

Governance, Risk and Audit Committee



Please Contact: Matt Stembrowicz

Please email: matthew.stembrowicz@north-norfolk.gov.uk

Please Direct Dial on: 01263 516047

16th July 2018

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Council Chamber** at the Council Offices, Holt Road, Cromer on **Tuesday 24 July 2018 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, Mr V FitzPatrick, Ms V Gay, Mr M Knowles, Mr J Rest 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
Tel 01263 513811 **Fax** 01263 515042 **Minicom** 01263 516005
Email districtcouncil@north-norfolk.gov.uk **Web site** northnorfolk.org

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 4)

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 19 June 2018.

6. AUDIT RESULTS REPORT (page 12)

To receive the Audit Results report for the year ended 31st March 2018

(Source: Mark Hodgson, Ernst Young)

7. FINAL STATEMENT OF ACCOUNTS (page 53)

To approve the Final Statement of Accounts

8. LETTER OF REPRESENTATION (page 177)

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

9. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE & ACTION LIST (page 183)

To monitor progress on items requiring action from the meeting on 19th June 2018, including progress on implementation of audit recommendations.

10. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME (page 184)

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

11. 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 19th June 2018 in the Council Chamber, Council Offices, Holt Road, Cromer at 2.00 pm.

Members Present:

Committee: Mr J Rest (Chairman) Mr M Knowles
Mr D Baker Mr D Young

Other

Members: Mr N Pearce

Officers in

Attendance: The Head of Internal Audit, the Chief Technical Accountant, the Democratic Services and Governance Officer and the Democratic Services Officer.

1. APOLOGIES

Apologies were received from Cllr V Fitzpatrick, Cllr V Gay and Alison Riglar - External Audit Manager.

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 05 September 2017 were approved as a correct record after the following amendments:

Page 5 Senior Risk Information Officer to be amended to Senior Information Risk Officer.

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

a) The Risk Register had been updated with colour coded emojis used to improve ease of reading. The arrows had also been retained to show the direction of travel.

- b) The dates on the Risk Register were updated to agree with the Risk Management Policy.
- c) The Democratic Services Officer stated that the Governance, Risk and Audit Committee Annual Report had been recommended for approval by Full Council on the 27th June.

7. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The Committee had been provided with a copy of the Draft Statement of Accounts to review prior to the meeting. The Chief Technical Accountant informed the Committee that the first sign-off of accounts would take place at next month's meeting with the opportunity for questions on the accounts to be provided.

Questions and Discussion

Cllr M Knowles questioned whether the Statement of Accounts would be ready in time, to which the Chief Technical Accountant replied that she was confident it would be ready. She added that the auditors work was underway and that there had been an increase in the workload to meet the new deadline, but the team were confident it would be completed in time. The Chairman asked if the Accounts Team were aware of the extra workload that would be caused by the new deadline. The Chief Technical Accountant suggested that the team had been surprised by the increase, but were able to cope with the workload without any detriment to the service. The Head of Internal Audit stated that two other Councils she worked with had already concluded their audits and had completed the task adequately. She added that one Council had contested calls by the auditor, Ernst and Young, for an increase in the Council's workload, alongside an increase in their requested fees.

Cllr D Young asked for confirmation on when the draft audit would be completed. The Head of Internal Audit confirmed that the draft audit would be completed in July. The Chief Technical Accountant had stated that she had asked whether it was appropriate to bring the deadline forward, but had been informed by Ernst and Young that this would not be possible. She added that there would be an audit discussion on the 11th July to give and receive feedback from Ernst and Young. Cllr M Knowles asked for clarification on whether NNDC staff had been doing the work of Ernst and Young. The Head of Internal Audit confirmed that this was the case, and concerns had been raised that the workload on officers would increase when the fees were reduced. Cllr M Knowles then asked how these fees were calculated. The Head of Internal Audit replied that they had decreased due to the lack of overheads that had arisen from the loss of the Audit Commission in Central Government. She added that this meant that officers would eventually have to do more work. The Chief Technical Accountant stated that this year had been a quiet year for changes in NNDC's accounting methodology, and therefore it was a better year for the workload to increase. The Chairman suggested that the reduction in fees meant the level of service provided could also be expected to decline, therefore it may be necessary for any savings to be reinvested within NNDC to help fill the gaps caused by an increased workload. He added that the Council must ensure that the job is carried-out correctly.

8. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 7 MARCH 2018 TO 9 MAY 2018

The Head of Internal Audit stated that the executive summary of four reports had been completed since the last report to the Committee and were included in this report. It was highlighted that the key controls audit in finance resulted in only four priority three

recommendations, and all reports concluded with a positive assurance. It was confirmed that there had been no changes to the plan of work for 2017/18, with work being completed as expected. It was stated that the team would need to aim to finish one month ahead of schedule next year, due to the earlier close down of the accounts.

Questions and Discussion

Cllr D Young asked in reference to the seven recommendations on procurement, at what point the assurance become limited. The Head of Internal Audit suggested that if six Priority 2 recommendations were made, this would be the point at which a limited assurance would start to be considered, however in this case there were only four. Furthermore, a new member of staff had been employed which should help to address the issues raised in the audit.

Cllr D Young referred to page 17 of the agenda, and asked why purchase orders were not being raised when they were not on the exception list. The Head of Internal Audit stated that a purchase order should be raised, except in certain circumstances, she added that in such instances it would be done retrospectively. The Chairman asked if this was normal, to which the Head of Internal Audit replied that it was a better position than before, and controls were improving.

Cllr D Young referred to page 25 of the agenda on Kier waste management. The Members discussed the issues that were noted within the Internal Audit Report and expressed their concerns over these, but did note the action that had been taken by management to date. The current position with the contract was also discussed by the Committee.

Cllr M Knowles referred to page 17 of the agenda and noted that the reconciliations for treasury management should be carried-out on a timely basis. He raised concerns that this timescale was fairly vague. The Head of Internal Audit replied that the recommendation use to be more specific i.e. monthly, but it is now for management to decide what is timely. If there were any concerns these would be addressed.

Cllr D Young referred to page 28 of the agenda, and asked what efinancials and Accolade were. The Head of Internal Audit stated that they were two different software applications in use by NNDC. He also on the website queried the failure to upload the 2015 update of the 2008 Planning protocols on the website, the Democratic Services Officer would follow-up this request.

RESOLVED

To note the Internal Audit Progress Report.

9. FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 1 NOVEMBER 2017 TO 31 MARCH 2018

The Report provided an overview of the actions taken by the Council following audit recommendations. At the end of 31st March 2018 a total of nineteen recommendations had been implemented whilst twelve remained outstanding.

Questions and Discussion

The Head of Internal Audit stated that at the year-end Development Management were yet to fully complete their old audit recommendations but recognised that they were currently on-track. She added that a decision was needed on whether to continue to monitor the section 106 recommendations. Cllr D Young stated that it was important to keep track of the issue, especially when a new Head of Planning would soon be joining NNDC. The Head of Internal Audit agreed that she would continue to monitor the issue, and would report back in September 2018. It was also stated that other historic recommendations raised in 2014/15 and 2015/16 had now been closed.

In reference to page 33 of the agenda, Cllr D Young questioned how senior were the management that made the decision to tolerate the risk posed by not requiring users to change passwords frequently. The Head of Internal Audit stated that the Head of Business Transformation and IT had made the decision not to progress the recommendation, and they were confident of this conclusion. The Chairman asked whether individuals could add more security themselves. The Head of Internal Audit replied that yes it was possible, but general guidance suggested it was best to maintain a single difficult password, and as a result NNDC had now made this its official policy. The Chairman asked whether this would be an issue when staff left the Council, to which the Head of Internal Audit replied that deleting the leaver's username and account would sufficiently address the issue.

Cllr D Young referred to appendix 2 (Development Management), and asked when the latest response had been given on implementing recommendations. The Head of Internal Audit replied that the management responses had been submitted in April as part of the year end reporting requirements. The Chairman stated that these recommendations were from 2010/2011 which was a very long timescale, he then asked whether this was normal. The Head of Internal Audit replied that recommendations were preferably addressed within the year that they were raised, and within the timescales agreed with the auditors. However, it is recognised that due to other issues this can take longer. She suggested that the Committee seek a more detailed response to be provided in time for September's meeting, to which the Committee agreed. Cllr D Young requested that the "Latest Response" column should show the date of the response, which was agreed by the Committee.

Cllr M Knowles brought attention to car parking recommendation 1, he reminded the Committee that NNDC was in an arrangement with the Borough Council of Kings Lynn and West Norfolk, with the latter managing North Norfolk district's parking provisions. He continued that it was clear that BCKLWN were unable to meet their obligations. The Head of Internal Audit stated that NNDC needed to be firmer with BCKLWN and that she would follow-up the recommendation for a response. She informed the Committee that a revision had brought the recommendation to the point it was at now. It was stated that BCKLWN did transfer parking revenues to NNDC, but it was often unaccompanied by any data that explained the revenue collection. The Chairman stressed that it was important that NNDC received this data, and the Head of Internal Audit replied that she would follow-up.

RESOLVED

To note the report.

Audit to continue to monitor Development Management team on recommendations regarding Section 106 agreement and seek a response for September Committee meeting.

10. ANNUAL REPORT AND OPINIONS 2017/18

The Head of Internal Audit provided the Annual Opinion which concludes on the Council's framework of governance, risk management and control, and also sets out the summary of internal work carried out, a summary of the follow-up action taken to implement recommendations, any issues that needed raising and a conclusion on the effectiveness of the internal audit service.

The Head of Internal Audit concluded with a reasonable assurance for the 2017/18 financial year, with no urgent priority recommendations raised. She also confirmed that all 17 originally agreed audits from the 2017/18 plan had taken place, with all the reports issued being given a positive assurance grading.

Questions and Discussion

The Chairman referred to page 47 of the agenda, then asked in reference to the performance indicator outcomes, if targets had been exceeded did this mean they were set too low. The Head of Internal Audit replied that this was not necessarily the case, and added that the targets had been set very carefully when the contract was procured, but that these could be reviewed and possibly stretched further if necessary.

In response to a question from Cllr D Young, the Head of Internal Audit stated that performance indicators were provided annually, though quarterly meetings took place with the Chief Finance Officer and Quarterly Assurance Reports were given within 15 days of the end of each quarter.

RESOLVED

To note the report.

11. GOVERNANCE RISK AND AUDIT COMMITTEE 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 and incorporated the position statement previously issued.

It was good practice for Audit Committees to complete a regular self-assessment exercise, to be satisfied that the Committee was performing effectively. GRAC had undertaken this exercise on 28 March 2018. The Democratic Services Officer had made notes of the discussion and these were incorporated in the report. An action had arisen from the Self-Assessment – an Anti-Money Laundering Policy would be coming to the Committee in September.

Questions and Discussion

The Head of Internal Audit asked the Committee if they were satisfied with the minutes from the previous discussion, they agreed and stated that there was nothing further to add.

RESOLVED

To note the report and for members to note the attached checklist on self-assessment of good practice.

12. MONITORING OFFICERS REPORT

The Monitoring Officer had prepared a report but was unable to attend the meeting, the report was therefore presented by the Chief Technical Accountant. The Key messages from the report were:

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

There was only one complaint that was upheld by the Ombudsman, but overall the Monitoring Officer believed the report was very positive. The Key issues for 2017/18 were:

- a) During the current year the Council had changed control from a Conservative administration to no overall control. The Monitoring Officer and Democratic Services Team Leader had been working with officers and Members to reflect this change within the Council's protocols and processes and this will continue.
- b) Further work with all members had been planned to ensure good practice in respect of the Overview and Scrutiny Committee which should add to the robustness of the Council's governance processes.
- c) Training had taken place on debating in the Council Chamber and more training for members was planned during the course of the spring.
- d) Further implementation of the Information Risk Management Framework had been planned for the future.

Questions and Discussion

The Chairman asked if there was a deputy Monitoring Officer in place as a back-up. The Head of Internal Audit stated that this should be the employed Barrister, the Chief Technical Accountant stated that she would seek confirmation. The Chairman informed the Committee that the report stated qualified solicitors or barristers sat on all project boards, and suggested the wording should be amended to reflect the fact that legal officers were available if required but did not attend all meetings.

It was stated that several members of the Committee would appreciate further training and support on GDPR. It was agreed to circulate the Information Risk Framework.

Cllr D Baker noted that the majority of complaints mentioned in the report had been from Town or Parish Councils, then indicated that NNDC paid to investigate these reports and asked if the Council could charge to carry-out these investigations. The Head of Internal Audit stated that the Council could not charge for these investigations as it was a statutory requirement of the Council.

Resolved

To receive the Monitoring Offer's Annual Report covering the period from 1 April 2017 to 31 March 2018

13. LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2017/18

The Corporate Governance Framework was made up of the systems and processes, culture and values by which an organisation was directed and controlled. For local authorities this included how a Council related to the community it served. The Local Code of Corporate Governance was a public statement of the ways in which the Council would achieve good corporate governance. This has been updated for the 2017/18 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.

Questions and Discussion

The Chief Technical Accountant stated that the Council was required by CIPFA to have a Local Code of Corporate Governance. It was stated that the requirements of the report had changed but not substantially and there was therefore very little to update from last year, though some improvements had been suggested for governance arrangements.

Resolved

To approve the local code of corporate governance and accept the minor changes that had been made to the governance arrangements.

14. DRAFT STATEMENT OF ACCOUNTS 2017/18

The Chief Technical Accountant stated that accounts were required to be signed off by the 31st May, but The Head of Finance and Asset Management had signed them off on the 29th May. It was noted that there had been an attempt to streamline the process as much as possible, which had resulted in changes being made to the narrative statement. The statutory deadline for the report was the 31st July with the Audit draft deadline now set for the 24th July, which the Council was on-track to meet.

Questions and Discussion

Cllr D Young referred to the month 12 Outturn Report, and asked why it stated a surplus of £994k whilst the accounts indicated a different surplus. The Chief Technical Accountant stated that CIPFA had struggled with the issue and the difference had arisen as a result of non-cash transactions. She added that adhering to CIPFA guidelines meant that these values would always be different.

Cllr D young stated that the Council's reserves were generally the same in both reports, but asked which figure should be reported to Parish Councils. The Chief Technical Accountant stated that the figure from the Outturn Report should be used for these purposes.

Cllr M Knowles stated it was his understanding that from the £994K surplus, £700k had come from additional business rate income. The Chief Technical Accountant confirmed that this money had been provided as a grant from Central Government to compensate for business rates relief. She added that some of the money would be put towards leisure contracts and site renewal plans as utilising reserves would be preferred to borrowing. The Chairman asked if the general income would allow for loan procurement. The Chief Technical Accountant replied that it would, but interest rates were expected to rise so using reserves was preferable. She added that figures from the Outturn Report were an interpretation due to property revaluations, and this was a good reason why figures often did not match up with the draft Statement of Accounts.

Cllr D Young raised concerns that the potential financial impact of the new waste contract was misleading, as it was unclear whether savings would be made now or in the future. The Chief Technical Accountant explained that revenue expenditure was funded under capital expenditure following the rules of Revenue Expenditure Funded from Capital Under Statute (REFCUS): this referred to any expenditure on an asset which did not belong to the Council. Cllr D Young asked if this applied to Kier refuse vehicles, to which it was explained that this was an embedded lease and was the only one held by the Council. The lease wouldn't be recalculated if the contract was extended for a year, but would be started again for a new contract.

The Chief Technical Accountant stated that the Audit Report would only report on material changes as smaller changes were not worth altering.

The members of the Committee thanked the Finance Team for their excellent work producing the draft Statement of Accounts within the newly set deadline.

The meeting ended at 16.27 pm

Chairman

**North Norfolk District
Council**
Audit Results Report
Year ended 31 March 2018

20 July 2018



Governance, Risk and Audit Committee
North Norfolk District Council

20 July 2018

Dear Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Governance, Risk and Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of North Norfolk District Council for 2017/18.

We have substantially completed our audit of North Norfolk District Council for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Governance, Risk and Audit Committee meeting on 24 July 2018.

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

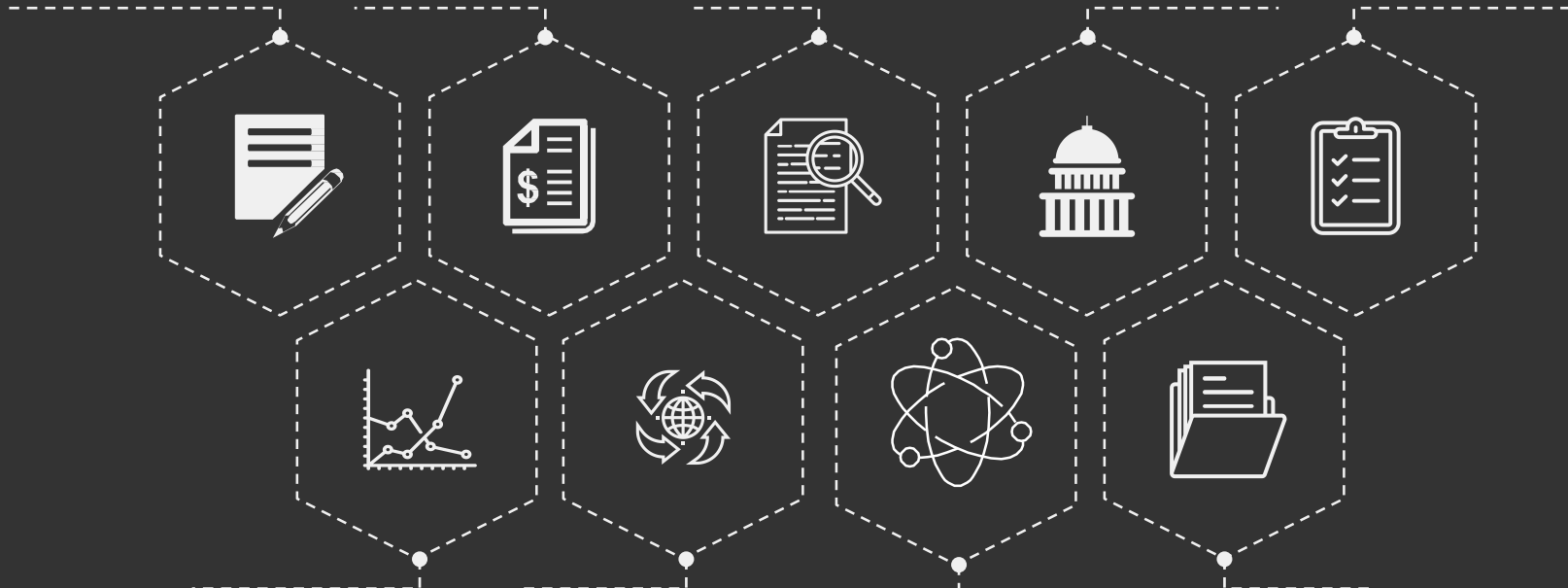
01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money



06 Other reporting issues

07 Assessment of Control Environment

08 Independence

09 Appendices

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 February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Governance, Risk and Audit Committee and management of North Norfolk District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance, Risk and Audit Committee, and management of North Norfolk District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance, Risk and Audit Committee and management of North Norfolk Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our Audit Plan presented at the 27 March 2018 Governance, Risk and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

In our Audit Plan, we communicated that our audit procedures would be performed using an overall materiality of £1.1 million. This level of materiality remains appropriate for the actual results for the financial year. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. Performance materiality, at 75% of overall materiality, has been updated to £0.825 million and the threshold for reporting misstatements that have an effect on the primary statements (Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Cash Flow Statement and Collection Fund) has been updated to £55,000.

Status of the audit

We have substantially completed our audit of North Norfolk District Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise.

The outstanding work at the date of this report is:

- ▶ completion of testing of related party transactions;
- ▶ completion of testing of debtors and creditors;
- ▶ review of the final version of the financial statements;
- ▶ completion of subsequent events review;
- ▶ receipt of the signed management representation letter; and
- ▶ completion of final review and sign off procedures.

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



Executive Summary

Audit differences

Unadjusted audit differences

We identified one unadjusted audit difference in the draft financial statements which management has chosen not to adjust. We ask that this be corrected or a rationale as to why it is not corrected be approved by the Governance, Risk and Audit Committee and included in the Letter of Representation. This relates to the way in which a Section 31 grant has been treated. The gross impact is £68,000 impact on the Balance Sheet. The net impact of unadjusted audit differences is £26,000 on the Comprehensive Income and Expenditure Statement - Taxation and Non-Specific Grant Income. We agree with management's assessment that the impact is not material.

Adjusted audit differences

We have identified audit differences with an aggregated impact of £4.126 million which have been adjusted by management. Two adjusted differences were material. Full details can be found in Section 4 Audit Differences.

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

Areas of audit focus

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

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

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

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



Executive Summary

Control observations

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

Value for money

We have considered your arrangements to take informed decisions, deploy resources in a sustainable manner, and work with partners and other third parties.

In our Audit Plan we identified one significant risk in relation to financial resilience over the medium term.

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

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. 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 £500 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition

What is the risk?

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

One area susceptible to manipulation is the capitalisation of revenue expenditure on property, plant and equipment given the extent of the Council's capital programme.

What judgements are we focused on?

We focused on:

- ▶ Considering whether management were inappropriately processing journals that transferred amounts from revenue to capital; and
- ▶ Considering whether purchase invoices were being inappropriately classified as capital.

What did we do?

- ▶ Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes.
- ▶ Obtained breakdown of capital additions in the year and reviewed the descriptions to identify any items that could be revenue in nature.
- ▶ Tested capital expenditure by agreeing samples to source documentation to ensure the capital/revenue split was reasonable.

What are our conclusions?

Our testing did not identify any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

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

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

What judgements are we focused on?

We focused on the following:

- ▶ Understanding the risks of fraud and the controls put in place to address those risks by management and how the Governance, Risk and Audit Committee oversees management's processes over fraud;
- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address those identified risks of fraud; and
- ▶ Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions.

What did we do?

- ▶ Wrote to the S151 officer, Chair of the Governance, Risk and Audit Committee, Head of Internal Audit and Monitoring Officer in this regard and reviewed their responses.
- ▶ Documented our understanding of the controls relevant to this significant risk and considered whether they have been appropriately designed.
- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- ▶ Reviewed accounting estimates for evidence of management bias.
- ▶ Evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

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

We have not identified any management bias in accounting estimates.

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





Areas of Audit Focus

Other areas of audit focus

What is the area of focus?	What did we do?	Our Conclusions
<p><u>Property, Plant and Equipment Valuation</u></p> <p>Property, Plant and Equipment represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet.</p> <p>The Council engage an external expert to value the asset base, who will apply a number of complex assumptions and assess the Council's assets to identify whether there is any indication of impairment and changes to their useful life.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▶ Sample tested key asset information used by the valuers in performing their valuation; ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We also considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer; ▶ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; ▶ Considered changes to useful economic lives as a result of the most recent valuation; and ▶ Tested accounting entries had been correctly processed in the financial statements. 	<p>Following full consideration of their work, we have placed reliance on the Authority's valuation expert.</p> <p>Our testing did not identify any material misstatements from inappropriate judgements being applied to the property valuation estimates.</p> <p>Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.</p> <p>Our audit work did not identify any issues with the accounting treatment for valuations.</p>



Areas of Audit Focus

Other areas of audit focus

What is the area of focus?	What did we do?	Our Conclusions
<p><u>Pensions Liability - IAS 19</u></p> <p>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.</p> <p>The Council's current pension fund deficit is a 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 IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> ▶ Liaised with the auditors of Norfolk Pension Fund, and obtained assurances over the information supplied to the actuary in relation to North Norfolk District Council; ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. 	<p>We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required.</p> <p>A movement on the total fund asset between the estimated year end balance and the actual was identified by the pension fund auditor. The impact of this was an understatement of the Council's share of pension assets by £0.626 million. This amount is above our summary of audit differences level and has been adjusted in the accounts. See Section 4 for the adjustments.</p> <p>We have not identified any issues with the accounting entries and disclosures made within the financial statements.</p>



03 Audit Report



Audit Report

Our proposed opinion on the financial statements

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

Opinion

We have audited the financial statements of North Norfolk District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 40 and the Expenditure and Funding Analysis to the Council Accounts, and the Collection Fund and the related notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 2018 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 2017/18.

Basis for opinion

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

Conclusions relating to going concern

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

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



Audit Report - continued

Our proposed opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2017/2018, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in August 2017, we are satisfied that, in all significant respects, North Norfolk District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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.



Audit Report - continued

Our proposed opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the “Statement of the Responsibilities” set out on page 2, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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 August 2017, as to whether North Norfolk District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether North Norfolk District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.



Audit Report - continued

Our proposed opinion on the financial statements

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

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

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

Certificate

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

Use of our report

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



04 Audit Differences



Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £0.055 million which have been corrected by management that were identified during the course of our audit:

1. £3.5 million incorrect accounting treatment in relation to the capitalisation of a loan to Broadland Housing Association;
2. £2.06 million of support charges disclosed on a gross basis instead of a net basis within the ‘Cost of Services’ within the Comprehensive Income and Expenditure Statement;
3. The Council is an admitted body within the Norfolk Pension Fund. The Council is reliant upon the Pension Fund’s Actuary to provide it with the relevant information in relation to the Council’s share of assets and liabilities of the Pension Fund (through an IAS19 report) for inclusion within its financial statements.

The Actuary, within its IAS19 report (dated April 2018) estimated the Pension Fund asset value as at the 31 March 2018 and the Council used the estimated figure within its draft financial statements. Our audit procedures focus on securing appropriate assurances from the Norfolk Pension Fund auditor. These procedures, identified that the actual asset valuation at the 31 March 2018 was £50.7 million greater than the Actuary’s estimate. The Authority’s share of this increase is £1.115 million based on the Council’s share of assets.

Given that the difference is above our overall materiality level we asked the Authority to liaise with the Pension Fund Actuary given the impact on the Council’s financial statements. The Pension Fund Actuary has, in light of the significance of the identified difference in asset valuations at an admitted body level, updated the IAS 19 report that it provided to the Council, taking into account the actual year end asset valuations. The Actuary also updated the IAS 19 report in relation to the impact of the asset valuation change on other figures reported by the Council. The Council has adjusted the revised financial statements using the revised figures from the updated IAS 19 report, an actual movement of the Council’s share of the assets of £0.626 million. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Council correctly used the information provided within the original IAS 19 report within its draft financial statements.

4. £0.291 million reclassification between Short Term Investment and Short Term Debtors in relation to the short term element of the loan referred to above.

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

Summary of unadjusted differences

We have identified one misstatement which management has chosen not to adjust. This relates to additional Section 31 grant of £68,000 due to the Council following the finalisation of the NNDR3 return with Ministry of Housing, Communities and Local Government, which also impacts on the levy payment to the business rates pool. We request that this unadjusted difference be corrected or a rationale as to why they are not corrected be considered and approved by the Governance, Risk and Audit Committee and provided within the Letter of Representation.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Governance, Risk and Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2018 (£000)	Effect on the current period:	Balance Sheet (Decrease)/Increase			
		Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Known difference:					
Balance Sheet - Short Term Debtors		68			
Balance Sheet - Short Term Creditors				(42)	
Comprehensive Income and Expenditure Statement - Taxation and Non-Specific Grant Income	(26)				
Balance sheet totals		68	0	(42)	0
Income effect of uncorrected misstatements	(26)				
Cumulative effect of uncorrected misstatements	(26)				
Cash Flow Statement	(26)				
Note 12 - Comprehensive Income and Expenditure Statement - Taxation and Non Specific Grant Income	(26)				
Note 15 - Cash Flow Statement - Arising from Operating Activities	(26)				
Note 33 - Receivables		68			
Note 34 - Payables				(42)	
Note 38 - Grant Income	(26)				

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2018.



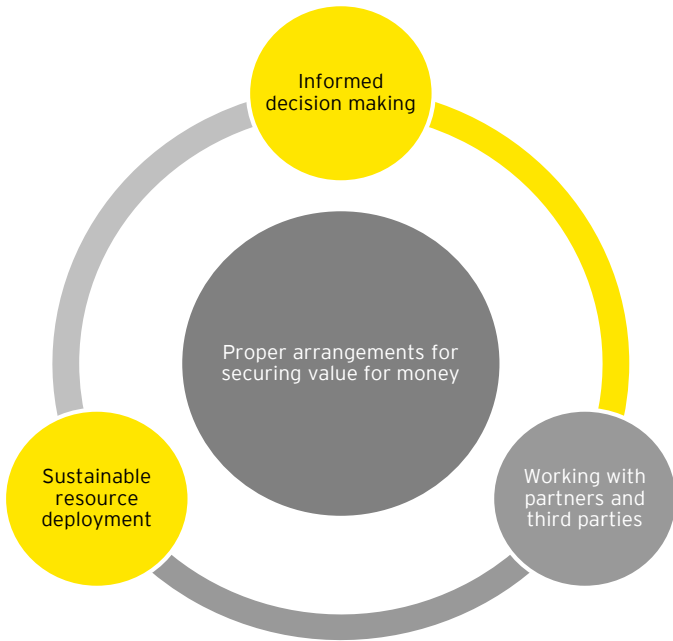
05

Value for Money Risks





Value for Money



Background

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

For 2017/18 this is based on the overall evaluation criterion:

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

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

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

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

Financial Resilience and Assessment of the Authority’s Reserve Position

As part of our assessment of your proper arrangements, we considered the Authority’s financial resilience over the medium term and the impact on the level of general fund reserve balances at the 31 March 2018 and at the 31 March 2021.

Our assessment of this is set out on page 24.

Overall conclusion

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

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

VFM risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice which defines as: 'A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public'

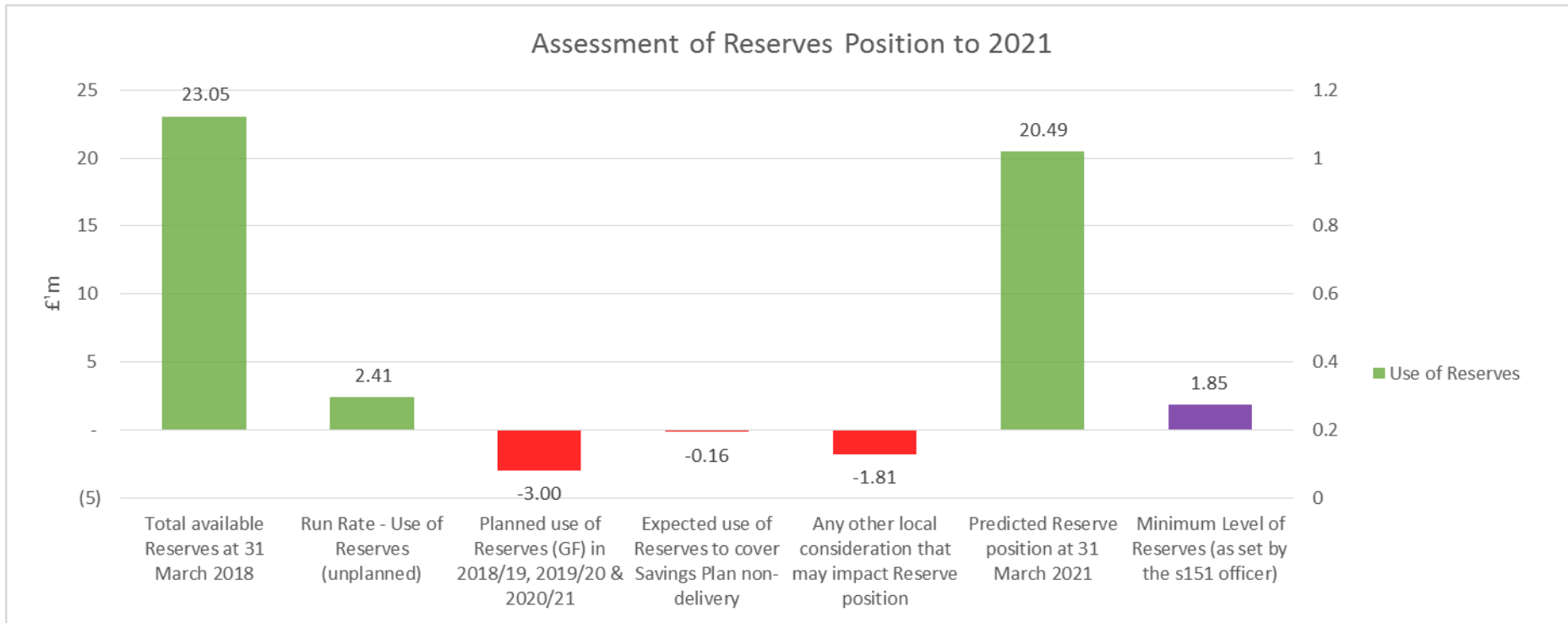
Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risk there is no requirement to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

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

What is the significant VFM risk?	What arrangements did this impact?	What are our findings?
<p>Financial resilience over the medium term</p> <p>The Council's budget report for 2018/19 to 2021/22, approved in February 2018, identifies a cumulative budget gap of £3 million over the next three years, after the use of reserves of a further £3 million. This report is based on a number of assumptions, including estimates of the future levels of Government funding and costs associated with significant contracts.</p> <p>Any reduction in Government funding in future years together with increased costs represents a significant risk to the achievement of the Council's future budgets.</p>	<p>Deploying resources in a sustainable manner</p>	<p>Our approach focused on the adequacy of the plans and arrangements the Council has put in place to secure the financial sustainability of the Council:</p> <ul style="list-style-type: none"> ▶ a review of the Council's historical financial performance, including its ability to deliver challenging savings targets, identified that budgets, which incorporate the savings targets, were underspent in each of the last two years; ▶ a review of the Council's current financial position and the level of general fund and earmarked reserves, considering the Authority's financial resilience over the medium term, as set out on the next page, demonstrates that the Council holds an appropriate level of reserves; and ▶ a review of the Council's process for budget setting, including challenge of the basis of key budget assumptions did not identify any issues. <p>We have no significant weaknesses to report to the Committee.</p>



Value for Money



Our Assessment

In our assessment we considered:

- the Authority’s history of under spending on the general fund budget, and the impact this trajectory would have on the use of general fund and earmarked reserves;
- the Authority’s planned use of reserves to support the general fund budget in each of the next 3 years;
- the Authority’s history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery; and
- the Authority’s reliance upon New Homes Bonus and Revenue Support Grant income which has not been confirmed post 2018/19, upon which the MTFS is reliant.
- the Authority has no planned use of borrowing over the same time frame.

The Council’s budget report for 2018/19 to 2021/22, approved in February 2018, identifies a cumulative budget gap of £2.1 million over the next three years, after the use of reserves of a further £3 million, although it is recognised the majority of the reserve funding relates to one off initiatives as opposed to support for core budgets. This report is based on a number of assumptions, including estimates of the future levels of Government funding and costs associated with significant contracts.

As a result of our assessment, we are satisfied that the Authority’s reserves balance at the 31 March 2021 will remain above the Authority’s approved minimum level.



06 Other reporting issues



Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/2018 with the audited financial statements.

- Financial information in the Statement of Accounts 2017/2018 and published with the financial statements was consistent with the audited financial statements.

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

- We have reviewed the Annual Governance Statement and can confirm it is 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, is specified by the National Audit Office.

As the Authority falls below the £500 million threshold for review as per the NAO's group instructions, we are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the 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 reporting issues

New accounting standards

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 introduces the application of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' for the financial year ended 31 March 2019.

IFRS 9 is not expected to have a material effect on the Council's financial statements; however this will need to be kept under continued focus during 2018/19 as statutory overrides may be introduced by Central Government.

IFRS 15 is not expected to have a significant impact on the Council's financial statements as the vast majority of income streams are taxation or grant based.

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 Authority'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 B 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 Authority 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 Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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

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

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



08

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 1 March 2018.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Governance, Risk and Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Governance, Risk and Audit Committee on 24 July 2018.

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

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

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

As at the date of this report, we have been retained to provide audit services for five years from 1 April 2018. In addition, the Authority has agreed to our proposal to provide the Housing Benefit Subsidy Assurance service from 2018/19.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

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

We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in Month Year.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s	£'s
Audit Fee - Code work	54,113	54,113	54,113	54,113
Non-audit work - Grant claims - housing benefit subsidy (Note 1)	TBC	26,390	26,390	23,205
Total fee	TBC	80,503	80,503	76,195

Note 1:

We have not yet commenced our work on the certification of the Housing Benefits grant certification. The final fee for the Housing Benefit subsidy certification will be confirmed upon completion by the 30 November deadline. We will report the final fee in our Annual Certification report.






09

Appendices




Appendix A

Required communications with the Governance, Risk and Audit Committee

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

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Governance, Risk and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	1 March 2018 - Audit Plan
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	1 March 2018 - Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	19 July 2018 - 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.

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
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 ▶ Material misstatements corrected by management 	19 July 2018 - Audit Results Report
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Governance, Risk and Audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	We made enquiries of management and those charged with governance. We have no matters to report.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Governance, Risk and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Governance & Audit Committee responsibility. 	We made enquiries of management and those charged with governance. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when 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 regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	We have no matters to report.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>1 March 2018 - Audit Plan</p> <p>19 July 2018 - Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	<p>We have not, as of the date of this report received 4 investment confirmations. However, we have completed alternative procedures to gain sufficient assurance.</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>We made inquiries of management, the Monitoring Officer and those charged with governance.</p> <p>We have not identified any material instances or non-compliance with laws and regulations.</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	<p>19 July 2018 - Audit Results Report</p>


Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	19 July 2018 - Audit Results Report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	19 July 2018 - Audit Results Report
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	19 July 2018 - Audit Results Report
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the Audit Plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	1 March 2018 - Audit Plan 19 July 2018 - Audit Results Report
Certification work	<ul style="list-style-type: none"> ▶ Summary of certification work 	Annual Certification Report - expected December 2018




Appendix B – Request for a Management representation letter

Request for a Management Representation Letter



Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Tel: + 44 1223 394400
Fax: + 44 1223 394401
ey.com



INVESTOR IN PEOPLE

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

19 July 2018

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

Dear Duncan,

**North Norfolk District Council – 2017/18 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 2018.

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 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC330201 and is a member firm of Ernst & Young Global Limited. A list of members is available for inspection at 1 Moles Lane Place, London, SE6 3NF, the firm's principal place of business and registered office.



2

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 2017/18.
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 2017/18 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 2017/18, that are free from material misstatement, whether due to fraud or error.
6. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



Appendix B – Request for a Management representation letter

Request for a Management Representation Letter



3

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

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

C. Information Provided and Completeness of Information and Transactions

1. 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: 24 July 2018.



4

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.

D. Liabilities and Contingencies

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

E. Subsequent Events

1. That other than described in the relevant note 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.


F. Accounting Estimates

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



Appendix B – Request for a Management representation letter

Request for a Management Representation Letter

 5

- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

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

H. Going Concern

1. That 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.

I. Ownership of Assets


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

J. Reserves

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

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
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 2017/18.
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

6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

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

M. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2017/2018.
2. You confirm that the content contained within the other information is consistent with the financial statements.

N. Specific Representations

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

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (currently 26 July 2018) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

Statement of Accounts



2017/2018

NARRATIVE STATEMENT

1. Introduction

1.1 The Statement of Accounts for 2017/18 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. This narrative statement aims to provide the reader with information on the Authority, its main objectives and strategies, the principle risks we face and to provide a commentary on how the Authority has used its resources to achieve our desired outcomes. It also helps to explain and highlight the linkages between the information contained within the narrative statement itself and the information presented within the financial statements. The accounting policies applied in production of the accounts can found on pages 10 to 26.

2. Statements included within the Accounts

2.1 The accounts consist of the following main statements:

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

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

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

NARRATIVE STATEMENT

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

- **Cash Flow Statement (page 9)** - summarises all flows of cash from transactions with third parties for revenue and capital purposes. It shows the changes in cash and cash equivalents during the reporting period. 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 (page 91)** – As a billing authority the Authority is responsible for the billing, collection and distribution of Council Tax and National Non-Domestic Rates (NNDR). In accordance with the statutory requirement contained in Section 89 of the Local Government Finance Act 1988 (amended by Local Government Finance Act 1992 and the Local Government Finance Act 2012) billing authorities are required to establish and maintain a separate fund for the collection and distribution of amounts due in relation to Council Tax and NNDR. This statement, known as the Collection Fund, shows the total income collected by the Authority from Council Tax and NNDR and how this has been distributed to Central Government; the major precepting bodies of Norfolk County Council (NCC) and the Office of the Police and Crime Commissioner for Norfolk (OPCCN) and North Norfolk District Council (NNDC - which includes the local precepts for Parish and Town Councils'). There will be a debtor or creditor position between the billing authority (NNDC), Central Government and the major preceptors (NCC & OPCCN) to be recognised at the end of each year. This is because the amounts paid out of the Collection Fund during the years will not exactly match the cash collected in Council Tax and NNDR.
- **Notes to the Accounts (pages 10-90)** – The accounts are supported by various notes to the main statements which provide additional information to that contained in the core statements themselves. The Collection Fund notes can be found on pages 92-94.

3. Organisational overview and external environment

Our district

- 3.1 North Norfolk District consists of 99,556 hectares of beautiful countryside and 73km of coastline. With a range of active village communities and seven busy market towns comprising of Wells-next-the-Sea, Fakenham, Holt, Sheringham, Cromer, North Walsham and Stalham, North Norfolk has a strong appeal for residents, visitors and businesses alike.
- 3.2 North Norfolk's population is expected to grow from the current 105,300 in 2018 to 107,200 by 2021 and the number of resident households is projected to grow to from 48,800 to 49,900 over the same timeframe. A large proportion of residents live in one of the market towns with the remainder living in rural village homes. This means that the district has a low population density (1.1 persons per hectare compared to

NARRATIVE STATEMENT

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.

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

Corporate Plan and priorities

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

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

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

Local government environment

3.6 The Authority operates within the local government framework, delivering both locally developed policy and central government policy, providing services ranging from waste collection and coast protection through to the administration of benefits and the local planning function. While there was a general election called in June 2017 this did not see a change in overall political control in Whitehall and while policy changes are currently being discussed, such as those in relation to the localisation of business rates and the Fair Funding review, there were no fundamental changes which have impacted on the year currently under review. It is still not clear at the present time what impact the Brexit decision will have upon local government finances and operations in the future.

NARRATIVE STATEMENT

4. Governance

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

5. Operational model

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

6. Risks and opportunities

- 6.1 The Authority's waste and cleansing contract is due for renewal in April 2019, although officers are currently negotiating a 1 year extension to enable a joint procurement exercise to be undertaken with other neighbouring authorities. This is the Authority's largest contract and the joint procurement represents an opportunity to potentially gain a better value contract than if the Authority were to procure the contract in isolation.
- 6.2 The cost of this extension was estimated to be in the region of £1m above the current contract price at the time the 2018/19 budget was set. If this represents the market rate this would represent significant growth in the annual revenue budget. Again however this has been included within the future years projections and can be mitigated in the short term through the use of reserves, further negotiations with the incumbent contractor have also reduced this estimate down to around £800k and ultimately the procurement process will dictate the new cost.
- 6.3 The global price for paper recyclate is falling rapidly following a change to import controls in China from 1 March and this is putting pressure on processing costs for recycling. The position continues to be monitored, at present this may have a one off impact for the Authority during the 2018/19 financial year of around £100k which can be funded from reserves but the position has not yet been finalised and if this contribution was to be required a clawback mechanism would also be agreed should the position improve in future years.
- 6.4 As part of the 2018/19 budget process a further £940k was allocated to support the second phase of the digital transformation programme. This represents a significant opportunity for the Authority to further streamline and improve services and increase efficiency although at the present time there have been no savings assumed within the budget forecasts as a result of this programme until the projects and work streams are better defined.
- 6.5 As part of updating the Asset Management Plan (AMP), funding of £2m was agreed to establish a local Property Investment Fund to help generate additional income but again until investments are made there have been no income forecasts included within the future projections.

NARRATIVE STATEMENT

- 6.6 At present there is not much ongoing debate in relation to the potential for further discussions on a Unitary Authority for Norfolk, but if this area were to develop in the future it would potentially have a significant impact on service delivery in the future but would also potentially represent an opportunity to make savings and reduce operating costs.
- 6.7 The Authority currently holds in excess of £20m in reserves which if required, could be made available to support service budgets in the short to medium term, although the use of reserves does not represent a sustainable funding mechanism for the longer term as these are one-off resources.

7. Strategy and resource allocation

- 7.1 The budget for 2018/19 was approved in February 2018. At the same time financial projections for the following three years to 2021/22 were also reported. The budget for 2018/19 includes new savings and additional income totalling £710k for 2018/19 which are expected to increase to £801k in 2019/20 and £818k by 2021/22. These savings are based on a number of work streams such as digital transformation/business process review, asset commercialisation, efficiency improvements etc. As mentioned above they do not yet include any additional savings/income from phase two of the digital transformation programme or the Property Investment Fund and more information about the Authority's savings strategy can be found within the 2018/19 budget report and associated papers [here](#).
- 7.2 The forward financial projections from 2019/20 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			
	2019/20	2020/21	2021/22
	£000	£000	£000
Current Funding Gap/(surplus) ¹	1,566	2,129	2,111

- 7.3 As part of the budget setting process for 2018/19 it was recommended that the Authority increase Council Tax by £4.95 which was the first increase in over 7 years. Moving forward annual Council Tax increases were also recommended as another way to help address forecast budget deficits in future years, although these decisions will be taken annually in line with the budget setting process.
- 7.4 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 2018/19 as part of the Medium Term Financial Strategy (MTFS) update to enable early preparation for the 2019/20 budget process; the current version can be found [here](#).

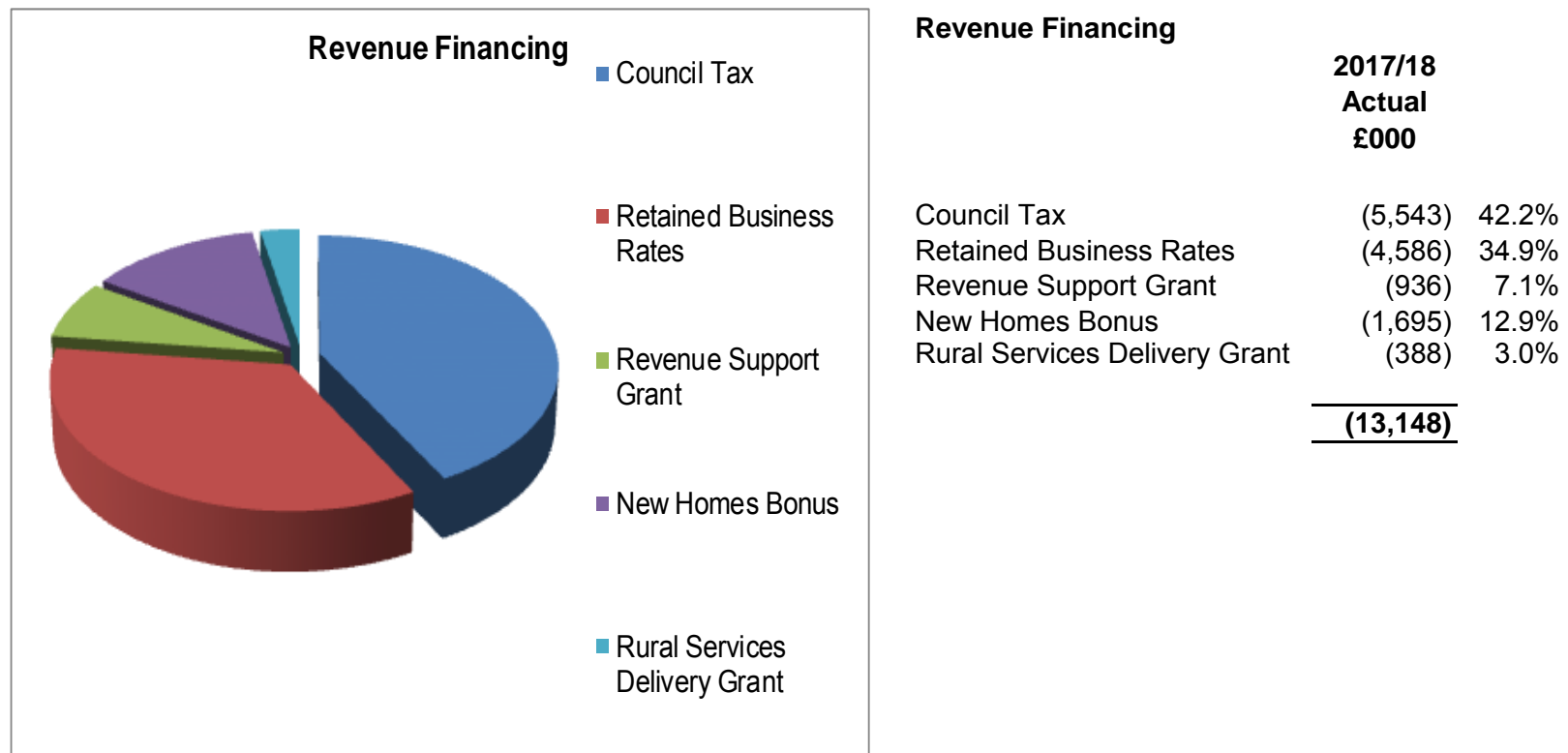
¹ As reported in the 2018/19 Budget Report, February 2018

NARRATIVE STATEMENT

8. Performance

Revenue Activity

8.1 The following provides an overview of the resources available to the Authority during the year along with the outturn position compared to the budget. The tables below show how the revenue activity was financed during the year, highlighting that only around 23% of the net funding is from external sources, i.e. Revenue Support Grant (RSG), New Homes Bonus and Rural Services Delivery Grant, with the balance of 77% coming from Council Tax and locally retained business rates reflecting the continuing shift from central to local funding. This position is shown net of fees and charges service income and highlighted in the tables on the following page.



NARRATIVE STATEMENT

Financial Performance Against Budget 2017/18

- 8.2 The 2017/18 budget was approved and set by Full Council in February 2017. The financial performance of the Authority has been monitored throughout the year by officers and Members with regular reports being presented to Cabinet and Overview and Scrutiny Committee. The summary below provides an overview of the outturn position compared to the updated budget (i.e. updated for virements and approved in-year updates). The overall outturn position for the financial year against budget was an underspend of £994k.
- 8.3 Transfers to and from reserves in the year are made in line with the Authority's policy framework for earmarked reserves as approved as part of the annual budget setting process. In addition some roll forward requests of budget underspends have been approved as part of the outturn report where there is no annual budget provision in 2019/20.

2017/18 Subjective Analysis	2017/18 Updated Budget £000	2017/18 Outturn £000	Variance	
			£000	%
Employee Costs	10,742	11,799	1,057	9.84
Premises	2,472	2,835	363	14.67
Transport Related Expenditure	319	309	(10)	(3.11)
Supplies & Services	9,237	9,707	470	5.09
Transfer Payments	27,465	25,746	(1,719)	(6.26)
Support Services - Charges In	9,649	10,612	963	9.98
Support Services - Charges Out	(10,220)	(11,168)	(948)	9.27
Capital Financing Costs	3,646	2,709	(937)	(25.69)
Income	(37,684)	(37,826)	(142)	0.38
Total cost of services	15,626	14,723	(903)	(5.78)

- 8.4 The 2017/18 outturn report covers the final budget position for the year and provides a detailed commentary covering the budget variances and the reasons behind some of these, a copy of which can be found on the June Cabinet agenda [here](#). The reasons for some of the more significant movements included in the summary above in percentage terms are as follows:
- **Employee Costs** – there is a significant adjustment of £1.1m relating to pension costs showing against the staffing costs for the year, this represents the difference between the actual payments the Council has made to the pension fund during the year and the actual benefit obligation resulting from employee service on the current period. This does not have a bottom line impact within the General Fund but is reflected on the Authority's Balance Sheet which can be found on pages 7 and 8 although it should be noted that, due to a number of other adjustments relating to the pension fund accounting the liability shown has actually reduced slightly.

NARRATIVE STATEMENT

- **Premises** – The significant movements include repairs, maintenance and servicing costs at the Authority’s admin buildings and investment properties; fixed wire testing has been undertaken during the year on all assets and; outstanding works associated to the 2017 Storm Surge. Some of these additional costs have been funded from the Authority’s earmarked reserves and some will be met from insurance claims and grant income. The notes covering the Authority’s assets can be found on pages 67-77.
- **Capital Financing Costs** – The main variance relates to the loans to registered housing providers and the final treatment of these payments as Revenue Expenditure Funded from Capital Under Statute (REFCUS) which was different from the treatment anticipated within the original budget. Other minor variances relate to slippage and re-profiling of the capital programme.

Business Rates Retention

- 8.5 The actual funding from business rate income has exceeded the budget for the year. The total variance for the year under the Business Rate Retention Scheme was £745k. This sum includes increased amounts receivable in respect of reliefs funded by Central Government using Section 31 grants of £787k; an increased levy payable to Norfolk County Council of (£181k); additional tariff payable to central government of (£36k); additional income from renewable energy schemes and relief in enterprise zones of £93k; additional growth of £80k and other minor variances of £2k. The Collection Fund can be found on page 91 along with the associated notes on pages 92 to 94.
- 8.6 The Authority is a member of the Norfolk Business Rates Pool which enables growth in the business rates collected in Norfolk to be retained locally, rather than being passed to Central Government. The growth is paid over in the form of a levy payment to Norfolk County Council as the Lead Authority for the Pool. The budget for the levy was £399k but this has increased by £181k to £580k at outturn. The increase is due to a higher business rate income figure as a result of Central Government increases in reliefs compared to the anticipated position when the NNDR1 Return was completed.
- 8.7 The Authority can retain all the income from renewable energy schemes, provided it granted planning permission for the scheme. It must include each year the amount it anticipates it will receive when completing the NNDR1. Any variation will be carried forward to the following year. The actual income receivable in 2016/17 from renewable energy schemes was £16k above the NNDR1 figure for that year of £584k and this additional income has been included in the 2017/18 outturn.
- 8.8 The Government has provided additional reliefs to business in successive Autumn Statements. These reliefs have been dealt with outside the Business Rate Retention Scheme and funded by Section 31 grants payable to District Councils. The reliefs actually granted to businesses for the year have resulted in an increase of £787k in grant received.
- 8.9 The business rate income is paid into the Collection Fund and then distributed to Central Government, the County Council and NNDC in accordance with the proportionate shares set out in the Scheme. The distribution is based on the NNDR1 return and any variances at outturn will produce a surplus or deficit on the Collection Fund which is then distributed in the following year. A deficit on the Collection Fund

NARRATIVE STATEMENT

had been anticipated for 2017/18 and a significant Provision is required in the Accounts to cover against appeals following the rateable value revaluation exercise the results of which came into effect from April 2017 but due to capacity issues at the Valuation Office (VOA) these appeals have yet to come through.

- 8.10 The Authority's share of the anticipated deficit on the Collection Fund for 2017/18 at the time of completing the 2018/19 NNDR1 was £180k. The final outturn position was a deficit of £391k.

9. Treasury Management and Economic Climate

9.1 The amount of surplus cash available for investment during the year was consistently higher than the level anticipated in the budget; although the overall rate of interest earned was 0.31% lower than budget. The capital loans to the Housing Association have now been made, although later than anticipated, this contributed to higher balances overall but the slight reduction in the rate of return forecast. In line with the Authority's Treasury Management Strategy for 2017/18 an additional £6m was invested in pooled funds. The income budget for 2017/18 anticipated £837k would be earned in interest from an average balance of £32.2m at a rate of 2.6%. A total of £935k was earned from investments over the year from an average balance of £40.7m at an average rate of interest of 2.29%. This resulted in a positive variance against the budget of £98k in respect of investment income.

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

9.3 The Authority remained free of long term debt as at 31 March 2018. There were two new significant capital schemes agreed at the end of the 2017/18 financial year in relation to the North Norfolk Sports Hub (£3.2m) and the re-provision of the Splash leisure centre (£10.7m) and as these schemes progress over the coming years decisions will need to be taken as to the best method of financing these works and this will include consideration of borrowing. At present any short-term cash shortfall can easily be covered as short-term borrowing for cash flow purposes is readily available.

10. Capital

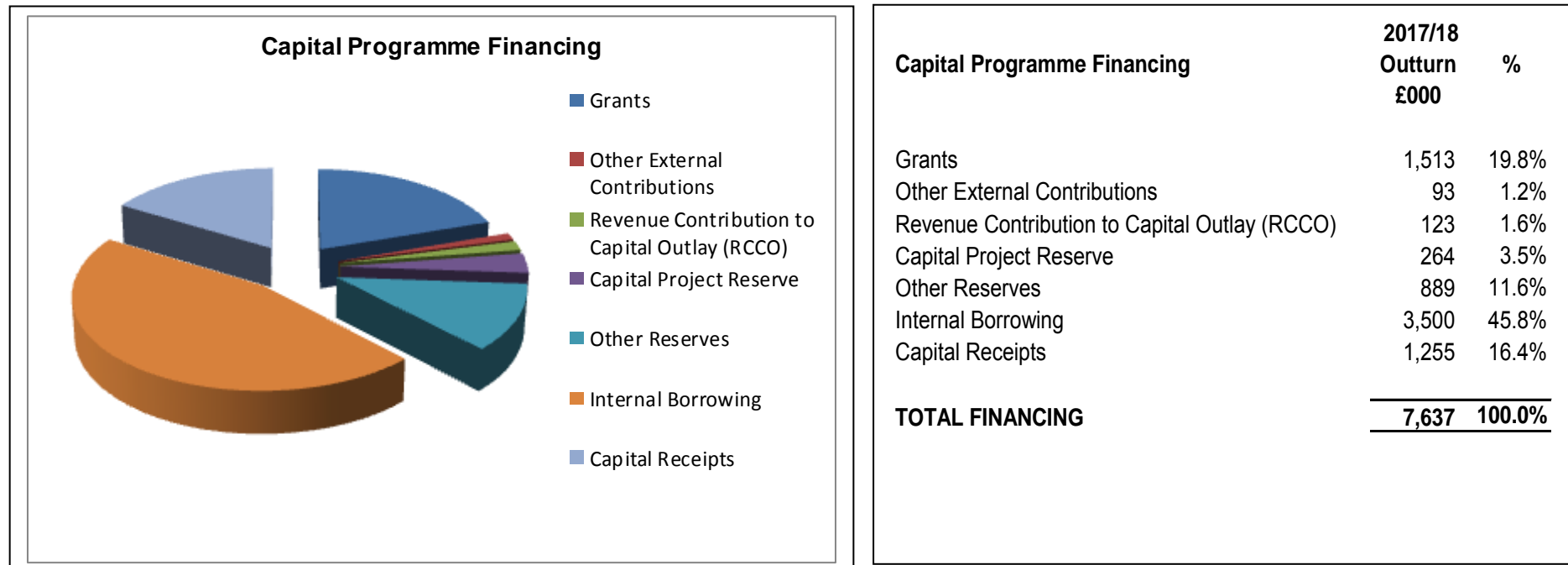
10.1 Capital expenditure in the year amounted to £7.64 million (£3.21 million 2016/17), some of the more significant individual schemes included Fair Meadow House (£663k), loans to registered housing providers (£3.5m), community housing schemes (£188k), payment of Disabled Facilities Grants (£1.0m), Cromer Pier and West Prom refurbishment scheme (£391k) and the Pathfinder project (£283k). Overall expenditure was incurred against the areas identified on the following page and again more detail is provided within the 2017/18 outturn report.

NARRATIVE STATEMENT

Capital Activity Summary 2017/18 Outturn

	2017/18 Updated Budget	2017/18 Outturn	Variance to Updated Budget
	£	£	£
Jobs and the Local Economy	1,290,151	800,058	(490,093)
Housing and Infrastructure	4,826,154	4,762,073	(64,081)
Coast, Countryside and Built Heritage	917,638	1,250,969	333,331
Health and Wellbeing	30,000	75,881	45,881
Service Excellence	755,622	747,797	(7,825)
Totals	7,819,565	7,636,779	(182,786)

10.2 Capital Programme financing is shown below. Of the £7.64 million, £1.61million, equating to 21% (£1.56 million or 49 % 2016/17) was financed externally from grants and contributions, with the balance of £6.03million (£1.65 2016/17) coming from NNDC internal resources.



NARRATIVE STATEMENT

11. Reserves and Balances

- 11.1 The Authority holds a General Reserve for which the recommended minimum balance is currently £1.85 million; the balance at 31 March 2018 was £2.2 million. The purpose of holding a general reserve is to provide a working balance to help cushion the impact of uneven cash flows, to avoid temporary borrowing and to provide a contingency to help cushion the impact of unexpected events or emergencies. Each year alongside approval of the budget, Members approve the policy framework for the earmarked reserves and assessment of the optimum level of general reserve. This is informed by a risk assessment of the budget that takes into account the context within which the budget has been established along with the financial risks facing the Authority. This will include factors such as, sensitivity of pay and price inflation and interest rates, levels of savings anticipated, demand led budgets (spend and income), future funding fluctuations and emergencies.
- 11.2 In addition to the General Reserve the Authority holds a number of earmarked reserves held to meet known or predicted liabilities. 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, more detail can be found at note 9 on pages 40-43 of the accounts.
- 11.3 There are a number of earmarked reserves that have balances, yet the timing of the use of the reserve is yet to be agreed. 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 £2.0m. The Authority holds a 'Restructuring and Invest to Save Reserve', which the balance at 31 March 2018 was £2.3m. As the name suggests this reserve is held to fund one-off costs associated with restructuring which could include redundancy and pension strain, and also costs that will deliver future efficiencies and savings. This reserve is being used to fund costs associated with the Authority's Digital Transformation programme which will include one-off procurement costs and also some employee costs to support the programme. As part of the agreed programme individual business cases are brought forward for approval to release funds from this reserve.

12. Outlook

- 12.1 Several risks continue to face Local Authorities in terms of funding, i.e. local retention of business rates and responding to spending pressures and changes in service demand. Some of the more significant and current risks that continue to face the Authority are as follows:
- **Funding reductions** - Further funding reductions and the continued shift from central government support from Revenue Support Grant to local funding from retained business rate income and council tax and the potential impact of the ongoing Fair Funding Review;
 - **New Homes Bonus** – There is some uncertainty around how long this funding stream will continue to be provided. The settlement confirmed 2018/19 allocations based on the 0.4% national baseline introduced last year although further consultation is still awaited in relation to further changes around planning appeals. 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;

NARRATIVE STATEMENT

- **Business rates** – The risk of funding fluctuations from business rates continues to be a prevalent feature of the funding for local authorities. The impact of appeals only exacerbates this risk, again this is mitigated at a local level by the earmarked reserve. While the implementation of localisation of business rates has been delayed it was announced as part of the settlement that this will now only be based on 75% retention and not 100% retention as originally proposed;
 - **Savings/income** – the delivery of savings built into budget projections and income from demand led services i.e. planning;
 - **Investment returns** – Interest rates continue to be low and the delivery of investment returns is problematic with the choice of counterparty and period of exposure needing to be weighed on a daily basis in line with the Treasury Management Strategy. Sound principles underpinned by professional guidance from treasury management advisors allows for a cautious but not complacent approach to investment returns;
 - **Housing benefit subsidy** – As a significant budget heading in the region of £26million per annum alone this presents a risk in terms of the accuracy of the claims and subsidy recovered. This is mitigated by an earmarked reserve that the Authority maintains;
 - **Pay** – while the budget assumes an inflationary increase of 2% for pay this is subject to external agreement and therefore any increase above this level represents a risk, some of this is mitigated by staff turnover and potentially the one off use of reserves. The National Joint Council (NJC) is currently undertaking a national pay review which could potentially increase the annual pay bill by £450k from as early as April 2019 depending on when the review is finally completed although this has been factored in to the future years projections;
 - **Waste contract** – as mentioned above there is a potential financial impact in relation to the new waste contract but this estimated additional cost doesn't take account of any joint procurement savings which might be achieved. As with the pay issue, however, this has been included within the future years projections and can be mitigated in the short term through the use of reserves.
 - **Leisure contract** - Part of the funding assumptions around financing the new build of Splash includes a significant reduction in the management fee once the new contract is let from April 2019 as this anticipated reduction helps to finance several million pounds of capital investment. If however this level of saving is not achieved this will put further pressure on revenue budgets and reserves to help finance the scheme. Again until the contract procurement process has been finalised this position will not be clear.
- 12.2 The Authority does however have a number of work streams in place to help address as discussed above within section 7 and also has a healthy reserve position to support in the short to medium term. Cash flows during the year were also positive with the interest received during the year being £98k over the original budget of £837k as outlined above. The cashflow can be found on page 9 with the associated notes on pages 51-52.

NARRATIVE STATEMENT

12.3 The disclosures required for the financial year ending 31 March 2018 in relation to the Authority's pension scheme are on pages 57-64 and show a Net Pension Liability of £41.6m as at 31 March 2018 (£42.1m at 31 March 2017). The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. At present the deficit on the scheme would be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

13. Basis of preparation and presentation

13.1 As part of preparing the accounts the Authority needs to consider how 'material' or important a transaction might be or the value of a transaction on the understanding of the accounts and for the 2017/18 accounts these levels are as follows;

- Materiality (£0.9m) - materiality has been set at £0.945 million, which represents 1.75% of the prior year's gross expenditure on provision of services. This is the maximum amount by which the authority believe the statements could be misstated, by known or unknown error or fraud, and still not affect the decisions of reasonable financial statement users.

14. Further information

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

CONTENTS PAGE

		Page No.			Page No.		Page No.	
Statement of Responsibilities		1-2	12	Taxation and non-specific grant income	44	31	Capital Expenditure and Capital Financing	77
Financial Statements:			13	Usable Reserves	45	32	Assets held for sale	78
Expenditure and Funding Analysis (EFA)		4	14	Unusable Reserves	45-50	33	Receivables	79
Comprehensive Income and Expenditure Statement (CIES)		5	15	Cash Flow Statement - Operating activities	51	34	Payables	80
Movement in Reserves Statement (MIRS)		6	16	Cash Flow Statement - Investing activities	52	35	Provisions	81
Balance Sheet		7 - 8	17	Cash Flow Statement - Financing activities	52	36	Contingent Liabilities	81-82
Cash Flow Statement		9	18	Cash Flow Statement - Cash and cash equivalents	52	37	Contingent Assets	82
Notes to the Accounts:			19	Trading Operations	53	38	Grant Income	83-84
1	Accounting Policies	10-26	20	External Audit Costs	54	39	Financial Instruments	85-87
2	Accounting standards issued; Not adopted	26-27	21	Members Allowances	54	40	Nature and extent of risks arising from financial instruments	88-91
3	Critical judgements in applying Accounting Policies	28	22	Officers' Remuneration	55-56	Collection Fund		92
4	Assumptions made about the future and other major sources of estimation uncertainty	28-29	23	Exit Packages	56	Notes to the Collection Fund		93-95
5	Events after the Balance Sheet Date	30	24	Defined Benefit Pension schemes	57-64	Independent Auditors' Report		96-99
6	Note to the Expenditure and Funding Analysis	31-33	25	Related Parties	64	Glossary of Terms		100-103
7	Expenditure and Income Analysed by Nature	34	26	Leases	65-67	Glossary of Acronyms		104
8	Movement in Reserves Statement - Adjustments between accounting basis and funding basis under regulations	35-39	27	Investment Properties	67-68			
9	Movement in Reserves Statement - Transfers to/from Earmarked Reserves	40-43	28	Intangible Assets	69-70			
10	Other operating expenditure	44	29	Impairment Losses	70			
11	Financing and investment income and expenditure	44	30	Property, Plant and Equipment	71-76			

CONTENTS PAGE

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

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

Certification

I confirm that this Statement of Accounts was approved by the Governance, Risk and Audit Committee at the meeting held on the 24 July 2018.

Signed on Behalf of North Norfolk District Council

Councillor John Rest, Chariman of Governance, Risk and Audit Committee. Chair of the meeting on the 24 July 2018.

STATEMENT OF RESPONSIBILITIES

The Chief Finance Officers Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Certificate by the Chief Finance Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2018.

Dated: 24 July 2018

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

THE FINANCIAL STATEMENTS 2017/18

THE FINANCIAL STATEMENTS 2017/18

Expenditure and Funding Analysis (EFA)

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

2016/17			2017/18		
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
303	35	338	261	100	361
1,904	180	2,084	1,561	484	2,045
615	13	628	608	65	673
1,905	871	2,776	1,807	1,164	2,971
3,005	(223)	2,782	3,303	277	3,580
1,337	123	1,460	2,777	(101)	2,676
1,831	(14)	1,817	1,758	178	1,936
10,900	985	11,885	12,075	2,167	14,242
		Cost of Services			
1,888	(2,169)	(281)	2,079	(1,884)	195
(283)	1,074	791	(505)	1,104	599
(17,867)	(985)	(18,852)	(15,228)	(583)	(15,811)
(16,262)	(2,080)	(18,342)	(13,654)	(1,363)	(15,017)
		Other Income & Expenditure			
(5,362)	(1,095)	(6,457)	(1,579)	804	(775)
		(Surplus) or Deficit on Provision of Services			
16,110		Opening General Fund Balance	21,472		
5,362		Plus Surplus on General Fund in year	1,579		
21,472		Closing General Fund Balance at 31 March 2018	23,051		

THE FINANCIAL STATEMENTS 2017/18

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.

2016/17			2017/18			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
836	(498)	338		749	(388)	361
		CLT / Corporate				
3,184	(1,100)	2,084		3,615	(1,570)	2,045
		Customer Services & ICT				
628	0	628		673	0	673
		Legal & Democratic Services				
6,911	(4,135)	2,776		7,174	(4,203)	2,971
		Community, Economic Development and Coast				
6,106	(3,324)	2,782		7,067	(3,487)	3,580
		Environmental Health				
29,868	(28,408)	1,460		28,949	(26,273)	2,676
		Finance & Assets				
3,210	(1,393)	1,817		3,573	(1,637)	1,936
		Planning				
50,743	(38,858)	11,885		51,800	(37,558)	14,242
		Cost of Services				
		(281) Other Operating Expenditure	10			195
1,359	(568)	791		1,539	(940)	599
		Financing and Investment Income and Expenditure	11			
		(18,852) Taxation and Non-Specific Grant Income	12			(15,811)
		(6,457) (Surplus) or Deficit on Provision of Services	7			(775)
		(1,722) (Surplus) or Deficit on revaluation of Plant, Property and Equipment Assets	14a			(479)
		65 (Surplus) or Deficit on revaluation of Available for Sale Financial Assets	14b			217
		10,365 Actuarial (gains)/losses on pension assets/liabilities	14d			(3,089)
		8,708 Other Comprehensive Income and Expenditure				(3,351)
		2,251 Total Comprehensive Income and Expenditure				(4,126)

THE FINANCIAL STATEMENTS 2017/18

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 2018 as shown in the MIRS agrees to the Balance Sheet value of £46.946 million

2016/17 Figures	Note	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 2016		2,598	13,513	6,553	0	22,664	22,408	45,072
Movement in Reserves during 2016/17								
Total Comprehensive Income and Expenditure		6,457	0	0	0	6,457	(8,708)	(2,251)
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	(1,096)	0	895	0	(200)	200	0
Transfers (to)/from Earmarked Reserves	9	(5,628)	5,628	0	0	0	0	0
Increase or (decrease) in 2016/17		(267)	5,628	895	0	6,257	(8,508)	(2,251)
Balance at 31 March 2017 carried Forward		2,331	19,141	7,448	0	28,921	13,900	42,821
Movement in Reserves during 2017/18								
Total Comprehensive Income and Expenditure		775	0	0	0	775	3,351	4,126
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8	804	0	1,563	0	2,367	(2,367)	0
Transfers (to)/from Earmarked Reserves	9	(1,714)	1,714	0	0	0	0	0
Increase or (decrease) in 2017/18		(135)	1,714	1,563	0	3,141	984	4,126
Balance at 31 March 2018 Carried Forward		2,196	20,855	9,011	0	32,062	14,884	46,946

THE FINANCIAL STATEMENTS 2017/18

Balance Sheet as at 31 March 2018

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 2017 £000	Note	31 March 2018 £000
53,228 Property, Plant and Equipment	30	53,013
515 Investment Property	27	875
294 Intangible Assets	28	449
25,975 Long Term Investments	39	29,371
19 Long Term Debtors	33/39	3,234
80,030 Long Term Assets		86,942
1,687 Short Term Investments	39	2,527
26 Inventories		13
2,458 Short Term Debtors	33	3,496
9,909 Cash and Cash Equivalents	18	3,580
1,680 Assets held for sale	32	894
15,761 Current Assets		10,510
(150) Bank Overdraft	18	0
(8,951) Short Term Creditors	34	(7,999)
(684) Capital Grants Receipts in Advance	38	(473)
(763) Short Term Provisions	35	(1,097)
(10,548) Current Liabilities		(9,570)
(42,423) Other Long Term Liabilities	24/39	(40,936)
(42,423) Long term Liabilities		(40,936)
42,820 Net Assets		46,946

THE FINANCIAL STATEMENTS 2017/18

31 March 2017 £000	Note	31 March 2018 £000
Usable Reserves:		
2,332 General Fund Balance		2,196
19,141 Earmarked Reserves	9	20,855
7,448 Capital Receipts Reserve		9,011
28,920 Total Usable Reserves		32,062
Unusable Reserves:		
17,612 Revaluation Reserve	14 14(a)	17,743
1,333 Available for Sale Financial Instruments Reserve	14(b)	1,116
37,220 Capital Adjustment Account	14(c)	36,979
(42,068) Pensions Reserve	14(d)	(40,936)
33 Collection Fund Adjustment Account	14(e)	212
(230) Accumulated Compensated Absences Adjustment Account	14(f)	(230)
13,900 Total Unusable Reserves		14,884
42,820 Total Reserves		46,946

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 2018. The notes on pages 10 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 the 29th May 2018.

Dated: 24 July 2018

Duncan Ellis BSc Hons CPFA, Head of Finance and Assets

THE FINANCIAL STATEMENTS 2017/18

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 2017 £000	Note	31 March 2018 £000
6,457 Net Surplus on the provision of services	7	775
2,697 Adjust Net Surplus/(Deficit) on the provision of services for non cash movements	15	(22)
(6,707) Adjust for items included in the Net Surplus/(Deficit) on the provision of services that are investing and financing activities	15	(4,354)
2,447 Net Cash Flows generated from (used in) Operating Activities		(3,601)
4,751 Investing Activities	16	(2,878)
(1,244) Financing Activities	17	299
5,954 Net Increase or (Decrease) in Cash and Cash Equivalents		(6,180)
3,806 Cash and Cash Equivalents at the beginning of the reporting period	18	9,760
9,760 Cash and Cash Equivalents at the end of the reporting period	18	3,580

NOTES TO THE ACCOUNTS

1. Accounting Policies

A General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

B Accruals of Income and Expenditure

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

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

NOTES TO THE ACCOUNTS

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

C Cash and Cash Equivalents

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

D Changes in Accounting Policies and Estimates and Errors

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

- 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 2.7% (2.6% in 2017/18). This rate is based on a corporate yield curve based on the constituents of the iBoxx Sterling Corporates AA index and using the UBS delta curve fitting methodology. In line with the adoption of IAS 19 – Employee Benefits, an individual discount rate is calculated for each employer, based on their own weighted average duration category. The weighted average duration is used to identify the appropriate category for each employer as shown in the table below:-

NOTES TO THE ACCOUNTS

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

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

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

NOTES TO THE ACCOUNTS

Discretionary Benefits

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

G Events after the Balance Sheet Date

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

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

H Exceptional Items

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

Financial Instruments

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

N Investment Properties

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

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

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

O Leases

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

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 by the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

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

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 probable;
- 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.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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 2018/19 has introduced the following changes in accounting policy, which will need to be adopted fully by the Authority in the 2018/19 Financial Statements from 1 April 2018.

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

- IFRS 15 – Revenue from Contracts with Customers

This standard will require the recognition of contract assets in place of trade receivables where there is no unconditional right to receive payment. This could be significant for certain services such as Trade Waste, but is considered to be immaterial to the Council's Accounts as a whole.

- IFRS9 – Financial Instruments

There is currently uncertainty around the impact of IFRS9 and the resulting transactions, this is likely to be informed by a potential statutory override. Under this Standard, the Authority has made an irrevocable election on the 1 April 2018 to account for changes in the fair value of

NOTES TO THE ACCOUNTS

its strategic pooled fund investments by presenting them in other comprehensive income. This enables a continuation of existing accounting policy whereby gains and losses are taken to Reserves, rather than to Profit and Loss.

The election has been made for the following equity investments:

- CCLA Local Authorities Property Fund
- CCLA Diversified Income Fund
- Investec Diversified Income Fund
- M&G UK Income Distribution Fund
- M&G Global Dividend Fund
- M&G Strategic Corporate Bond Fund
- Schroder Income Maximiser Fund
- Threadneedle Strategic Bond Fund
- Threadneedle UK Equity Income Fund

This is considered to be an appropriate accounting decision as these long-term strategic investments which are held primarily to receive regular dividend income rather than for capital growth or to sell. Presenting changes in their fair values in the surplus or deficit on provision of services is therefore less likely to present a true and fair view of the Authority's financial performance than presenting them in other comprehensive income.

The election has not been made for pooled fund investments which are likely to be sold in the near future therefore any gains or losses on these investments will be taken to Finance Income and Expenditure.

The Authority does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits and bonds) and capital expenditure loans. It already makes a provision for doubtful debts on its service assets (e.g. trade receivables). The estimated additional provision to be made as at 1 April 2018 is £3,276

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

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

NOTES TO THE ACCOUNTS

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 and expected further appeals based on historical values.

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

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

The items in the Authority's Balance Sheet at 31 March 2018 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 liability of changes in individual assumptions can be measured, for example a 0.5% decrease in the real discount rate assumption would result in an increase of 10% in the pension liability which is approximately £10.672m.</p> <ul style="list-style-type: none"> (i) A one year increase in member life expectancy would result in an increase of approximately 3 to 5% in the pension liability. In practice, the actual cost will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). (ii) If salaries were to increase by 0.5% more than anticipated, the pension liability would increase by 1%, approximating to £1.527m. (iii) If pensions payable were to increase by 0.5% more than anticipated, the pension liability would increase by 8%, approximating to £9.007m.

NOTES TO THE ACCOUNTS

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance and Assets on the 24th July 2018. 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 2018, 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 2017-18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
CLT / Corporate	(7)	107	0	100
Customer Services & ICT	192	292	0	484
Legal & Democratic Services	3	62	0	65
Community, Economic Development and Coast	1,027	137	0	1,164
Environmental Health	108	169	0	277
Finance & Assets	18	(119)	0	(101)
Planning	(27)	205	0	178
Net cost of services	1,314	853	0	2,167
Other Operating Expenditure	(1,884)	0	0	(1,884)
Financing and Investment Income and Expenditure	0	1,104	0	1,104
Taxation and Non-Specific Grant Income	(405)	0	(178)	(583)
Other Income & Expenditure from the Expenditure and Funding Analysis	(2,289)	1,104	(178)	(1,363)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(975)	1,957	(178)	804

NOTES TO THE ACCOUNTS

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

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 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

1) Adjustments for Capital Purposes

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

2) Net Change in Pensions Adjustments

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

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

3) Other Differences

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

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

NOTES TO THE ACCOUNTS

7. Expenditure and Income Analysed by Nature

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

	2016/17	2017/18
Expenditure/ Income	£000	£000
Expenditure		
Employee Benefits expenses	11,359	12,903
Other Services Expenses	39,464	37,159
Support Service Recharges	10,333	11,310
Depreciation, amortisation, impairment, DRF	1,910	4,049
Interest payments	72	53
Precepts and Levies	1,888	2,080
Gain on the disposal of assets	(2,169)	(1,885)
Total Expenditure	62,857	65,669
Income		
Fees, Charges and other service income	20,891	22,512
Interest and Investment Income	568	940
Income from Council tax, Non-Domestic Rates, district rate income	11,587	12,364
Government Grants and Contributions	36,268	30,628
Total Income	69,314	66,444
Surplus or Deficit on the Provision of Services	(6,457)	(775)

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.

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

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

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 £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve				
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	2,200	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

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

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

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

NOTES TO THE ACCOUNTS

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

This sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

	Balance at 1 April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
Asset Management	155	(64)	410	501	(630)	987	858
Benefits	558	(31)	902	1,429	(134)	0	1,295
Broadband	1,000	0	0	1,000	0	0	1,000
Building Control	146	0	26	172	(12)	0	160
Business Rate Retention	2,026	0	500	2,527	(20)	0	2,507
Capital Projects Reserve	2,335	(316)	295	2,314	(264)	1,400	3,450
Coast Protection	173	0	29	203	0	0	203
Common Training	48	0	0	48	(48)	0	(0)
Communities	1,033	0	165	1,197	0	397	1,594
Economic Development & Regeneration	116	0	17	133	(37)	25	121
Election Reserve	13	0	30	43	0	40	83
Enforcement Board	111	(37)	30	103	(47)	141	197
Environmental Health	200	0	79	279	0	15	294
Grants	411	(40)	68	440	(7)	102	535
Grassed Area Deposits	349	0	0	350	0	21	371
Housing	76	0	2,445	2,522	(246)	225	2,501
Land Charges	216	0	17	233	0	41	274
Legal	80	0	65	144	(16)	0	128
LSVT Reserve	435	0	0	435	0	0	435
New Homes Bonus	1,418	(105)	521	1,835	(54)	225	2,006

NOTES TO THE ACCOUNTS

	Balance at 1 April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
Organisational Development	42	0	302	345	(4)	0	341
Pathfinder	207	0	0	206	(63)	0	143
Planning - Revenue	395	(224)	0	168	(123)	11	56
Restructuring and Invest to Save	1,875	(510)	1,070	2,435	(261)	117	2,291
Sports Hall Equipment/Sports Facilities	28	(16)	0	12	0	0	12
Treasury (Property) Reserve	67	0	0	67	(67)	0	0
Total	13,512	(1,343)	6,971	19,141	(2,033)	3,747	20,855
Total transfers out during 2017/18					(2,033)		
Total transfers in during 2017/18					3,747		
Net Movement in Earmarked Reserves in 2017/18					1,714		

NOTES TO THE ACCOUNTS

The purpose of each earmarked reserves is explained below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

10. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2016/17	2017/18
£000	£000
1,888 Parish Council Precepts	2,080
(2,169) (Gains) on the disposal of non-current assets	(1,885)
(281) Total	195

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

2016/17	2017/18
£000	£000
66 Interest payable and similar charges	44
1,075 Pensions interest cost and expected return on pensions assets	1,104
(562) Interest receivable and similar income	(931)
212 Changes in the fair value of investment property	382
791 Total	599

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

2016/17	2017/18
£000	£000
(7,300) Council Tax Income	(7,669)
(4,287) Non Domestic Rates	(4,718)
(1,591) Revenue Support Grant	(936)
(5,010) Other Non ringfenced government grants	(2,083)
(664) Capital grants and contributions	(405)
(18,852) Total	(15,811)

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.

2016/17 £000	2017/18 £000
17,612 Revaluation Reserve	17,743
1,333 Available for Sale Financial Instruments Reserve	1,116
37,219 Capital Adjustment Account	36,979
(42,068) Pensions Reserve	(40,936)
33 Collection Fund Adjustment Account	212
(230) Accumulated Compensated Absences Adjustment Account	(230)
13,900 Total Unusable Reserves	14,884

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

2016/17 £000	2017/18 £000
16,063 Balance at 1 April	17,612
3,250 Upward revaluation of assets	1,035
(1,525) Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(556)
(176) Difference between fair value depreciation and historical cost depreciation	(151)
0 Accumulated gains on assets sold or scrapped	(197)
17,612 Balance at 31 March	17,743

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

2016/17 £000	2017/18 £000
1,398 Balance at 1 April	1,333
(65) (Downward)/ Upward revaluation of investments not charged to the surplus/deficit on the provision of services.	(217)
1,333 Balance at 31 March	1,116

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

2016/17 £000	2017/18 £000
36,296 Balance at 1 April	37,219
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(757) Charges for Depreciation and impairment on non-current assets	(1,921)
(603) Revaluation losses on Property, Plant and Equipment	(371)
(63) Amortisation of intangible assets	(42)
(209) Revenue expenditure funded from capital under statute	(271)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	
(31) Statement	(586)
34,633	34,028
173 Adjusting amounts written out of the revaluation reserve	151
34,806 Net written out amount of the cost of non current assets consumed in the year	34,179
<u>Capital Financing applied in the year:</u>	
1,305 Use of capital receipts reserve to finance new capital expenditure	1,105
Capital grants and contributions credited to the Comprehensive Income and	
664 Expenditure Statements that have been applied to capital financing	405
Statutory provision for the financing of capital investment charged against the	
311 General Fund balance	333
344 Capital expenditure charged against the General Fund Balance	1,339
37,430	37,361
Movements in the market value of investment properties debited or credited to	
(211) the Comprehensive Income and Expenditure Statement	(382)
37,219 Balance at 31 March	36,979

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.

2016/17	2017/18
£000	£000
(30,828) Balance at 1 April	(42,068)
(10,365) Actuarial gains/(losses) on pensions assets and liabilities	3,089
(2,887) Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(4,047)
2,012 Employer's pension contributions and direct payments to pensioners payable in the year	2,090
<hr/> (42,068) Balance at 31 March	<hr/> (40,936)

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

2016/17 £000	2017/18 £000
(287) Balance at 1 April	33
Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	179
33 Balance at 31 March	212

14(f) Accumulating Compensated Absences Adjustment Account

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

2016/17 £000	2017/18 £000
(234) Balance at 1 April	(230)
234 Settlement or cancellation of an accrual made at the end of the preceding year	0
(263) Amounts accrued at the end of the current year	0
33 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
(230) 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:

2016/17		2017/18
£000		£000
	436 Interest Received	989
	(66) Interest Paid	(44)
	370 Net cash flows from operating activities	945
<hr/>		
2016/17	The surplus or deficit on the provision of services has been adjusted for the following	2017/18
£000	non-cash movements	£000
	757 Depreciation	1,921
	603 Impairment and downward valuations	372
	63 Amortisation	42
	692 Increase in Creditors	(1,902)
	(125) (Decrease) in Interest and Dividend Debtors	(10)
	(423) Increase / (Decrease) in Debtors	(3,647)
	12 Increase / (Decrease) in Inventories	13
	875 Movement in Pension Liability	1,957
	31 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	783
	212 Movement in Investment Property Values	449
		(22)
		2,697
<hr/>		
2016/17	Adjust for items included in the net surplus or deficit on the provision of services that are investing or	2017/18
£000	financing activities	£000
	57 Capital Grants credited to surplus or deficit on the provision of services	(239)
	(4,564) Net adjustment from the sale of short and long term investments	(1,499)
	(2,200) Proceeds from the sale of property plant and equipment, investment property and intangible assets	(2,616)
		(4,354)
		(6,707)

NOTES TO THE ACCOUNTS

16. Cash Flow Statement – Investing Activities

2016/17 £000	2017/18 £000
(1,359) Purchase of property, plant and equipment, investment property and intangible assets	(2,402)
(64,811) Purchase of short-term and long-term investments	(47,750)
2,200 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,616
68,013 Proceeds from short-term and long-term investments	44,749
708 Other receipts from investing activities	(91)
4,751 Net cash flows from investing activities	(2,878)

17. Cash Flow Statement – Financing Activities

2016/17 £000	2017/18 £000
(999) Cash payments for the reduction of the outstanding liabilities relating to finance leases.	(688)
(245) Other payments for financing activities	987
(1,244) Net cash flows from financing activities	299

18. Cash Flow Statement – Cash and Cash Equivalents

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

2016/17 £000	2017/18 £000
3 Cash held by officers	3
(149) Bank current accounts	115
9,906 Investments in liquidity Money Market Funds	3,462
9,760 Total cash and cash equivalents	3,580

NOTES TO THE ACCOUNTS

19. Trading Operations

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

	2016/17		2017/18	
	£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	(59)	(61)	
	Expenditure	131	97	
	Deficit	73	36	
<p>The Council lets a total of 15 industrial units and self-occupies 2 over three sites in Catfield, North Walsham and Fakenham. The Catfield and North Walsham sites offer starter units which were developed jointly with EEDA, to provide opportunities for local business start-ups and developments. The trading objective is to minimum the deficit relating to the service.</p>	Turnover	(109)	(128)	
	Expenditure	170	187	
	Deficit / (Surplus)	61	59	
Net (surplus) / deficit on trading operations:		134	95	

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 deficit is due to reduced market cleaning costs combined with lower service charges to markets following a staff restructure.

	2016/17	2017/18
	£000	£000
Net deficit/(surplus) on trading operations	134	95
Services to the public included in expenditure of continuing operations	(27)	(3)
Net deficit / (surplus) debited / (credited) to other operating expenditure	107	92

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:

	2016/17 Ernst Young £000	2017/18 Ernst Young £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	54	54
Fees payable for the certification of grant claims and returns for the year	26	27
Total	80	81

21. Members Allowances

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

2016/17 £		2017/18 £
315,435	Allowances	331,752
28,256	Expenses	25,721
343,691		357,473

NOTES TO THE ACCOUNTS

22. Officers' Remuneration

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

<u>Job Title</u>		Salary, Fees and Allowance £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Sub-total	Pension Contribution £	Total £
<u>1st April 2017 to 31st March 2018</u>								
Corporate Director and Head of Paid Service	2017/18	98,621	0	963	0	99,584	14,300	113,884
Corporate Director and Head of Paid Service	2017/18	98,621	0	963	0	99,584	14,300	113,884
Section 151 Officer	2017/18	70,058	0	963	0	71,021	10,158	81,179
Monitoring Officer	2017/18	64,792	0	963	0	65,755	8,237	73,992
<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

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. 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.

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:

2016/17	Remuneration Band	2017/18
Number of Employees		Number of Employees
4	£50,000 - £54,999	5
2	£55,000 - £59,999	2
0	£60,000 - £64,999	0
1	£65,000 - £69,999	1

23. Exit Packages

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

Bandings	2016/17				2017/18			
	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	4	3	7	92,446	0	1	1	5,036
£20,001 to £40,000	3	2	5	144,064	0	1	1	35,000
£40,001 to £60,000	0	0	0	0	0	0	0	0
£60,001 to £80,000	1	0	1	62,376	0	0	0	0
£80,001 to £100,000	0	0	0	0	0	0	0	0
	8	5	13	298,886	0	2	2	40,036

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

Transactions relating to post-employment benefits

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

NOTES TO THE ACCOUNTS

	Local Government Pension Scheme 2016/17 £000	Local Government Pension Scheme 2017/18 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services:</u>		
Current service cost	1,713	2,943
Past Service Costs loss	99	0
 <u>Financing and Investment Income and Expenditure:</u>		
Interest cost	3,204	2,846
Expected return on scheme assets	(2,129)	(1,742)
Total post-employment benefit charged to the surplus/deficit on the provision of services	2,887	4,047
 <u>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:</u>		
Actuarial gains and (losses)	(10,365)	3,089
Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement	7,478	(7,136)
 <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	(2,887)	(4,047)
 <u>Actual amount charged against the general fund balance for pensions in the year:</u>		
Employers' contributions payable to scheme	2,012	2,090

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2018 is a loss of £28,289m (£31,378m at 31 March 2017).

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	
	2016/17	2017/18
	£000	£000
Opening Balance at 1 April	92,134	109,451
Current service cost	1,713	2,943
Interest cost	3,204	2,846
Contributions by scheme participants	473	503
Actuarial (gains) and losses	15,192	(2,191)
Benefits paid	(3,114)	(3,034)
Unfunded Benefits paid	(250)	(236)
Past service costs	99	0
Closing Balance at 31 March	109,451	110,282

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

	Local Government	Local Government
	Pension Scheme	Pension Scheme
	2016/17	2017/18
	£000	£000
Opening balance at 1 April	61,306	67,383
Expected rate of return	2,129	1,742
Actuarial gains	4,826	910
Employers contributions	1,763	1,842
Contributions by scheme participants	473	503
Contributions in respect of Unfunded Benefits	250	236
Benefits paid	(3,114)	(3,034)
Unfunded Benefits paid	(250)	(236)
Closing balance at 31 March	67,383	69,346

NOTES TO THE ACCOUNTS

Fair Value of Employer Assets

	31 March 2017				31 March 2018			
	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	5,018.3	0.0	5,018.3	7%	4,559.4	0.0	4,559.4	7%
Manufacturing	3,915.7	0.0	3,915.7	6%	3,888.6	0.0	3,888.6	6%
Energy & Utilities	1,871.8	0.0	1,871.8	3%	1,237.4	0.0	1,237.4	2%
Financial Institutions	4,331.1	0.0	4,331.1	6%	3,868.6	0.0	3,868.6	6%
Health & Care	2,037.2	0.0	2,037.2	3%	1,270.7	0.0	1,270.7	2%
Information Technology	1,925.9	0.0	1,925.9	3%	2,174.6	0.0	2,174.6	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%
UK Government	0.0	0.0	0.0	0%	1,043.8	0.0	1,043.8	2%
Other	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Private Equity:								
All	0.0	4,211.4	4,211.4	6%	0.0	3,831.1	3,831.1	6%

NOTES TO THE ACCOUNTS

Fair Value of Employer Assets (cont'd)

	31 March 2017				31 March 2018			
	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	6,289.7	6,289.7	9%	0.0	6,083.2	6,083.2	9%
Overseas Property	0.0	1,051.7	1,051.7	2%	0.0	997.2	997.2	1%
Investment Funds & Unit Trusts:								
Equities	17,897.1	0.0	17,897.1	27%	18,565.6	0.0	18,565.6	27%
Bonds	17,031.5	0.0	17,031.5	25%	19,188.6	0.0	19,188.6	28%
Derivatives:								
Foreign Exchange	(139.6)	0.0	(139.6)	0%	105.8	0.0	105.8	0%
Other	0.0	0.0	0.0	0%	(52.7)	0.0	(52.7)	0%
Cash & Cash Equivalents								
All	0.0	1,941.2	1,941.2	3%	0.0	2,584.1	2,584.1	4%
TOTALS	53,889	13,494	67,383	100%	55,850	13,496	69,346	100%

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

NOTES TO THE ACCOUNTS

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Present Value of Liabilities:					
Local Government Pension Scheme	(106,040)	(104,920)	(87,892)	(95,208)	(81,765)
Unfunded obligations	(4,242)	(4,531)	(4,242)	(4,712)	(4,532)
Fair value of assets in the LGPS	69,346	67,383	61,306	60,908	54,581
(Deficit) in the scheme:					
Local Government Pension Scheme	(40,936)	(42,068)	(30,828)	(39,012)	(31,716)
Total	(40,936)	(42,068)	(30,828)	(39,012)	(31,716)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £40.94m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

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

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 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 2016/17	Local Government Pension Scheme 2017/18
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.6%	2.7%
Bonds	2.6%	2.7%
Property	2.6%	2.7%
Cash	2.6%	2.7%
Mortality assumptions:		
<u>Longevity at 65 for current pensioners:</u>		
Men	22.1	22.1
Women	24.4	24.4
<u>Longevity at 65 for future pensioners:</u>		
Men	24.1	24.1
Women	26.4	26.4
Pension Increase Rate (CPI)	2.4%	2.4%
Rate of increase in salaries	2.7%	2.7%
Expected Return on Assets	2.6%	2.7%
Rate of discounting scheme liabilities	2.6%	2.7%

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 2017 %	31 March 2018 %
Equities	61	57
Bonds	25	29
Property	11	10
Cash	3	4
	100	100

NOTES TO THE ACCOUNTS

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2017/18 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2018.

	2018	2017	2016	2015	2014
	%	%	%	%	%
Difference between the expected and actual return on assets	1.3	7.2	(0.7)	8.3	1.0
Experience gains and losses on liabilities	(0.1)	(1.2)	(1.8)	0.4	0.6

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 2018 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 2017/18 is shown in note 19. During 2017/18 works and services to the value of £375,023 were paid to drainage boards in which 13 members have an interest (£368,091 in 2016/17); £224,034 was paid to NORSE Environmental Waste Services with one Member being a director and a further £176,283 was paid to other entities in which 19 members had an interest. The Authority paid grants totalling £155,453 to voluntary organisations (£258,275 in 2016/17) in which 14 members had declared an interest. In all instances, the grants were made with proper consideration of declarations of interest. Income totalling £50,360.98 was received from entities in which 21 members and 1 Corporate Director 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. 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 2017	31 March 2018
	£000	£000
Property, Plant and Equipment	555	278
	555	278

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 2017	31 March 2018
	£000	£000
<u>Finance Lease Liabilities (Net present value of minimum lease payments):</u>		
- Current	333	354
- Non current	355	0
Finance costs payable in future years	66	22
Minimum Lease Payments	754	376

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

NOTES TO THE ACCOUNTS

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
Not later than one year	377	377	333	354
Later than one year and not later than five years	377	0	354	0
	754	377	687	354

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 2017	31 March 2018
	£000	£000
Not later than one year	61	66
Later than one year and not later than five years	80	36
Later than five years	8	8
	149	110

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

	31 March 2017	31 March 2018
	£000	£000
Minimum Lease Payments	97	87
Contingent Rents	63	60
	160	146

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 2017 £000	31 March 2018 £000
Not later than one year	(151)	(216)
Later than one year and not later than five years	(576)	(706)
Later than five years	(193)	(92)
	(919)	(1,013)

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:

	2016/17 £000	2017/18 £000
Rental income from investment property	88	1
Direct operating expenses arising from investment property	(115)	(58)
Net gain/(loss)	(27)	(57)

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.

NOTES TO THE ACCOUNTS

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

	2016/17 £000	2017/18 £000
Opening Balance	1,060	515
Additions:		
- Purchases	0	582
Net gains/losses from fair value adjustments	(545)	(7)
Transfers:		
- To/from property, plant and equipment	0	(215)
Closing Balance	<u>515</u>	<u>875</u>

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 2018, by Norfolk Property Services.

NOTES TO THE ACCOUNTS

28. Intangible Assets

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

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

	Internally Generated	Other Assets
5 years	None	All Software

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £41,703 charged to Revenue in 2017/18 (£63,267 in 2016/17) was charged to the following lines within the income statement; Planning Services (£4,327), Environmental Services (£0), Customer Services (£15,608), CLT / Corporate (£19,268) and Legal and Democratic Services (£2,500).

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

NOTES TO THE ACCOUNTS

	2016/17			2017/18		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Opening Balance:						
Gross carrying amounts	0	1,373	1,373	0	1,557	1,557
Accumulated amortisation	0	(1,200)	(1,200)	0	(1,264)	(1,264)
Net carrying amount at start of year	0	172	172	0	294	294
Additions:						
- Purchases	0	184	184	0	197	197
Amortisation for the period	0	(63)	(63)	0	(42)	(42)
Closing Balance	0	294	294	0	449	449

There is one item of capitalised software that is individually material to the financial statements. This is a replacement IT system for the Planning Department, which has a carrying amount of £140,000 and will be amortised over the next 5 years. No significant contracts have been entered into during the financial year 2017/18.

29. Impairment Losses

An impairment review was undertaken for the financial year 2017/18. 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 2017/18 (£0 in 2016/17).

NOTES TO THE ACCOUNTS

30. Property, Plant and Equipment

Movement on Balances

Movement in 2017/18:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
At 1 April 2017	43,861	12,878	16,636	2,098	228	3,198	78,899
Additions	105	409	255	80	0	976	0
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	90	0	0	20	0	0	110
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(112)	0	0	(60)	0	0	(173)
Derecognition - disposals	(0)	0	0	(0)	0	0	(0)
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	537	270	0	0	0	(662)	146
At 31 March 2018	44,481	13,557	16,891	2,138	228	3,512	80,807

NOTES TO THE ACCOUNTS

Movement in 2017/18:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment £000
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment:							
At 1 April 2017	7,651	8,186	9,739	65	31	0	25,673
Depreciation charge	680	963	494	21	0	0	2,157
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	(35)	0	0	0	0	0	(35)
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0	0
Derecognition - disposal	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Eliminated on reclassification to assets held for sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
At 31 March 2018	8,296	9,149	10,232	87	31	0	27,794
Net Book Value							
At 31 March 2018	36,185	4,408	6,660	2,051	197	3,512	53,013
At 31 March 2017	36,211	4,691	6,897	2,032	197	3,198	53,226

NOTES TO THE ACCOUNTS

Comparative Movements 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
Donations	0	0	0	0	0	0	0
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)
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	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

Comparative Movements 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 Impairment:							
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 revaluation reserve	0	0	0	0	0	0	0
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 revaluation reserve	0	0	0	0	0	0	0
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)
Derecognition - other	0	0	0	0	0	0	0
Eliminated on reclassification to assets held for sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
At 31 March 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

Capital Commitments

The major commitments relate to the following Schemes:

	2016/17	2017/18
	£	£
Cromer Pier and West Prom Refurbishment	69,446	0
Cromer 982 Coastal Protection Scheme	56,362	0
Surge Recovery	24,679	0
Bacton to Walcott Coast Management Scheme	0	500,000
	<u>150,487</u>	<u>500,000</u>

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. During the intervening years reviews are conducted to ensure the carrying value of assets are not materially different from their fair values. Impairment reviews are also undertaken on the portfolio on an annual basis to ensure that the carrying value of assets is not overstated. For the 2017/18 accounts the programme of valuations have been carried out by Norfolk Property Services. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset. Further details regarding the valuations are provided within the Statement of Accounting Policies which starts on page 10.

All revaluations have been undertaken as at 31st March 2018.

NOTES TO THE ACCOUNTS

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	13,557	16,891	1,954	0	3,512	35,914
<u>Valued at fair value as at:</u>							
31 March 2018	19,117	0	0	40	0	0	19,157
31 March 2017	4,964	0	0	144	0	0	5,108
31 March 2016	7,200	0	0	0	228	0	7,428
31 March 2015	4,690	0	0	0	0	0	4,690
31 March 2014	8,510	0	0	0	0	0	8,510
31 March 2013	0	0	0	0	0	0	0
31 March 2012	0	0	0	0	0	0	0
Total Cost or Valuation	44,481	13,557	16,891	2,138	228	3,512	80,807

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.

	2016/17 £000	2017/18 £000
<i>Opening Capital Financing Requirement</i>	1,044	733
<u>Capital Investment:</u>		
Property, plant and equipment	1,978	1,627
Property, Plant and Equipment - embedded finance leases		
Investment properties	0	582
Intangible assets	126	390
Revenue expenditure funded from capital under statute	209	271
Long Term Debtor	0	3,500
<u>Sources of finance:</u>		
Capital receipts	(1,305)	(1,105)
Government grants and other contributions	(664)	(425)
Sums set aside from revenue:		
- Direct Revenue Contributions	(344)	(1,339)
- Minimum Revenue Provision	(311)	(333)
Closing Capital Financing Requirement	733	3,899
 <i>Explanations of movements in year</i>		
Increase in underlying need to borrow (supported by government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by government financial assistance)	0	3,500
Assets acquired under finance leases	(311)	(333)
(Decrease) in Capital Financing Requirement	(311)	3,167

NOTES TO THE ACCOUNTS

32. Assets Held for Sale

During the financial year, no assets have been reclassified as Assets Held for sale. Four assets classified as Held for Sale in at 1st April 2017 were sold during the year.

	2016/17 £000	2017/18 £000
Balance Brought Forward	390	1,680
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	937	0
Assets Sold	0	(783)
Other Movements	353	(3)
Balance Carried Forward	<u>1,680</u>	<u>894</u>

NOTES TO THE ACCOUNTS

33. Receivables

Receivables represent the amounts owed to the Authority at 31 March 2018 and are analysed below. This figure is split between Long term, amounts not falling due within 1 year and Short Term, amounts falling due within 1 year of the Balance Sheet date.

The significant movement on the Long term receivables represents a Loan being made in 2017/18 which will be repaid over a number of financial years.

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

	Long Term		Short Term	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Central government bodies	0	0	667	936
Other local authorities	0	0	244	530
Other entities and individuals*	19	3,234	2,827	3,416
Sub Total	19	3,234	3,738	4,882
Less: Bad Debt Provision				
General Fund	0	0	(1,119)	(1,208)
Collection Fund	0	0	(161)	(178)
Sub Total	0	0	(1,280)	(1,386)
Total	19	3,234	2,458	3,496

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

	31 March 2017 £	31 March 2018 £
Insurance Contract Payment in Advance	140,743	161,079
Council Tax and Business Ratepayer Debtors	296,861	634,356
Housing Benefit Overpayments being recovered by invoice and deductions from ongoing benefit	1,378,348	1,332,682
Victory Housing Vat Sharing Agreement	163,170	84,543
Broadland Housing Association		290,730
Other smaller receivables	847,747	912,546
Total	2,826,869	3,415,936

NOTES TO THE ACCOUNTS

34. Payables

Payables represent the amounts owed by the Authority at 31 March 2018.

	31 March 2017	31 March 2018
	£000	£000
Central government bodies	(2,564)	(2,208)
Other local authorities	(2,280)	(2,968)
Public corporations and trading funds	(3)	(3)
Other entities and individuals*	(4,788)	(3,293)
Sub Total	(9,635)	(8,472)
Less: Capital Receipts in Advance		
Central government bodies	681	470
Public Corporations and Trading Funds	3	3
Sub Total	684	473
Total	(8,951)	(7,999)

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

	31 March 2017	31 March 2018
	£	£
Waste and recycling contract payments	879,237	356,919
Rent Allowance payments to benefit claimants	1,961,102	22,422
Council Tax and Business Rate payer prepayments	235,995	317,913
Planning Developer Contributions	288,729	524,448
NNDC Employee Accumulated Absences provision	229,670	229,670
Other smaller	1,193,082	1,842,343
Total	4,787,815	3,293,715

NOTES TO THE ACCOUNTS

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 2017	Additional Provisions Made in 2017/18	Amounts Used in 2017/18	Balance 31 March 2018
	£	£	£	£
NNDR Appeals - Total Collection Fund	1,907,393	2,309,209	(1,474,186)	2,742,416
NNDC Share	762,957	923,684	(589,674)	1,096,966

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

36. Contingent Liabilities

At 31 March 2018, the Authority had the following material contingent liabilities:

- (a) Housing Stock Transfer** - As part of the legal agreements associated with the transfer of the housing stock to the Victory Housing Trust in 2006/07, the Authority provided a number of environmental and non-environmental warranties, guarantees and indemnities to the Trust and its Lenders. As of 29 March 2018 the admission agreement relating to pensions for staff transferred to Victory Housing was terminated. This brings to an end the obligations of the parties to the agreement including the guarantee made by North Norfolk District Council.

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

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

- (b) Benefits** - There is a risk of potential claw back from the Department of Works and Pensions following the final audit and sign off the year end subsidy claim. To mitigate the impact of any claw back there is an earmarked reserve for which the balance stood at £1,295,357 at 31 March 2018.

NOTES TO THE ACCOUNTS

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

37. **Contingent Assets**

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

- (a) **Freehold Reversions for Shared Equity Dwellings**– The Authority has acquired a share in the freehold reversions for shared equity dwellings. The Authority does not benefit from any ongoing rental income in relation to these properties, and will not realise the equity share unless the properties owners buy the Authority out of the agreement. As the value of these properties to the Authority is contingent upon this action the assets have not been recognised within the financial statements. The current market value of the properties is £4,270,011, with the Authority's share amounting to £1,281,036.

NOTES TO THE ACCOUNTS

38. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure accounts in 2017/18.

	2016/17	2017/18
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(1,575)	(936)
Business Rates	(3,905)	(4,718)
New Homes Bonus	(2,092)	(1,695)
Community Housing Fund	(2,437)	0
Rural Services Delivery Grant	(481)	(388)
Council Tax Family Annexe Discount	(16)	0
Capital Grants and Contributions	(664)	(405)
Total	(11,170)	(8,142)
Credited to Services		
DWP - Rent Allowances	(26,732)	(25,411)
DWP - Admin Subsidy	(335)	(439)
DWP - IT Costs	0	(227)
	(27,067)	(26,077)
Arts Council England	(18)	(10)
Cabinet Office	(486)	(194)
Dept. for Environment, Food & Rural Affairs (DEFRA)	(3)	(284)
Ministry of Housing Communities and Local Govt (MHCLG)	(1,129)	(1,246)
Marine Management Organisation	(0)	0
Norfolk County Council	(643)	(881)
Sport England	(71)	9
Other Grants & Contributions	(28)	(69)
Total	(29,445)	(28,752)
Total Revenue Grants Received	(40,615)	(36,894)

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 2017	31 March 2018
	£000	£000
Capital Grant Receipts in Advance		
Pathfinder	284	0
Travellers Site	138	100
Disabled Facilities Grant	259	370
Developer Contributions	3	3
Total	684	473

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 2017 £000	Current 31 March 2017 £000	Long Term 31 March 2018 £000	Current 31 March 2018 £000
Investments				
Loans and receivables	0	0	3,231	0
Available-for-sale investments	25,975	1,687	29,371	2,527
Total Investments	25,975	1,687	32,602	2,527
Cash and Cash Equivalents:				
Loans and receivables	0	0	0	0
Available-for-sale investments	0	9,906	0	3,462
Total Cash and Cash Equivalents	0	9,906	0	3,462
Debtors				
Loans and receivables	19	0	3	292
Trade receivables (defined under IAS39)	0	1,512	0	965
Total Debtors	19	1,512	3	1,257
Other Long-term Liabilities				
Finance lease liabilities	355	333	0	355
Total Other Long-term Liabilities	355	333	0	355
Creditors				
Trade payables (defined under IAS39)	0	2,624	0	2,978
Total Creditors	0	2,624	0	2,978
Total Financial Instruments	26,349	16,062	32,605	10,579

NOTES TO THE ACCOUNTS

Offsetting Financial Assets and Liabilities

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

	2016/17			2017/18		
	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	12,089	(12,089)	0	3,128	(3,013)	115
Financial Liabilities						
- Bank overdrafts	12,089	(12,239)	(150)	3,013	(3,013)	0

Income, Expense, Gains and Losses

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

	2016/17				2017/18			
	Financial Liabilities	Financial Assets		Total	Financial Liabilities	Financial Assets		Total
	Finance Leases	Loans and Receivables	Available for sale Investments	£000	Finance Leases	Loans and Receivables	Available for sale Investments	£000
Interest income/expense included in surplus/deficit on the provision of services	66	(43)	(524)	(567)	44	(28)	(904)	(932)
Gain/loss on revaluation	0	0	1,333	1,333	0	0	217	217
Net (gain)/loss for the year	66	(43)	809	766	44	(28)	(687)	(715)

NOTES TO THE ACCOUNTS

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.

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.

31 March 2017 £000s	Value Level	31 March 2018 £000s
Financial Assets held at fair value:		
9,906 Money Market Funds	1	3,462
21,457 Pooled Funds	1	27,280
6,205 Covered Bonds	1	4,618
37,568 Total Financial Assets		35,360
Recorded on the balance sheet as:		
25,975 Long-term investments		29,371
1,687 Short-term investments		2,527
9,906 Cash and Cash Equivalents		3,462
37,568 Total Financial Assets		35,360

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 £4.5m 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 2017	31 March 2017	31 March 2018	31 March 2018
	£000	£000	£000	£000
AAA	10,676	11,593	6,757	5,989
AA+	0	0	0	0
AA	0	0	1,495	0
AA-	0	0	0	0
A+	0	0	0	0
A	0	0	0	0
A-	0	0	0	0
Unrated	15,299	0	21,119	0
Total Investments	25,975	11,593	29,371	5,989

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 – Loans

The Authority's has increased its exposure to credit risk during the financial year by a £3.5m loan to a housing association. This is collateralised by charges secured on residential property which are owned by the housing association. The value of the collateral is greater than 110% of the carrying value of the loan. The Authority assessed the credit quality of the housing association prior to advancing the loan and it was satisfactory.

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.

NOTES TO THE ACCOUNTS

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

	31 March 2017 £000s	31 March 2018 £000s
Less than three months	48	456
Three months to one year	10	60
More than one year	20	24
	78	540

A bad debt provision of £27,464 has been made against debts which are past their due date. The factors the Authority consider in determining if a trade debt is impaired include the age of the debt; the default history of the debtor; the proportion of the original debt which is still outstanding and the recovery stage of the debt. The Authority's maximum exposure to trade debts is £773,340. 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 2018, £2.25m of investments were exposed to fixed interest rates and £31.71m 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 £317,100. 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 increase the fair value of the bonds by £181. The investment in pooled fund is subject to the risk of falling prices. The Authority invests in funds with underlying assets in property, equity and bonds. A 1% rise in interest rate will reduce the fair value of pooled funds that invest in bonds by £314,224; a 5% fall in the price of equity would result in a £324,349 fall in fair value and a 5% fall in the price of property would result in a £320,601 fall. These changes would result in a charge to Other Comprehensive Income and Expenditure but there would be no impact on the General Fund unless the investment is sold.

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

2016/17	COLLECTION FUND	Notes	2017/18		Total
£000			Council Tax £000	Business Rates £000	£000
231	Opening Balance Surplus (-) / Deficit 1 April		(1,658)	624	(1,034)
	Income				
(61,763)	Council Tax	(4 & 5)	(65,923)		(65,923)
(25,420)	Business Rates	(2)		(26,357)	(26,357)
	Contributions to Previous Year Estimated Deficit				
(756)	- North Norfolk District Council			(193)	(193)
(189)	- Norfolk County Council			(48)	(48)
(945)	- Central Government			(242)	(242)
(89,073)	Total Income		(65,923)	(26,840)	(92,763)
	Expenditure				
	Precepts and Demands:	(3)			
7,156	- North Norfolk District Council (including Parish Councils)		7,461		7,461
45,179	- Norfolk County Council		48,355		48,355
8,079	- Office of the Police & Crime Commissioner for Norfolk		8,415		8,415
	Proportionate Shares:				
9,986	- North Norfolk District Council			10,093	10,093
2,497	- Norfolk County Council			2,523	2,523
12,483	- Central Government			12,616	12,616
	Disregarded Amounts:				
	- Enterprise Zone Growth			121	121
600	- Renewable Energy			673	673
	Distribution of Previous Year Estimated Surplus:	(3)			
205	- North Norfolk District Council		140		140
1,261	- Norfolk County Council		881		881
230	- Office of the Police & Crime Commissioner for Norfolk		157		157
118	Change in Allowance for Impairment	(7)	131	85	216
242	Allowance for Cost of Collection			248	248
(691)	Appeals Charged to Collection Fund			(1,474)	(1,474)
463	Change in Provision for Appeals			2,309	2,309
87,808	Total Expenditure		65,540	27,194	92,734
(1,265)	Movement in Collection Fund Balance During Year		(383)	354	(29)
(1,034)	Closing Cumulative Surplus (-) / Deficit 31 March	(6)	(2,041)	978	(1,063)

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 £80,351,699 on 31 March 2018 (£68,055,428 on 31 March 2017). The national multipliers for 2017/18 were 46.6p for qualifying Small Businesses (48.4p in 2016/17), and the standard multiplier was set at 47.9 for all other businesses (49.7p in 2016/17).

The net income from Business Rate payers was £26,357,361 (£25,420,466 in 2016/17) after £2,466,701 of transitional protection payments due from Central Government. The transitional protection scheme provided protection to ratepayers from large changes in their bills following revaluations of their business by phasing in changes gradually. This meant that a billing authority collected more or less rates than would otherwise be the case, and Government Regulations make provision for adjusting payments to be made to or from billing authorities.

3. Precepts and Demands

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

Net Payment 2016/17 £000		Precept / Demand £000	Collection Fund Surplus £000	Net Payment 2017/18 £000
7,361	North Norfolk District Council (including Parish Precepts)	7,460	140	7,600
46,439	Norfolk County Council	48,355	881	49,236
8,309	Office of the Police & Crime Commissioner for Norfolk	8,415	157	8,572
62,109	Total	64,230	1,178	65,408

COLLECTION FUND

4. The Council Tax Base for 2017/18 is as follows:

Therefore each £1 of Council Tax set was calculated to produce income of £38,748 (£37,940 in 2016/17).

Valuation Band	Number of Chargeable Dwellings Adjusted for Discounts		Equivalent Number of Band D Dwellings		Equivalent Number of Band D Dwellings Adjusted for Non-Collection	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
A	7,038	7,441	4,689	4,958	4,595	4,859
B	10,525	10,779	8,186	8,383	8,024	8,215
C	9,509	9,642	8,453	8,570	8,283	8,398
D	7,649	7,735	7,649	7,736	7,496	7,581
E	4,241	4,291	5,183	5,244	5,079	5,139
F	2,000	2,041	2,889	2,949	2,832	2,890
G	912	933	1,520	1,555	1,490	1,524
H	72	72	144	144	141	142
Total Tax Base	41,946	42,934	38,713	39,539	37,940	38,748

5. Band D Tax Rate

This Authority set a Council tax of £1,603.98 for a band D dwelling, (£1,542.60 in 2016/17), which consisted of £1,247.94 (£1,190.79 in 2016/17) for Norfolk County Council, £217.17 (£212.94 in 2016/17) for the Office of the Police & Crime Commissioner for Norfolk and £138.87 (£138.87 in 2016/17) for the District's requirements. Sums ranging from nil to £109.42 (nil to £94.04 in 2016/17) were charged in addition for parish and town council requirements.

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

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

COLLECTION FUND

6. Balances

The total balance is attributed as follows:

31 March 2017 Total £	Share of Balance	31 March 2018		
		Council Tax £	Business Rates £	Total £
53,118	North Norfolk District Council	(235,963)	391,288	155,325
(1,177,823)	Norfolk County Council	(1,538,198)	97,822	(1,440,376)
(221,779)	Office of the Police & Crime Commissioner for Norfolk	(267,384)	0	(267,384)
311,969	Central Government	0	489,109	489,109
<hr/>		<hr/>	<hr/>	<hr/>
(1,034,514)	Total	(2,041,545)	978,219	(1,063,326)

7. Bad Debt Provision

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

AUDIT REPORT

AUDIT REPORT

AUDIT REPORT

AUDIT REPORT

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

GLOSSARY OF ACRONYMS

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



Statement of Accounts



2017/2018

NORTH NORFOLK DISTRICT COUNCIL HOLT ROAD,
CROMER, NORFOLK, NR27 9EN

Telephone 01263 513811

www.northnorfolk.org

NORTH NORFOLK DISTRICT COUNCIL
HOLT ROAD CROMER NORFOLK NR27 9EN

www.north-norfolk.gov.uk



26 July 2018

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

Dear Mark,

North Norfolk District Council – 2017/18 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 2018.

I recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of North Norfolk District Council as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 2017/18.
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 2017/18 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 2017/18, that are free from material misstatement, whether due to fraud or error.
6. I believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by the auditors during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

1. I acknowledge that I am responsible for determining that the Council's activities are conducted in accordance with laws and regulations and that I am responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. I have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
- involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. I have provided you with:
- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that we have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. I have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 24 July 2018.
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.

D. Liabilities and Contingencies

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

E. Subsequent Events

1. Other than described in 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.

F. Accounting Estimates

1. I believe that the significant assumptions I have used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - I believe the measurement processes, including related assumptions and models, I have used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions I have used in making accounting estimates appropriately reflects the intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

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

H. Going Concern

1. I 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.

I. Ownership of Assets

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

J. Reserves

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

K. Valuation of Property, Plant and Equipment Assets

1. I agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. I did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
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 2017/18.
5. I confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.

6. I confirm that I have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. I confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

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

M. Other information

1. I acknowledge my responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2017-2018.
2. I confirm that the content contained within the other information is consistent with the financial statements.

N. Specific Representations

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

I understand that this letter of representation needs to be appropriately signed by myself as Section 151 Officer and the Chair of the Governance, Risk and Audit (GRAC) Committee the proposed audit opinion date which is currently due to be 26 July 2018. I will add this item to the agenda of the GRAC which is next due to meet on 24 July to approve the Statement of Accounts.

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

Yours sincerely,

Duncan Ellis
Head of Finance and Assets (S151 Officer)

North Norfolk District Council
01263 516330
duncan.ellis@north-norfolk.gov.uk
www.north-norfolk.gov.uk

Cllr John Rest
Chair, Governance, Risk and Audit
Committee

North Norfolk District Council

GOVERNANCE, RISK & AUDIT COMMITTEE ON 19 JUNE 2018

ACTIONS ARISING FROM THE MINUTES

Minute No.	Agenda item and action	Action By
6.	Governance, Risk and Audit Committee Action List	
	The GRAC Annual Report on the agenda for Full Council on 27 June 2018	Democratic Services (June)
8.	Progress Report on Internal Audit Activity	
	Waste Management: to discuss Members' concerns with the Head of Environmental Health and email response to Members. To include a more detailed report on the Waste Management contract for September.	Emma Hodds (September)
	To confirm planning protocol 2015 update added to NNDC website	Democratic Services (June)
9	Follow up on Internal Audit Recommendations	
	To discuss continuing problems regarding income from PCNs with the Leisure and Locality Services Manager and email the response to Members.	Emma Hodds
11	Self-Assessment	
	To circulate CIPFA core knowledge document to Members	Emma Hodds (before next self-assessment)
12	Monitoring Officer's Report	
	To circulate information about the Information Risk Framework to all Members.	Lucy Hume

GOVERNANCE, RISK & AUDIT COMMITTEE WORK PROGRAMME JULY 2018 – JUNE 2019

JULY 2018	SEPTEMBER 2018	DECEMBER 2018	MARCH 2019	JUNE 2019
Audit Results Report	EY Annual Audit Letter		EY Audit Plan (with overview) Annual Grant Certification Report from EY	
	Progress Report on Internal Audit Activity	Progress Report on Internal Audit Activity	Progress Report on Internal Audit Activity	Progress report on Internal Audit Activity
	Anti-money laundering 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
				Self-assessment feedback
Statement of Accounts	Corporate Risk Register		Corporate Risk Register	Monitoring Officer's Report
Letter of Representation			Risk Management Framework	Annual Governance
			Annual Report on the work of the Governance, Risk and Audit Committee	