer
Medium Term Financial Plan	015(CR)	20	12	↔	Duncan Ellis - Head of Finance and Assets
Coastal Erosion - (the effects of)	002(CR)	20	12	↔	Rob Goodliffe - Coastal Management Team Leader
Recruitment (inability)	024(CR)	15	9	Not applicable	Alex Triplow – HR Manager
Digital Transformation Programme	003(CR)	12	8	↓	Nick Baker – Head of Paid Service
Procurement - (lack of value for money)	009(CR)	9	3	↔	Duncan Ellis - Head of Finance and Assets
Information - (loss of)	008(CR)	12	4	↔	Sean Kelly - Head of Business Transformation and IT
Property assets (the condition of)/ Asset Management	001(CR)	9	9	↔	Duncan Ellis - Head of Finance and Assets
Housing Delivery	010(CR)	6	6	↔	Nicola Turner - Strategic Housing Team Leader
Operational disruption - (significant event)	013(CR)	6	6	↔	Richard Cook - Civil Contingencies Manager, Steve Hems - Head of Environmental Health

Direction of travel shows change from assessment in Q1 2017/18 to Q2 2017/18.

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 £1m	£400K - £1m	£200K - £400K	£10K - £200K	£0-10K
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

Risk	Existing Controls	Score	Action	Target	Corporate	Officer
1. Cause of risk	Controls that have been implemented since the last review are shown in green	(with controls)	(to achieve target score) and progress to date	Score	Objective /	
2. Description of Risk or potential event		Impact x Likelihood = Total		Impact x Likelihood = Total	Service	
3. Consequence of risk happening					Priority	

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are shown in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target Score Impact x Likelihood = Total	Corporate Objective / Service Priority	Officer
<p>Medium Term Financial Plan - 015(CR)</p> <p>1. Forecast funding reductions and shift to local financing from business rates, council tax and new homes bonus. The business rates retention system has shifted the risk of business rates fluctuations to the local level, meaning that Local Authority funding will be impacted directly from decline in business and also planned reductions to the revenue support grant and reliance on New Homes Bonus funding influenced by delivery of new homes and reductions in long term empty properties. Changes to the business rates retention scheme to 100% local retention in 2020/21.</p> <p>2. Failure to produce a balanced budget position and funded future projections in the medium term.</p> <p>3. The Corporate Plan may not be delivered to the identified timescales. The level of service currently provided could be at risk, unplanned use of reserves which is unsustainable in the longer term. Higher level of savings and additional income requirement in future years.</p>	<p>Policy work</p> <p>Lobbying Central Government</p> <p>Medium Term Financial Strategy (MTFS)</p> <p>Corporate Planning / Service Planning</p> <p>Budget Process / Budget Monitoring</p> <p>Regular monitoring system of the impact of the business rates retention and the localised council tax support system</p> <p>Utilisation of the New Homes Bonus grant within the base budget for 2017/18</p> <p>Annual review of the Councils reserves</p> <p>Reporting - New legislation and consultation</p> <p>Timely agreement of the annual Localised Council Tax Support Scheme</p> <p>Project Management Plans</p> <p>Short term budget surplus forecast (2017/18 c£1m and 2018/19 balanced)</p>	<p>5x4=20</p>	<p>Growth forecasting models to be developed for housing and business rates to inform future financial forecasts and budget.</p> <p>Early update of the Financial Strategy to inform the 2018/19 budget process – On Track to be reported to Members in October.</p> <p>Impact of changes to the NHB scheme from 2017/18 now taken account of and built in to the 2017/18 budget and future projections.</p> <p>Business cases for commercialisation of assets to deliver future income and efficiencies.</p> <p>Consultation regarding full localisation of Business Rates from 2020 currently open with deadline of Wednesday 3 May 2017. Response to be prepared by the Head of Finance and Assets.</p> <p>Following the Queen’s speech the DCLG have confirmed that there are no plans now to introduce provisions of the Local Government Finance Bill. Will feed in to MTFS update.</p>	<p>4x3=12</p>	<p>Delivering Service Excellence</p>	<p>Duncan Ellis - Head of Finance and Assets</p>

Corporate Risk Register August 2017

Governance, Risk and Audit Committee – August 2017

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are shown in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target Score Impact x Likelihood = Total	Corporate Objective / Service Priority	Officer
<p>Coastal Erosion - (the effects of) - 002(CR)</p> <p>1. Lack of Government funding to maintain coast defences and / or to support local compensation claims</p> <p>2. Coastal erosion and blight of coastal settlements through loss of public and private infrastructure and assets. The Council has devoted significant resources to pursuing sustainable answers to coastal management issues. There is a considerable Health and Safety context here which serves to increase the reputational risk for the Council at the same time.</p> <p>3. Increased coastal erosion through loss of defences presents a reputational risk to the authority in the eyes of local communities and direct loss of Council owned assets / infrastructure which are fundamental to the district's tourism offer and therefore the economic well-being of the district. Loss of confidence in respect of business investment and residential property market; blight of properties in erosion zone; direct loss of tourism assets and infrastructure promenades, beach chalets, cafés, public toilets, car parks etc.; loss of tourism income / employment.</p>	<p>The Pathfinder Project</p> <p>Shoreline Management Plan (SMP)</p> <p>Repairs & Maintenance Programme</p> <p>Procurement practices</p> <p>Health & Safety checking and monitoring</p> <p>DEFRA funding of capital schemes</p> <p>Coast monitoring</p> <p>Control of coastal management schemes through procurement and regular checking</p>	<p>5x4=20</p>	<p>Cromer Sea Defence Works – On Track - Phase 1 completed. Phase 2 to be developed once coastal system has settled.</p> <p>Repairs in response to the December 2013 Tidal Surge – largely complete - Overstrand gabions works underway. Revetments works underway.</p> <p>£500k capital contribution agreed by Full Council on 16 November 2016 to support the joint Bacton and Walcott coastal management scheme.</p>	<p>4x3=12</p>	<p>Coast and Countryside</p>	<p>Rob Goodliffe - Coastal Management Team Leader</p>

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<p>Digital Transformation Programme - 003(CR)</p> <p>1. It is clear that there is a new urgency about change in local government driven by the current financial pressures and the ambition to ignite community engagement. Previous incremental change is being replaced by a more wholesale restructuring of local government and its place in local service delivery.</p> <p>2. The risk is that in moving to a new agenda so quickly there is no basic framework within which the new arrangements can be undertaken.</p> <p>3. Vision and action may not be fully supported by a sound assessment and a solid understanding of policy implications at national and local level.</p>	<p>Training, learning & policy initiatives Strategies</p> <p>Reporting - New legislation and consultation</p> <p>Network development</p> <p>Maintain technical competence</p> <p>Medium Term Financial Strategy</p> <p>Approval of the Business Transformation Programme</p> <p>Appointment of a Head of Business Transformation to deliver the programme</p> <p>Business Transformation Board monitoring projects progress</p>	<p>4x3=12</p>	<p>IT transformation work that is currently being undertaken – CLT report submitted for additional resources and agreed</p> <p>Managing delivery of work streams as included in the Transformation programme – On Track - Many of the key technology enablers are either in place or commissioned and in the implementation phase. Both service based and cross cutting service change initiatives are in progress to take advantage of the technology commissioned. The Major service BPR in Planning is being implemented and the BPR of the Environmental Health Service is progressing well with the outline business case to be considered shortly.</p>	<p>2x4=8</p>	<p>Delivering Service Excellence</p>	<p>Nick Baker – Head of Paid Service</p>
<p>Recruitment (inability) – 024(CR)</p> <p>1. Needs discussion</p> <p>2. Difficulty recruiting into key posts, particularly in Planning Services, IT, Assets and Revs and Bens</p> <p>3. Not able to recruit skills and knowledge to deliver plans – corporate plan, business transformation, planning performance and delivery etc. Increased stress levels on existing</p>	<p>Reviewed relocation policy</p> <p>Pay Policy has been updated to reflect Golden Hello's' and retention payments</p>	<p>3x5=15</p>	<p>Further reviews of the outcomes of the amended policies – Not Started</p> <p>Chief Technical Accountant post advertised in January 2017 and now successfully recruited to.</p> <p>Prepare an options report on performance related pay and reward and recognition schemes</p>	<p>3x3=9</p>	<p>Delivering Service Excellence</p>	<p>Alex Triplow – HR Manager</p>

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staff, Increased workload in HR of repeated recruitment exercises	Market Pay Review report		- see AAP 16/17 E C 01 – On Track - Commissioned an external consultant to do a pay review of data and recommend options for CLT and Cabinet to consider and agree a way forward. Market Pay Review report to Cabinet in December, proposals in relation to increasing the pay bands by one spinal point accepted. Further work to be undertaken in relation to posts identified as being more than 10% adrift of the benchmarking undertaken. Planning interviews took place during February for five posts. Rolling advert in place, options are currently being considered in relation to the remaining vacancies and how best to secure the additional support required.			
Property assets - (the condition of) - 001(CR) 1. A lack of investment and sound decision-making. 2. Deteriorating property assets may lead to a loss of revenue and possible legal liability and increased	Production and approval of the Asset Management Plan Adequate budget provision both from revenue and capital to support R&M works and capital investment improvements Asset condition surveys	3x3=9	Controlled risk. The Asset Management Plan (AMP) has been updated and agreed by Cabinet and Full Council, this contains an improvement plan which is currently being implemented and forms part of the Ten	3x3=9	Delivering Service Excellence	Duncan Ellis – Head of Finance and Assets

Corporate Risk Register August 2017

Governance, Risk and Audit Committee – August 2017

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are shown in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target Score Impact x Likelihood = Total	Corporate Objective / Service Priority	Officer
<p>maintenance costs.</p> <p>3. The Council does not achieve value for money from its investment and/or possible legal liabilities either directly or through its leasing arrangements.</p> <p>4. Reduced potential for asset commercialisation opportunities if assets are not properly maintained.</p> <p>5. Reputation risk to Council of poorly maintained assets from residents and visitors alike.</p> <p>This scenario is detrimental to the local tourism economy as well as damaging to local communities contributing to a lack of community pride and possible increase in vandalism. The capital tied up in assets cannot be released to support wider Council initiatives and income streams are not maximised.</p>	<p>Compliance policies in place and up to date</p> <p>Compliance works undertaken in a timely fashion</p> <p>Adequate staff or appropriately qualified external contractor support</p> <p>Procure a Strategic Development Partner to provide further capacity and to help achieve asset commercialization agenda</p> <p>Production of business cases to support asset development improvements and commercialisation</p>		<p>performance monitoring system.</p> <p>Further update of the AMP currently being worked on by the new Asset Strategy Manager, to come forward to committee in October 2017.</p> <p>Detailed revenue and capital budget monitoring procedures in place to track and monitor spend.</p> <p>Work is on-going in relation to the R&M schedules and inputting this detail onto the Concerto system. The schedules were used to support the update of the Asset Management Plan and the capital works highlighted within the plan were included as part of the capital budget for 2015/16 (subject to further businesses cases where appropriate).</p> <p>Rolling asset condition surveys continue to be undertaken to ensure that the R&M schedules remain up to date.</p> <p>Various policies are in place to help manage property risks and risk assessment inspections and review works continue to be developed and improved and officers are currently working on</p>			

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			<p>the introduction of a new compliance contract that will further support this area which is expected to be in place from the summer of 2016. Regular routine inspections take place on all of the Council's car parks for example to review, monitor and help manage a number of risks and these visits are logged on Concerto to help provide an audit trail.</p> <p>The majority of the new posts are now in place following the restructure, part of which includes a dedicated resource to progress the Concerto Asset Management system. While the Asset Strategy Manager post remains unfilled at the start of March 2016 interviews are imminent and these will hopefully result in an appointment.</p> <p>Strategic Asset Development Partner – Implemented - Following a tender process Gleeds Property & Construction Consultants were successfully awarded the contract which will initially run for a period of one year but has the option for further one year extensions to potentially take it to a three year</p>			

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			<p>contract.</p> <p>Draft Cabinet report produced in respect of the initial Gleeds work undertaken on a number of the Council's assets. Report anticipated to come forward top Cabinet early in 2017.</p> <p>Implemented – initial report through to Cabinet, Overview and Scrutiny and Full Council in February 2017.</p> <p>Draft Cabinet report produced in relation to the potential establishment of a Property Company to further support the Council's asset commercialisation agenda. Report anticipated to potentially come forward to Cabinet in 2017.</p> <p>Asset Strategy Manager post now recruited to, anticipated start date start of March 2017.</p> <p>Implemented</p> <p>Surveyor post interviews on 11/8/17.</p> <p>AMP and associated policies scheduled for approval by Cabinet and Full Council in October 2017.</p>			

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<p>Procurement - (lack of value for money) - 009(CR)</p> <p>1. The current financial climate, recent resourcing issues causing an absence of a focus for this work, together with a reduction in the available accountancy resources going forward increase the risk of a lack of continuous improvement in this area.</p> <p>2. Failure to adopt new procurement practices and delivery of efficient and timely procurement processes could mean that the Council will not achieve value for money procuring the goods and services it uses.</p> <p>3. The Council may not achieve value for money, financial/procedural inefficiencies possible challenge to contracting procedures.</p>	<p>Procurement Strategy</p> <p>Procurement Framework</p> <p>Joint procurement protocol and opportunities for joint/shared procurement with other authorities where possible</p> <p>Advice for external suppliers</p> <p>Procurement responsibility assigned to the Chief Accountant</p>	<p>3x3=9</p>	<p>Analysis of procurement outcomes and the value for money achieved has started.</p> <p>Note – Finance Manager post - yet to be filled. Implemented – as mentioned above Chief Technical Accountant post advertised in January 2017 and now successfully recruited to. Post will be filled from 18 April.</p> <p>Joint procurement support options to be considered, similar format to the Internal Audit Consortium – Not Started. Initial proposal received from South Norfolk District Council, a proposal has also now been sought from Kings Lynn and West Norfolk so that this option can be further considered.</p> <p>Regular procurement refresh and review of procedures</p> <p>Trialling e-procurement</p> <p>Reviewing procurement of</p>	<p>3x1=3</p>	<p>Delivering Service Excellence</p>	<p>Duncan Ellis – Head of Finance and Assets</p>

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			Standing Orders New Procurement Officer post filled and starting on 25/9/17.			
<p>Information - (loss of) - 008(CR)</p> <p>1. Lax security - Information may be lost, mislaid or stolen. Increased use of mobile technology such as I Pads etc.</p> <p>2. There exists an inherent potential for the loss of organisational information at any security level. ICT is responsible for ensuring electronic data is secure (in conjunction with system owners who control access to their databases),</p> <p>3. Information may be inappropriately used. Fraud or data corruption may occur. Systems may suffer damage. The Council's reputation may be harmed.</p>	<p>Information Management Strategy</p> <p>Implement data security protocols on mobile devices</p> <p>ICT Security Policy</p> <p>IT Monitoring</p> <p>Data Protection training</p> <p>Code of Connection compliance</p> <p>Regular audits of IT security arrangements</p> <p>Regular 3rd party data protection and integrity testing</p> <p>Information security and data protection training - Implemented</p>	<p>4x3=12</p>	<p>Interim generic information on information security and data protection to be shared with staff through intranet. – On Track - Has been mitigated by the implementation of the e-learning system which has some InfoSec content. All posts with a requirement for increased awareness have been identified and an appropriate learning plan implemented. Staff are currently undertaking training.</p> <p>Senior Information Risk Officer, FOI and Data Protection Reports - Good outcome from Audit, advised by Internal Auditor.</p> <p>First local authority to receive full GCSX compliance for web access to e-mail.</p> <p>Ensure all staff have completed training</p> <p>Review and update IT Security Policy.</p>	<p>4x2=8</p>	<p>Delivering Service Excellence</p>	<p>Sean Kelly - Head of Business Transformation and IT</p>

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<p>Housing Delivery - 010(CR)</p> <p>1. A combination of lack of developer confidence because of recession / weak financial markets and pressure on public finances meaning reduced availability of grant funding for affordable housing provision.</p> <p>2. Inability to secure planning permission for provision of affordable housing.</p> <p>3. A challenge over the Council's ability to deliver sufficient affordable homes</p> <p>4. Loss of longstanding temporary accommodation in the district</p> <p>5. Short term accommodation cannot be provided which will increase use of Bed and Breakfasts and inability to complete a statutory function</p>	<p>Use of capital</p> <p>Partnership work with Registered Providers</p> <p>Local Investment Plan</p> <p>Local Development Framework (LDF) policies</p> <p>Internal planning protocol</p> <p>Increased Focus</p> <p>Housing Strategy discussion document (2010)</p> <p>Enhance Housing Association delivery</p>	<p>3 x 2 = 6</p>	<p>All controls are implemented and risk is currently under control, to be reviewed in six months.</p> <p>To re-draft Housing Delivery (SB).</p> <p>Strategy to address Identify alternative sources Housing Association – commission flats through risk partners.</p> <p>Cabinet report in December for immediate provision of a capital bid for a longer term provision as part of budget.</p> <p>Community Housing Fund allocation of £2.4m announced in December 2016. Initial Cabinet paper presented in February 2017.</p>	<p>3 x 2 = 6</p>	<p>Housing and Infrastructure</p>	<p>Nicola Turner - Housing Team Leader - Strategy</p>

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<p>Operational disruption - (significant event) - 013(CR)</p> <p>1. Both the National and Community Risk Registers have more information regarding the risk of specific events (e.g. Pandemic) occurring.</p> <p>2. Any Internal or external event that has a significant impact on the ability of the Council to deliver services.</p> <p>3. a) Loss of staff for 'usual' service delivery b) Loss of premises c) Loss of key partners/suppliers d) Loss of infrastructure services</p> <p>A reduction in the ability of the Council to deliver services, possibly at a time of increased demand from the community.</p>	<p>Response & Recovery Planning</p> <p>Continuity Planning</p> <p>Corporate Business Continuity key role training</p> <p>Critical Services Business Continuity Plans completed.</p>	<p>3x2=6</p>	<p>All controls are implemented and risk is currently under control, to be reviewed in six months.</p> <p>Ongoing review.</p> <p>Disaster Recovery Suite in place at Fakenham.</p> <p>Generator tested.</p> <p>Agile working Policy – now live.</p> <p>January 2017 storm surge recovery largely complete, well managed response.</p>	<p>3x2=6</p>	<p>Delivering Service Excellence</p>	<p>Richard Cook - Civil Contingencies Manager,</p> <p>Steve Hems - Head of Environmental Health</p>