# Statement of Accounts 2018/19

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South Norfolk Council

# CONTENTS

# NARRATIVE REPORT

## 1. Introduction to South Norfolk

South Norfolk is a diverse District, home to both urban and rural locations with an even split of residents living between them, totalling over 130,000 people. There are 88 towns and villages including four vibrant Market Towns and larger settlements in South Norfolk.

The Market Towns; Loddon, Harleston, Diss and Wymondham provide vital amenities for local residents and visitors and are employment centres for many of our residents. Other large and small settlements play a vital role in supporting the local economy and providing key facilities for our residents including Hingham, Long Stratton, Costessey and Cringleford.

A key engine of growth for the UK, South Norfolk forms part of Greater Norwich. The area also covers Norwich City Council and Broadland District Council. Greater Norwich is one of the fastest growing parts of the UK and is establishing itself as a leader in science, technology and manufacturing, with over 50% of workers in Greater Norwich being employed in knowledge-intensive industries.

Greater Norwich is home to over 55,000 businesses. We anticipate significant growth over the next five years. We boast a strong and diverse business base which is home to leading innovation centres and enterprises. Our key local business sectors are: Advanced Manufacturing; Engineering; Agri-tech; Energy; ICT; Digital Creative and Life Sciences. Our five largest employers employ 25% of the South Norfolk workforce. To complement our large employers is a strong base of smaller businesses with 90% employing fewer than 10 employees.

South Norfolk has excellent connections via road, rail, air and sea. Only a short drive away from Norwich International Airport, the District is also within easy reach of the East Coast ports of Felixstowe, Great Yarmouth, Harwich and Lowestoft. The major train line through the District means that London is only one and a half hour’s train journey away. Main roads including the A47 from Great Yarmouth to King’s Lynn, the A11 and A14 to Cambridge, and the A140 to Ipswich mean the District is well connected to the rest of East Anglia and beyond - just one hour’s drive to Cambridge.

As a Council, we are committed to making South Norfolk one of the best places to live and work in the country. Our vision and priorities are contained in the Annual Governance Statement beginning on page 15.

This year we entered a formal collaboration with Broadland District Council to share services. We now have a joint Managing Director and a joint planning and growth team and are moving towards our vision of “Two Councils One Team.”

## 2. The Council's Performance

A summary of how the Council has performed in its three priority areas is shown below:

| How We Performed in 2018/19 | | |
|---|---|---|
| **Economic Growth, Productivity and Prosperity** | **Health, Well-being and Early Help** | **Place, Communities and Environment** |
| • Rented out 26 units through our property management company<br>• Provided advice and guidance to 438 Small and Medium-sized Enterprises<br>• Supported 80 new business start-ups in South Norfolk<br>• Brought £3.1 million of external funding into the local economy<br>• Helped make 63 new apprenticeships placements available in local businesses | • Completed the redevelopment of Long Stratton Leisure Centre<br>• Assisted 2,046 vulnerable people to stay in their own homes<br>• Helped 2,805 residents in need of support from our Early Help Hub to achieve positive outcomes | • Recycled and composted 38% of domestic waste<br>• Delivered 741 new affordable homes in one year<br>• Processed 100% of major planning applications and 96% of householder applications within agreed timescales |

## 3. Financial Performance

### An uncertain financial environment

South Norfolk Council continues to face significant financial pressures due to reductions in funding from central government along with greater volatility in income streams, particularly business rates. In November 2015, the Comprehensive Spending Review set out the strategic direction for public expenditure for the next 5 years. This outlined a number of significant changes to the local government funding regime which will have a significant impact on the Council's finances over time. With some modifications following the General Election in June 2017, these proposals are still planned. The changes include:

- Providing district councils like South Norfolk with the power to increase Council Tax by up to £5 each year up to 2020.
- It is intended that from 2020/21, local government will retain 75% of business rate revenues to fund local services. The Council is participating in a 75% pilot scheme with other Norfolk authorities during 2019/20.
- A new Fair Funding formula will redistribute the funding available to local government from 2020/21. The impact of this on the Council is currently unclear.
- South Norfolk Council no longer receives any Revenue Support Grant (RSG) from central government to fund its services. It currently needs to finance all its expenditure from retained business rates, New Homes Bonus, Council Tax, commercial income and local fees and charges.

In 2019/20 South Norfolk Council will receive £2.8 million less in funding from central government (Revenue Support Grant and New Homes Bonus) than it did 3 years ago, a real terms reduction of 48%. Central government funding is projected to halve by 2023/24 compared with 2016/17 in cash terms.

The Council is working to influence the outcome of central government's Spending Review, which is planned for the latter half of 2019. This review will determine the overall envelope for local government funding from 2020/21. It will also decide the future of the New Homes Bonus, which may be replaced with another mechanism to incentivise housing delivery; this is a major risk to the Council as it is currently a significant recipient of New Homes Bonus.

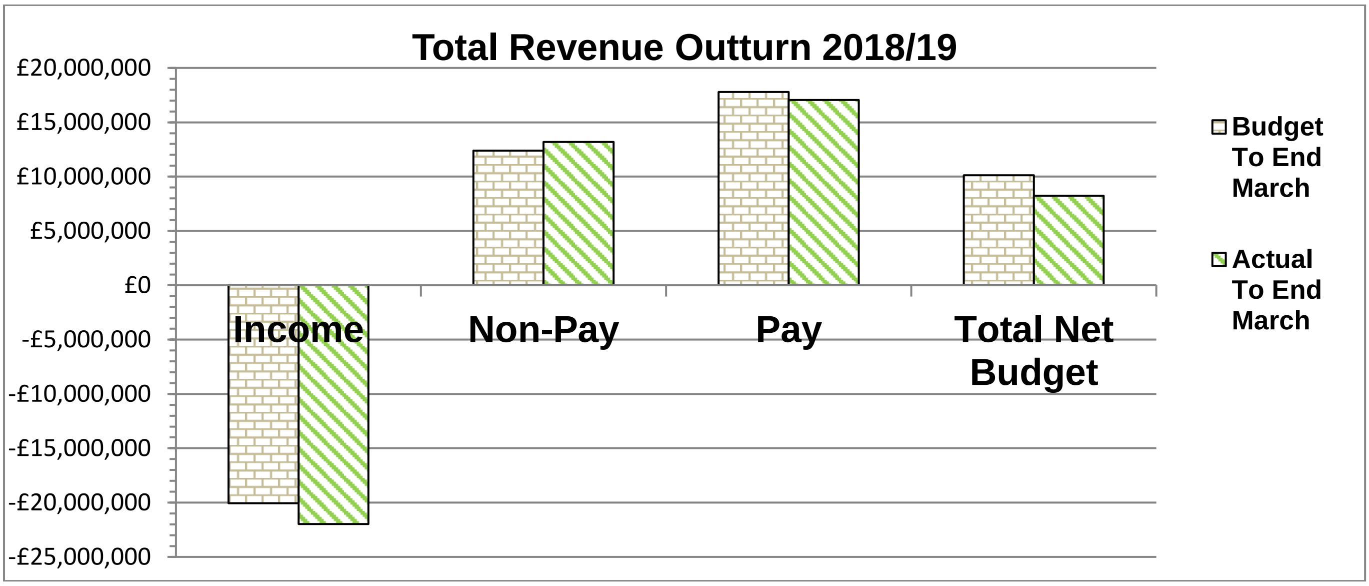
The Council is faced with a potential "perfect storm" of changes to business rates, the funding formula and New Homes Bonus, all in 2020/21. It has responded to this by detailed scenario planning and challenging its staff to deliver at least £1 million in budget savings, efficiencies and new income in 2019/20.

**Robust financial standing**

Due to prudent financial management, the financial position of the Council is strong. The outturn for the Council is a small deficit on provision of services of £67,000 (shown on page 30), which covers both capital and revenue income and expenditure.

*Revenue*

There is a net surplus on revenue expenditure as shown below:



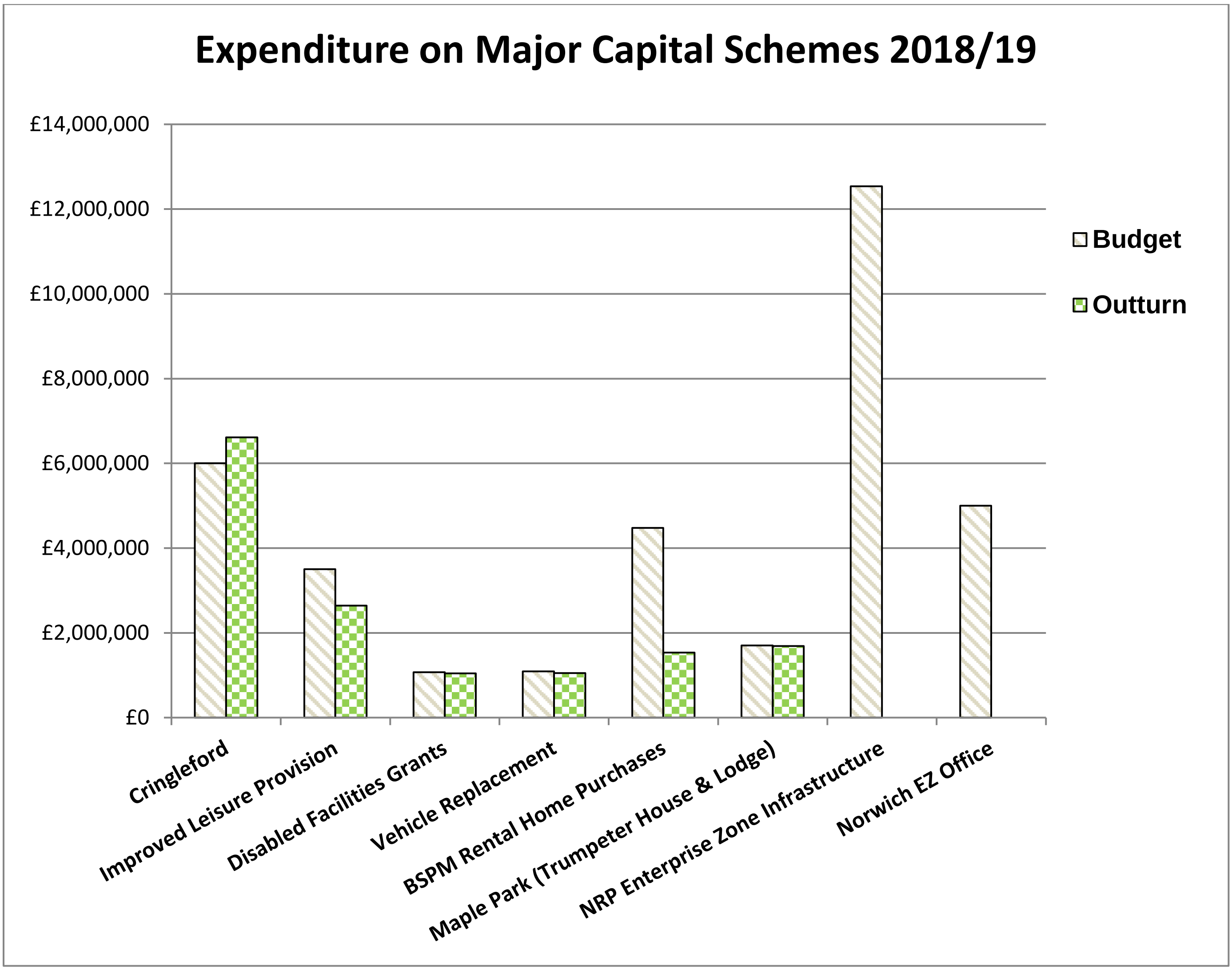

*Analysis of major variances*

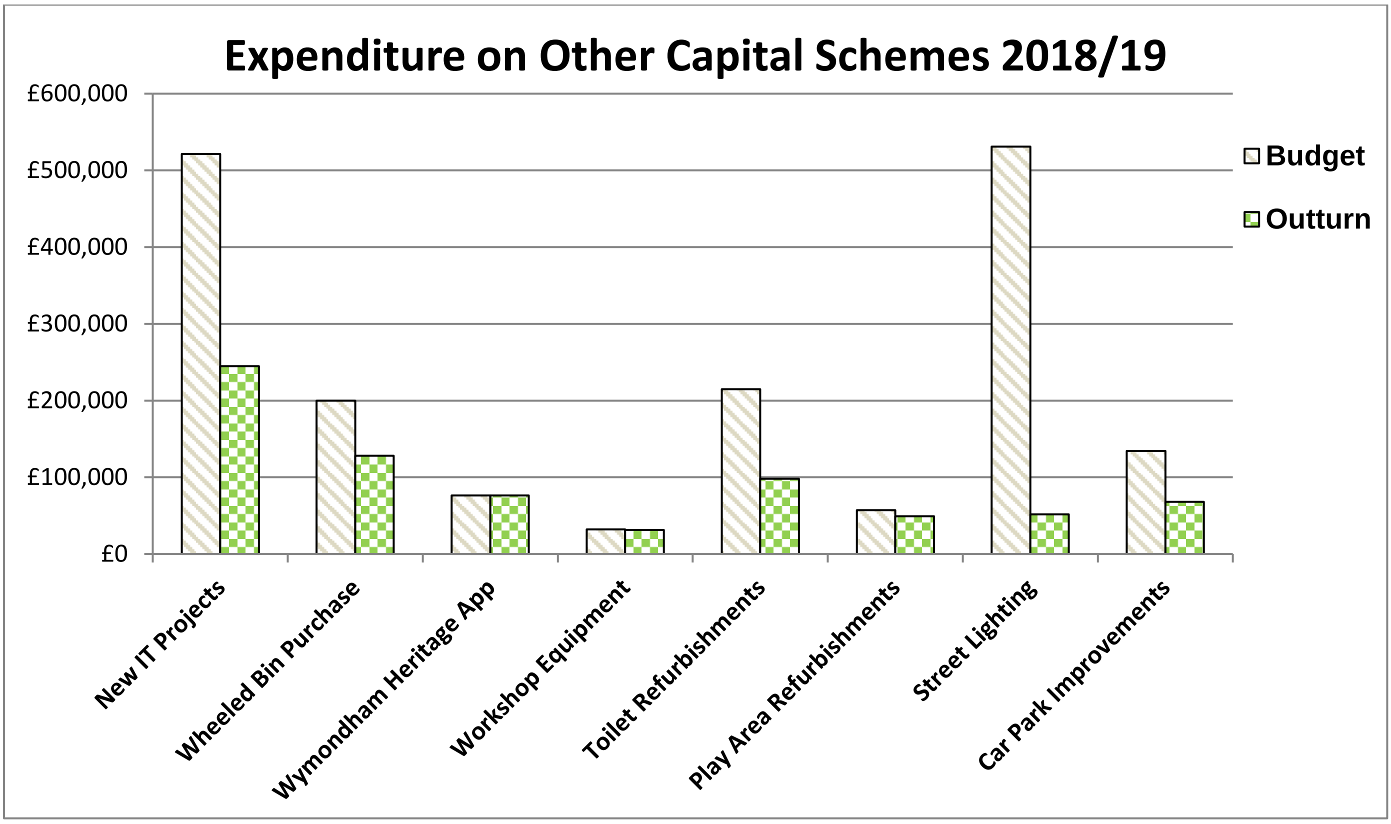
- The revenue surplus is caused by a combination of positive variances against pay and income budgets. Positive variances on pay budgets reflect effective management of the staff budget, including management of staff vacancies. The Council experienced an increase in income, principally from increases in business rates income as detailed in the Collection Fund section, specific government grants for mandatory business rate reliefs and an increase in major planning applications. The negative variance on non-pay budgets was mainly due to higher than anticipated costs for transport fleet, economic development and development management, including IFRS 15 adjustments detailed in Note 9.

- The Council's usable revenue reserves have reduced by £1.6 million during the year, which includes capital funding and was a planned reduction in the Medium Term Financial Strategy. The Council used much of its capital receipts during the year and therefore the capital receipts reserve reduced by £2.022 million. Total usable reserves have therefore reduced by £3.045 million during the year to a total of £22.244 million.

*Capital*

The graphs below show the capital outturn by project against the approved 2018/19 capital programme.



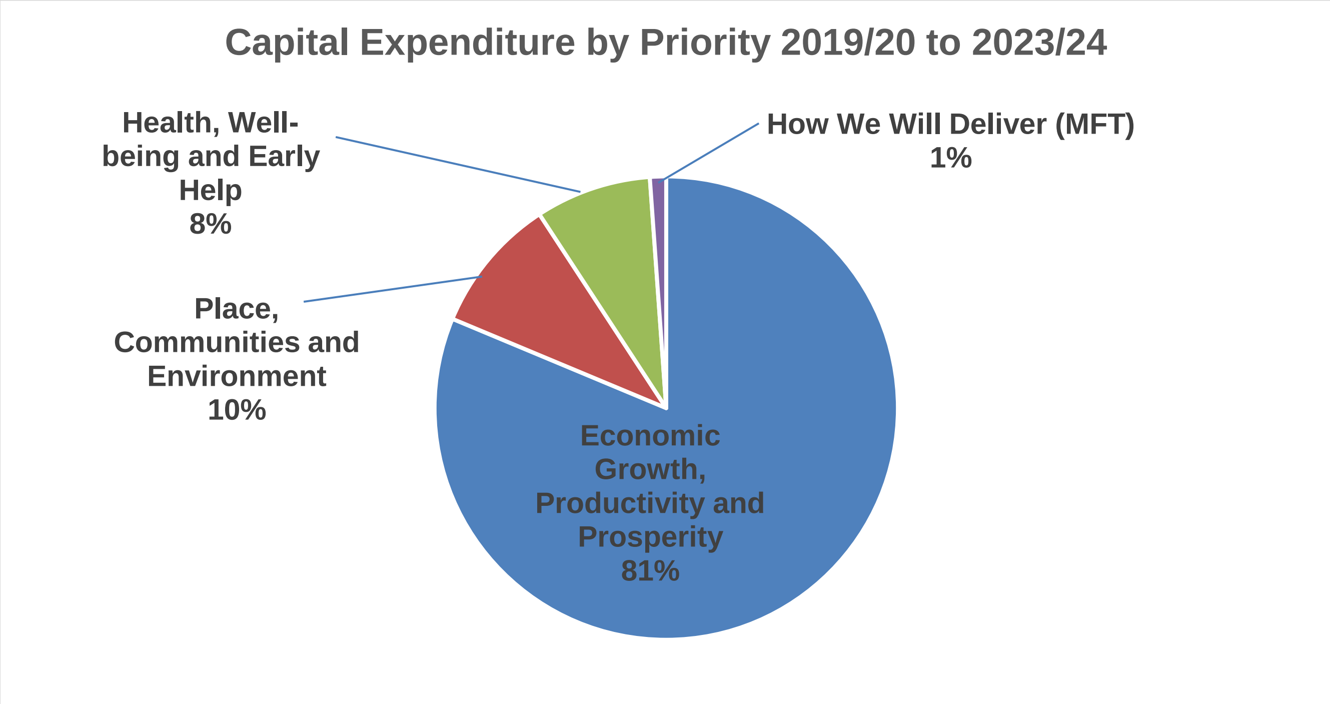



The main areas of capital expenditure during the financial year were:

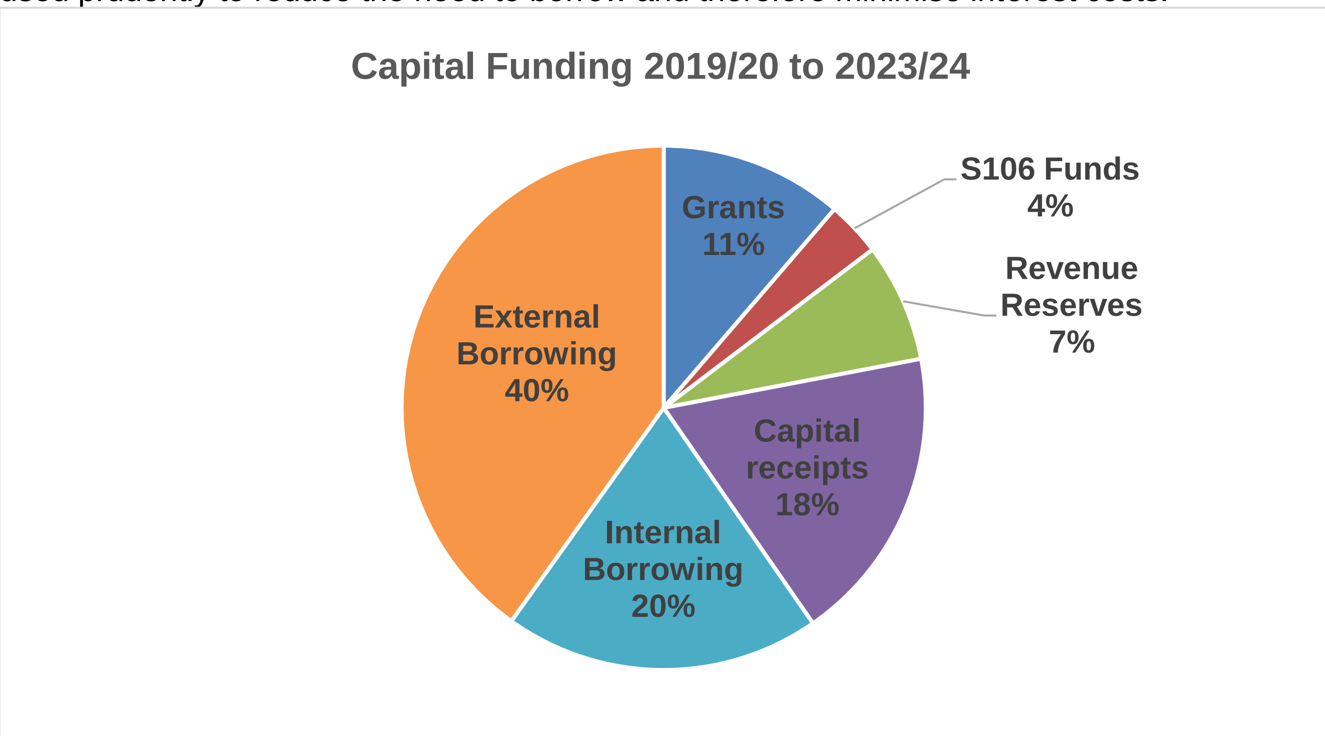
- A £6m loan to Big Sky Developments Ltd, the Council's wholly owned property development company, for the purchase of development land at Cringleford. A further £613k was spent on highways improvements, however, this was fully recovered with funding acquired from Homes England and from also reclaiming funds from Pooled Business Rates.
- The Council also transferred the costs of construction for Trumpeter House to Big Sky Developments Ltd, this will be used as a Commercial Investment Property to provide ongoing rental income.
- The refurbishment of Long Stratton Leisure Centre was completed during the year with the centre re-opening in March 2019. This centre now has new changing rooms, an upgraded gym, a café and a soft play area.
- The construction of a new 3G pitch at Ketts Park, Wymondham to enhance the leisure offering to the community.
- Expenditure on plant and equipment including the purchase of new refuse vehicles to update the refuse fleet.
- Grants to support people remaining in their homes. These have been treated as Revenue Expenditure Funded from Capital Under Statute.
- The investment of £1.533 million in Big Sky Property Management Ltd, the Council's wholly owned residential lettings company, to allow it to purchase properties at the Big Sky developments at Poringland and Long Stratton for rental. This investment is a mixture of loans and equity and is reflected as capital expenditure in the Council's accounts.
- The original proposal for the Enterprise Zone was an investment of over £12m which would be repaid from the Enterprise Zone business rates from the anticipated delivery of buildings within the Enterprise Zone. However, the build out rate has not met expectations meaning that the original proposal could not be taken forward, and subsequently a revised proposal

for a phased infrastructure delivery plan has been agreed by Cabinet in April 2019 meaning delays to the capital programme of spend.

The Council has an ambitious five-year capital programme of £82.7 million. Key areas for investment are: the Enterprise Zone on Norwich Research Park; further property development in the district, vehicle replacement and grants to support people remaining independently in their own homes. As shown in the chart below, the main corporate priority that is delivered through the capital programme is Economic Growth, Productivity and Prosperity.




The sources of funding for the five-year programme are set out in the pie chart below. External borrowing will be required to finance the Council's expenditure on the Enterprise Zone and will be repaid from Business Rates within the Zone. Further borrowing will be needed to meet the Council's ambitions to develop more property for sale and for rent. Revenue reserves will be used prudently to reduce the need to borrow and therefore minimise interest costs.



*Balance Sheet and Pensions*

The Council's balance sheet shows an increasing asset base, as its commercial property portfolio expands:

| | At 31 March 2019 | At 31 March 2018 |
|---|---|---|
| | **£000s** | **£000s** |
| Non-current assets | 61,833 | 50,377 |
| Current assets | 36,566 | 40,294 |
| Current liabilities | (12,718) | (9,581) |
| Long term liabilities and provisions | (73,289) | (58,028) |
| **Net Assets** | **12,392** | **23,062** |
| Represented by: Usable reserves | 22,244 | 25,289 |
| Represented by: Unusable reserves | (9,852) | (2,227) |

The largest liability is the pension liability which increased during 2018/19. The Comprehensive Income and Expenditure Statement shows an Actuarial loss of £10.205 million (2017/18 Actuarial gain of £3.925 million) in respect of recognised income and expense on the pension scheme.

The Pension Fund liability shown in the Balance Sheet as at 31 March 2019 stands at £68.814 million compared with £54.849 million the previous year. This represents the liability to the Norfolk Pension Fund. This amount is matched by a Pension Reserve also shown in the Balance Sheet and therefore has no impact on the Council's overall financial position at 31 March 2019. The IAS 19 balance sheet position for the Council worsened in 2018/19 due to lower bond yields which serve to increase the value placed on obligations. This is partially offset by investment returned being greater than the 31 March 2018 discount rate.

Hymans Robertson, the Fund actuary, uses a set of demographic assumptions that are consistent with those used for the Norfolk Pension Fund. The most recent triennial valuation was 31 March 2016 which has set the contribution rates for the next three years from 1 April 2017 and is reflected in these financial statements. The valuation has resulted in an increased employer contribution to the pension fund.

The Council's land and property are valued by Wilks Head & Eve LLP (RICS). There is a rolling five-year programme revaluing a proportion of the assets each year. All assets are therefore revalued at intervals not exceeding five years as required by the Code. Any major changes will be reflected in the accounts in the year they occur. The gross book value of assets revalued by Wilks Head & Eve LLP as at 1st April 2019 totalled £22.7 million which equates to approximately 73% of the Net Book Value of all Property, Plant & Equipment held at current value as at 31st March 2019. The basis of valuation and classification of Property, Plant and Equipment are explained in the Statement of Accounting Policies section of these accounts.

*Cashflow*

Total cash and cash equivalents at 31 March 2019 is £13.194 million. The main factors that will affect cash in the future are capital receipts and expenditure, the level of reserves and internal borrowing of cash to fund the capital programme.

| | At 31 March 2019 | At 31 March 2018 |
|---|---|---|
| | **£000s** | **£000s** |
| Cash and other cash equivalents | 13,194 | 17,803 |
| Short Term investments | 17,017 | 5,500 |
| **Total** | **30,211** | **23,303** |

*Group Accounts*

The Council has adopted a Group Structure which means that it also has to produce Group Accounts incorporating the Council's wholly or partly owned companies. These Group Accounts are prepared by consolidating the accounts of the reporting authority (South Norfolk Council) and the group accounts of its subsidiary company (Big Sky Ventures Ltd) on a line by line basis. The group accounts of Build Insight Ventures Ltd (joint venture company) have been fully consolidated on a line by line basis up to 31st December 2017 as part of the Big Sky Ventures group and then on a 50% joint venture basis (equity method) from 1st January 2018.

50% of Build Insight Ventures Ltd was acquired by Norfolk Property Services (NPS) Ltd on 1st January 2018 and South Norfolk Council owns the other 50%. The company was formerly part of the Big Sky Ventures group. Further details can be found in the Group Accounts which follow on from the main accounting statements.

*Future Financial Outlook*

The Council's Medium Term Financial Strategy has been updated to reflect the Local Government Finance Settlement announced in February 2019. This takes into account inflation including pay awards, specific cost pressures and central government funding reductions. The Council has identified £2.8 million in gross savings and extra income for 2019/20 which help to offset cost pressures and balance the budget. The Strategy also continues to assume growth in income from commercialisation. There is a projected funding gap of £2.4m in the final two years of the Plan where detailed measures to bridge this gap have yet to be identified. It is anticipated that successful delivery of the Council's collaboration with Broadland District Council over the next 5 years would result in sufficient savings to bridge this gap. Other avenues for income and savings continue to be explored to ensure that the Council takes advantage of opportunities as they arise.

*Service Delivery*

The main changes that took place last year which had a significant impact on service delivery are:

| Main Changes | Description |
|---|---|
| Collaboration with Broadland District Council | Based on a detailed Feasibility Report, both Councils agreed in July 2018 to enter into a formal collaboration which will form a single paid service serving the two sovereign Councils. A single Managing Director started work in January 2019. The planning and development management teams have been joined up into a single team and other teams will join together as the process develops. The aim is to increase the Councils' voice within Norfolk and |

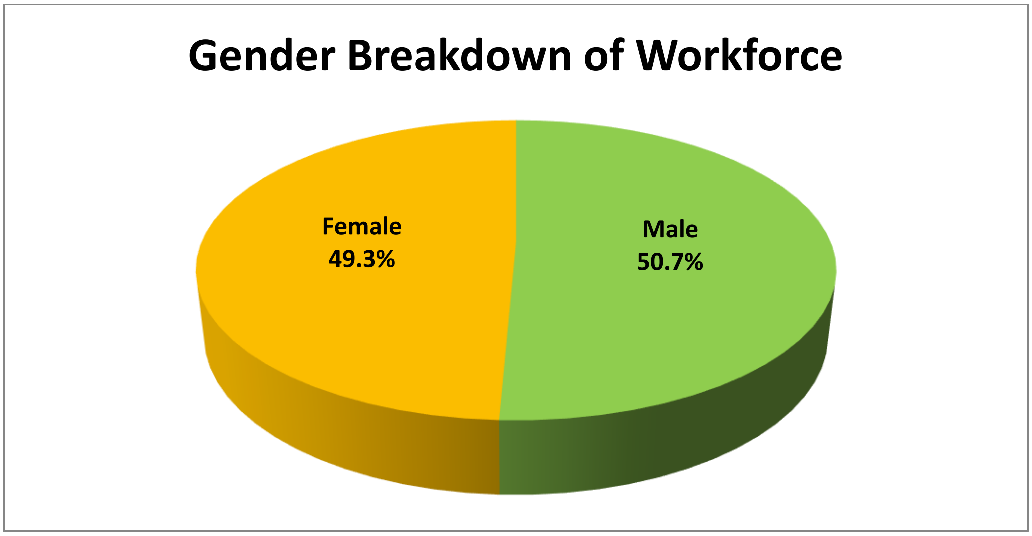
| | |
|---|---|
| | nationally, to boost economic growth and further improve services. |
| Digital Transformation | This is part of the Council's ongoing programme of continuous improvement and cultural change, Moving Forward Together (MFT). Digital transformation aims to ensure that customers access our services digitally wherever appropriate and that back-office processes use effective digital solutions. It led to the launch of a new website in November 2016 and the expansion of interaction via the website. It will involve further changes in future, including customer relationship management tools. |
| Customer Services | This function was decentralised to front line services during the year, with a small central team remaining. This has already produced benefits by helping customers to contact the relevant service more quickly. |

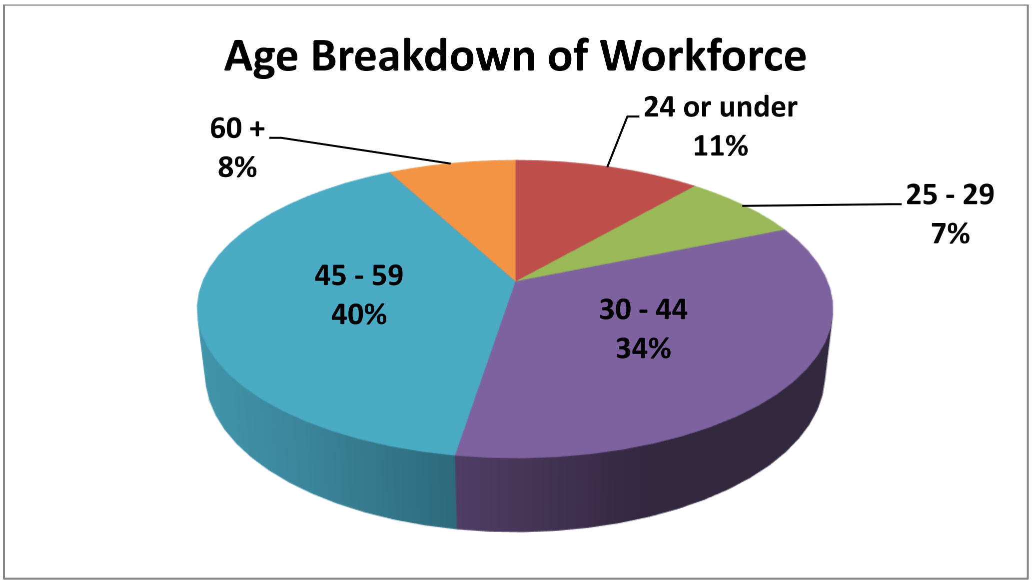
## 4. Employees

South Norfolk Council achieved the Investors in People platinum award in March 2017 and has undertaken an assessment each year. The Council is among  2% of the UK (data compiled May 2019) who have achieved this highest level of award.

The Council employed 475 people in full time and part-time contracts as at 31 March 2019 (compared to 468 at 31 March 2018). This equates to 422.33 Full Time Equivalent staff working for the Council (compared to 412.80 last year).

The charts below show the make-up of the Council's workforce in 2018/19:






By law all UK organisations with more than 250 employees must report their gender pay gap figures annually. The latest results are based on the snapshot date of 31 March 2018 and South Norfolk Council's mean average pay gap is -4.3% (minus figure, in favour of female employees). Last year's gender pay gap was -0.3%, in favour of female employees.

Please note that the gender pay gap results have been calculated according to the Government's definition of a 'full-pay relevant employee'. We are required to include some casual workers in the headcount, and also exclude any employees who were on reduced pay at the snapshot date (e.g. maternity pay, sick pay). The link below is to South Norfolk Council's entry on the government's official website for the latest gender pay gap figures; these are based on a headcount of 496 :

https://gender-pay-gap.service.gov.uk/Employer/4u7JAGqf/2018

## 5. Explanation of accounting statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards. A Glossary of key terms can be found at the end of these accounts.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. It shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The top half of the statement provides an analysis by service area, which is shown in accordance with the way the Council chooses to report on its finances during the year so that local authority accounts match in-year reporting more closely. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

- services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and,

- discretionary expenditure focussed on local priorities and needs.

The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.

The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the yearend date.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The **Supplementary Financial Statements** are:

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

The **Collection Fund** summarises the collection of council tax and business rates, and the redistribution of some of that money to Norfolk County Council, Norfolk Police and Crime Commissioner and central government.

The **Expenditure and Funding Analysis** note shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates.

The notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

# ANNUAL GOVERNANCE STATEMENT

## Scope of Responsibility

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

In discharging this overall responsibility, South Norfolk Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and making proper arrangements for the management of risk.

As part of its Constitution, South Norfolk Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government".

A copy of the Code is available on our website, within the Constitution, and can be downloaded here.

This statement explains how South Norfolk Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control, and accompanies the 2018/19 Statement of Accounts of the Council. The Annual Governance Statement is subject to detailed review and approval by the Finance, Resources, Audit and Governance Committee.

## The Purpose of the Governance Framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at South Norfolk Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

## The Governance Framework

An annual review of the Governance Framework at South Norfolk Council was completed prior to the preparation of the Annual Governance Statement, with key officers completing full assurance statements for their area of responsibility, and these being signed off by the relevant member of the Corporate Management Leadership Team (CMLT). These are in place to ensure the governance arrangements across the Council are adequate, and to also recognise where any further work needs to be done.

A new code of corporate governance was developed early in 2017 which has been in place for the 2018/19 financial year. The new code is the framework of policies, procedures, behaviours and values which determine how the Council will achieve its priorities and is based upon the seven principles of the International Framework for Corporate Governance in the Public Sector.

<u>The Council's Vision and Priorities:</u>

As a Council, we are committed to making South Norfolk one of the best places to live and work in the country. The Council has a Corporate Plan 2016-2020 which confirms our vision for South Norfolk as a place and our ambition for South Norfolk Council as an organisation:

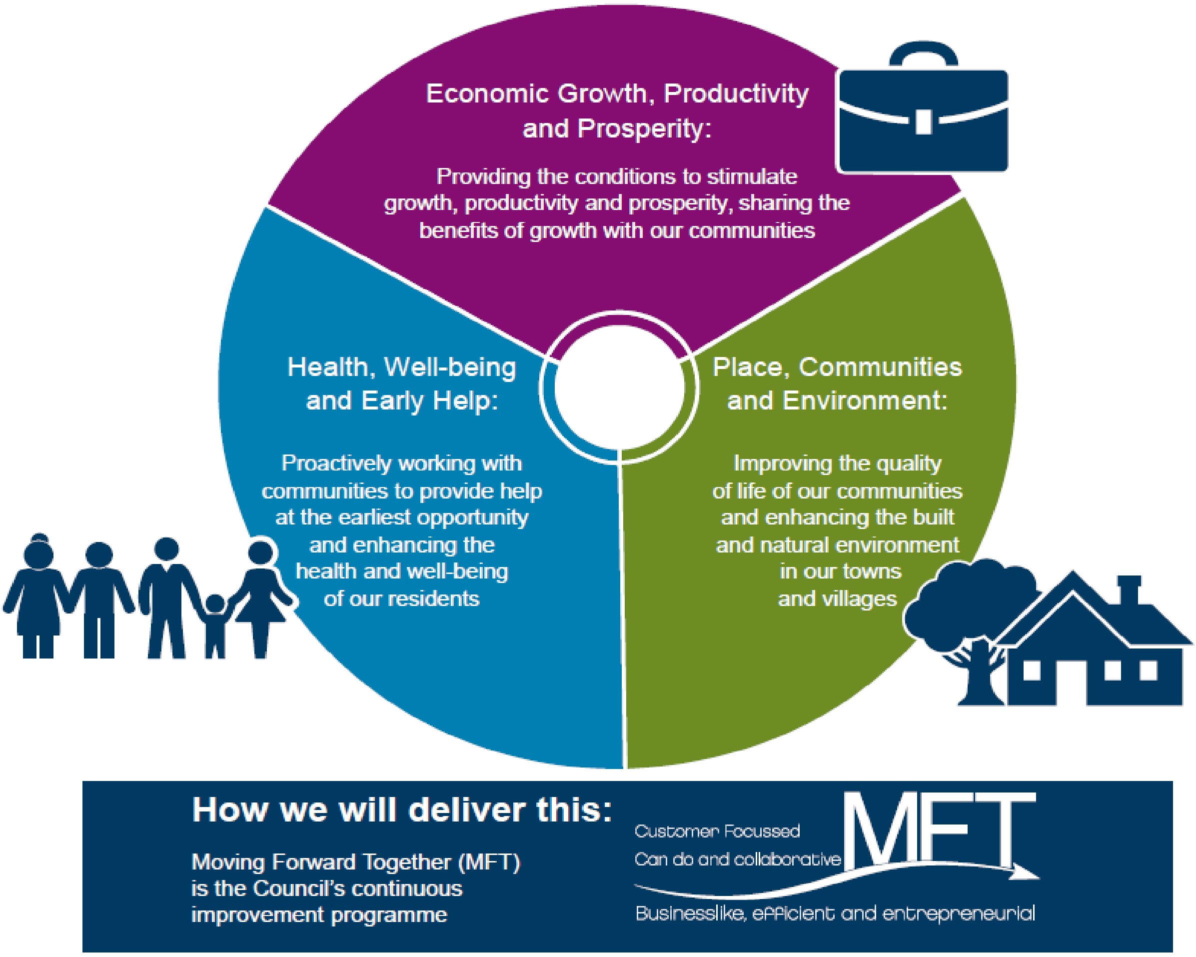

The main aims of the Corporate Plan are to:

- Set our overall vision and priorities for the District and the organisation
- Present an overview of the key strengths of the District and the context in which we operate
- Demonstrate how all our activities link together to achieve our overall ambition
- Showcase the innovative work that the Council is undertaking
- Demonstrate our focus on delivering better results for South Norfolk- the people and the place

The Corporate Plan is a digital and interactive document which acts as a gateway for more in-depth details of the priorities and work of the Council and can be found here.

The vision and priorities are communicated through the Corporate Plan, plus regular briefings, press releases, website and the Link magazine, which is delivered 3 times a year to every household and business in the District.

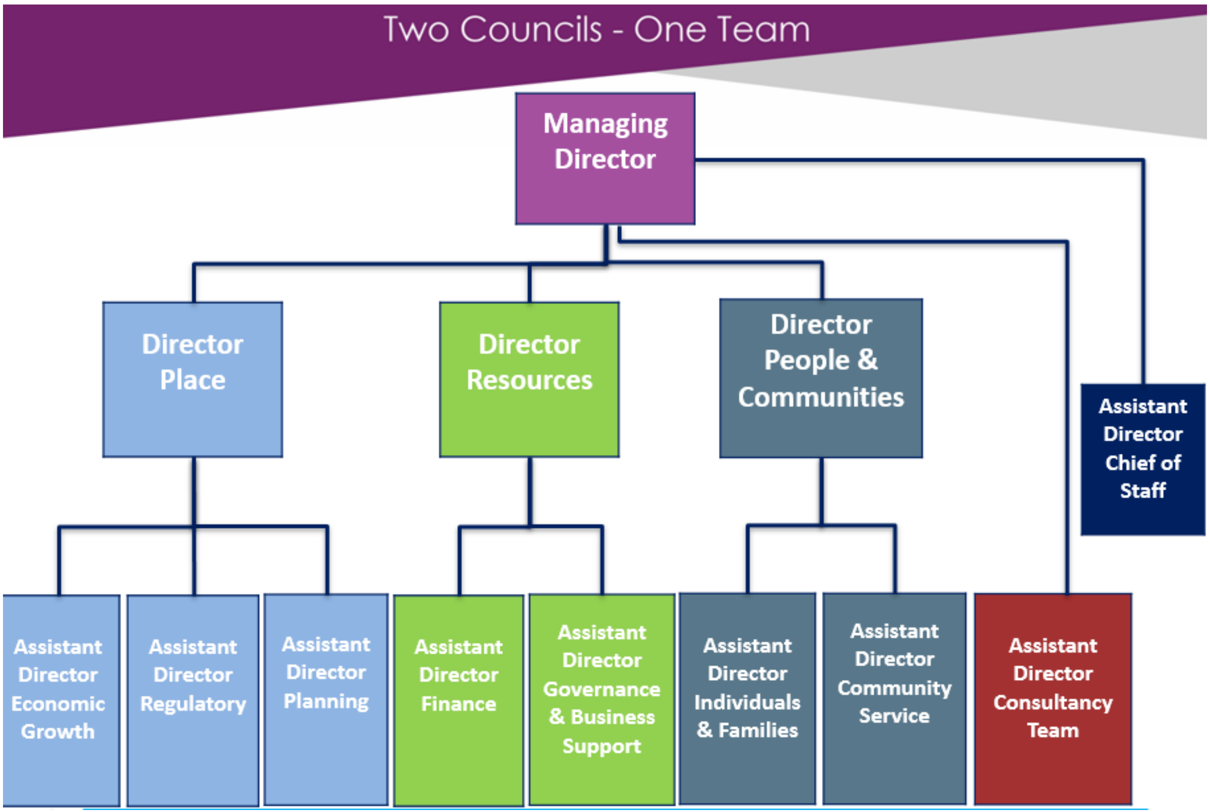
The 2016-2020 Corporate Plan identifies three priority areas where we will focus our resources and efforts. These areas are supported by our customer focussed, collaborative and commercial approach to service delivery.




To underpin the Corporate Plan, a detailed Corporate Business Plan is produced annually. This describes our intended activities for the 12 months from April to March each year to support the new priorities set out in the Corporate Plan. This plan is produced as an integrated process with the Council's annual budget setting and Medium-Term Financial Plan revision. The 2018/19 Plan can be accessed here.

Review of the Council's Governance Arrangements:

The Council regularly reviews its organisational structure as part of aligning resources with demand to deliver the priorities above. In addition, the progression with the Council's collaboration with Broadland District Council has resulted in the establishment of a joint management structure. This comprises of a joint Managing Director, three Directors, and nine Assistant Directors, as follows:




The recruitment of joint posts has been subject to a new shared process, that has been developed and agreed at meetings of both authorities Full Councils. The Managing Director was appointed at the end of 2018 following an external recruitment drive and took up post on 2 January 2019. The recruitment process for the remaining posts in the new structure began in early 2019, with Director positions being appointed to initially on 18 March. Five out of the nine Assistant Director roles have also been appointed to: Economic Growth; Governance and Business Support; Individuals and Families; Chief of Staff; and Consultancy Team. The remaining vacant Assistant Director roles will be advertised internally initially, with a view to publicise externally if internal recruitment is not successful. In addition, the Director and statutory posts appointments were formally endorsed by South Norfolk and Broadland Full Council meetings on 23 and 25 April respectively.

The Council has made ongoing savings through reviews of services and taking opportunities to make efficiencies; alongside this the authority has sought to grow income levels through a number of commercial initiatives.

The Moving Forward Together (MFT) programme continues to develop the organisation and employees so that they are readily able to adapt to change. During 2018/19 all staff attended a course of three workshops entitled *Being the best you can*. The Workshops supported the MFT programme, continuous service development and collaborative working and were designed to enable staff to embrace change.

The Council was assessed by Investors In People in March 2017 and was accredited with the Platinum standard. The Council was re-assessed in early 2018 and it was concluded that we had got even better by continuing to focus on strategies to maintain and enhance the service to the community, by equipping, enabling and empowering all employees to deliver and continuously improve. Particular high points were the examples of best practice that support the MFT culture and values and the way the Council drives changes and continuously looks for improvement and innovation to ensure that services are delivered in the most efficient way.

Our annual GEM (Going the Extra Mile) awards continue to recognise staff achievement and Coaching and Leadership courses and workshops for staff at all levels of the organisation have been delivered in the financial year.

Measuring the Quality of Services for Users and ensuring they are delivered in accordance with the Council's objectives and best use of resources:

The 5-year Corporate Plan sets out our key corporate priorities together with 5-year targets for success. The 2018/19 Business Plan uses these priorities and shows the 'Strategic Measures' with year-end targets for each priority. The Strategic Measures are tracked and reported each quarter to Cabinet as part of our Performance Framework.

The Corporate Business Plan sets out the proposed activities and 'business as usual' operational services that will be undertaken for the financial year ahead commencing 1 April. Between February and April staff personal objectives are set for the year and reflect the proposed activities they will be working on from the Business Plan. These personal objectives are reviewed regularly during the year and are assessed as part of annual staff performance reviews in March/April each year.


Defining and Documenting Roles and Responsibilities of Councillors and Officers and how decisions are taken:

The Council's constitution, scheme of delegation, codes of conduct, Local Member Protocol and rules of financial governance set the framework in which the organisation makes decisions.

Codes of Conduct Defining Standards of Behaviour for Councillors and Officers:

The Council operates Codes of Conduct for Councillors and Officers, with clear processes embedded to respond to any concerns raised regarding the standards of behaviour.

The Council conforms to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)

The Rules of Financial Governance explain the statutory duties of the Section 151 Officer including the responsibility under direction of the Cabinet for the proper administration of the Council's financial affairs. The Council's governance arrangements allow the Section 151 Officer to bring influence to bear on all material business decisions. The Section 151 Officer is a full member of the Strategic Leadership Team (SLT) and reports directly to the Chief Executive. Regular specific meetings are also held to discuss matters relating to the Section 151 role.

The Finance, Resources, Audit and Governance Committee

The Committee met regularly during the year. Its key tasks are to monitor the work of Internal and External Audit, to approve the statutory accounts, and to oversee the work in supporting the production of this Annual Governance Statement.

Ensuring Compliance with Laws and Regulations, Internal Policies and Procedures:

Responsibilities for statutory obligations are formally established. The Head of Paid Service disseminates statutory instruments to Managers responsible for acting on them. The relevant professional Officers are tasked with ensuring compliance with appropriate policies and procedures to ensure all Officers work within them.

Decisions to be taken by Councillors are subject to a rigorous scrutiny process by the Monitoring Officer, Section 151 Officer and in most cases CMLT before they are considered by Cabinet or Full Council.

Heads of Service and key officers have completed an Assurance Statement covering key governance aspects with their area of responsibility. The outcomes of these Assurance Statements are described under Managers' Assurance within Governance Issues.

Whistle-blowing Policies and Investigating Complaints:

As employees, councillors and others who deal with the Council are often the first to spot things that may be wrong or inappropriate at the Council, a Whistle-blowing Policy is in place to provide help and assistance with such matters. There is also a formal complaints procedure operated as part of the Council's performance management framework.

Tackling Fraud and Corruption:

The Council has a Counter Fraud, Corruption and Bribery Strategy in place to ensure that we can deliver against our priorities whilst minimising losses to fraud, corruption and bribery. The Council has a Housing Benefit and Council Tax Support Anti-fraud and Corruption Policy.

Each Internal Audit undertaken recognises fraud risks and assesses the adequacy and effectiveness of the controls in place to mitigate such risks and an Annual Fraud Return is provided to the External Auditor which summarises the Head of Internal Audit's views on risk of fraud at the Authority. In addition, the Monitoring Officer, the Section 151 Officer and the Chair of the Finance, Resources, Audit and Governance Committee also complete such statements on an annual basis.

Development Needs of Councillors and Officers:

There is a training programme in place for Officers and Councillors. This is drawn up from new risks or legislation, in response to known and emerging key areas of focus and from the Business Plan and staff Performance Reviews. The Council has made extensive investment in training in line with its Learning and Development Strategy for staff. As outlined elsewhere in this Statement, the Council has maintained the new Platinum Standard for Investors in People. This was the highest level that could be awarded and the Council is one of only a small number of organisations nationally to achieve this.

Establishing Communication with all Sections of the Community and Other Stakeholders:

The Council works with the County Council, other Norfolk District Councils, the Police, NHS, Central Government departments, businesses, and voluntary and community groups.

The Council consults with members of the public through a number of avenues from workshops, telephone calls, social media channels and the website, to gauge public opinion on a number of issues such as shaping the budget, the development of the Local Plan and the Council Tax Support Scheme.

Good Governance Arrangements with Partnerships:

Partnership arrangements take the form of Service Level Agreements. These are reviewed as part of the budget setting process and in advance of the date of cessation. The Council maintains a formal protocol on how it enters into funding arrangements with voluntary and third sector organisations.

The CIPFA Framework for Corporate Governance places a high degree of emphasis on partnership working. In practice, the Council takes a collaborative approach to working, recognising that there are a variety of means to engage with third parties.
In addition, as the feasibility study is being progressed for collaborative working with Broadland District Council, appropriate governance arrangements have been put in place to ensure that Councillors and Officers are involved in the progression of this work.

## Review of Effectiveness

The Role of the Council

South Norfolk Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Managers and Councillors within the authority who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and by comments made by the External Auditors and other review agencies. The Full Council approved the Revenue and Capital Budget and the Treasury Management Strategy during the year.

The Role of the Cabinet

The Cabinet approved the Corporate Business Plan and reviewed a range of strategies and policies during the year, including the Treasury Management Strategy, the Medium-Term Financial Strategy and the Revenue and Capital Budget. It received regular reports on performance monitoring, projects and their financial implications. Cabinet received quarterly combined performance, risk and finance reports and delegates policy development to four policy committees.

The Role of the Finance, Resources, Audit and Governance Committee

The activity of the Committee in the financial year is described above. It has also ensured that it is satisfied that the control, governance and risk management arrangements have operated effectively. The work of the Finance, Resources, Audit and Governance Committee is summarised in an Annual Report to Council.

The Role of the Scrutiny Committee

The Scrutiny Committee can undertake any work relating to the four key principles of scrutiny as follows:

- Hold the Executive to account (Call-In of Reports before final decision)
- Performance management
- Assist policy reviews
- Internal/external scrutiny

The work of the Scrutiny Committee is summarised to Council in an Annual Report.

Role of the Monitoring Officer

The Monitoring Officer has the specific duty to ensure that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The Monitoring Officer's legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000. The Monitoring Officer has three main roles:

- To report on matters they believe are, or are likely to be, illegal or amount to maladministration.
- To be responsible for Matters relating to the conduct of Councillors and Officers.
- To be responsible for the operation of the Council's Constitution.

The Monitoring Officer is supported in their role by the Council's legal service which is provided by nplaw and the Deputy Monitoring Officer.

The new joint management structure will result in the Assistant Director of Governance and Business Support post holder becoming the Monitoring Officer for both South Norfolk Council and Broadland District Council. This has resulted in the appointment of the Council's current Monitoring Officer to this position.

The Role of the Chief Financial Officer

The Director of Resources is designated as the Section 151 Officer for the purposes of Section 151 of the Local Government Act 1972 and is responsible under the general direction of the Cabinet for the proper administration of the Council's affairs. This statutory responsibility cannot be overridden. Responsibilities include:

- Setting and monitoring compliance with financial management standards
- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management

Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the full Council, Cabinet and External Auditor if the authority or one of its Officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- Is about to make an unlawful entry in the authority's accounts.

The Section 151 Officer has not been required to make such a report.

<u>The Role of Internal Audit</u>

All audits are performed in accordance with the good practice contained within the Public Sector Internal Audit Standards (PSIAS) 2013. Internal Audit report to the Finance, Resources, Audit and Governance Committee and provides an opinion on the system of internal control, which is incorporated in the Head of Internal Audit's Annual Report and Opinion 2018/19.

Internal Audit is arranged through a consortium, Eastern Internal Audit Services, which comprises Breckland, Broadland, North Norfolk, South Norfolk and South Holland District Councils, Great Yarmouth Borough Council and the Broads Authority. The Head of Internal Audit is employed by South Norfolk Council and the operational and field management staff are employed by an external provider, TIAA Ltd.

The Internal Audit Service assesses itself annually to ensure conformance against the PSIAS, and are also required to have an external assessment every five year's. The most recent assessment in January 2017, concluded that the internal audit service conforms to the professional standards and the work has been performed in accordance with the International Professional Practices Framework.

<u>The Role of External Review Bodies</u>

Ernst and Young LLP review the Council's arrangements for:

- preparing accounts in accordance with statutory and other relevant requirements
- ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- managing performance to secure economy, efficiency and effectiveness in the use of resources

Ernst & Young LLP were appointed by Public Sector Audit Appointments (PSAA) as the Council's external auditors for 2018/19. The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made.

<u>Effectiveness of Other Organisations</u>

The Council established a group structure in 2015/16 with all companies held by Big Sky Ventures Ltd. At the end of 2017, Big Sky Ventures Ltd transferred its shares in Build Insight Ventures Ltd to the Council and the Council proceeded to establish a joint venture with Norfolk Property Services (NPS) Limited for the Build Insight group of companies. As at 31 March 2019, Build Insight Ltd, an Approved Inspector for Building Control, was actively trading, along with Build Insight Consulting.

Big Sky Developments Ltd, a property development company, and Big Sky Property Management Ltd, a property rental company, were also trading. Management have continued to monitor the effectiveness of internal controls within the companies over the course of the year. There were no significant control weaknesses identified during the year that are required to be included in this statement.

Following preparation of their accounts, the companies have been subject to independent review by Aston Shaw Ltd. The governance arrangements for Big Sky Developments were subject to internal audit review during 2016/17 which resulted in a "reasonable" assurance opinion.

## Governance Issues

Looking back on the issues raised in 2017/18

During 2017/18 the following significant areas of development or risk were highlighted, with the current position also now noted:

- There was one specific area whereby improvement in awareness was needed and this is in terms of risk management. There was a number of new managers in post and it appeared that awareness of the risk management framework needed to be raised. Risk management was not raised as an issue within the assurance statements in relation to 2018/19, which is positive. The framework itself is being reviewed (particularly in light of collaborative working with Broadland District Council), and will be updated as needed, with further training to be provided to key members of staff as required across the Council.

- A number of managers last year were only able to provide partial compliance in relation to data protection in light of the imminent introduction of the General Data Protection Regulation (GDPR) and ongoing work required to comply with the new legislation. The Statements now reflect a position whereby the Council has met these requirements and departments can provide assurances that adequate measures are in place and followed.

- Staff realignments continued to deliver a more effective and efficient service to customers, however this is well managed and clear processes are in place. Larger scale changes to the senior management structure have been implemented in the last year to progress the collaboration with Broadland District Council and realise the *Two Councils – One Team* approach. Governance regarding this has been carefully considered, with joint procedures and terms of reference established for joint appointment panels as appropriate. Furthermore, shared officer employment rules have also been adopted by both authorities.

Managers' Assurance Statements for 2018/19

Managers across the Council completed an Assurance Statement relating to their service area. The Assurance Statements were based on last year and presented a broadened reflection compared to previous years. The statements were completed by all Heads of Service, or equivalent, and then signed off by the officer of CMLT responsible for the service area.

The Assurance Statement asked specific questions about; policy and procedure; effectiveness of key controls, alignment of services with the business plan, human resources, finance, risks and controls, health and safety, procurement, insurance, information technology, data protection, freedom of information, business continuity, partnerships and equalities. A yes / partial / no response was required with evidence and action needed noted. Each Manager also needed to note any issues that they felt represented a significant control item or governance issue.

Overall, governance regarding closer working relationships with Broadland District Council emerged as a key theme, as referenced above. Although not resulting in non-compliance, officers noted in their responses that policies, procedures etc would require review in light of the collaboration with Broadland District Council. This will be an area of work that is progressed in the coming year as the two Councils' officers begin to work closer together as one team. Alignment of key policies will be prioritised, particularly those that relate to staff eg, terms and conditions.
Procurement has been raised across some areas of the Council as requiring some attention, particularly as exemptions have been required in some cases. The Procurement Consortium Manager has already begun to address these issues with further guidance provided to specific teams and meetings planned to review annual forward plans of work so that issues do not arise in future.

The responses have highlighted that governance arrangements are mainly consistent across the Council. Where partial responses have been provided, managers have already identified actions that are being progressed to address these areas and the Assistant Director of Governance and Business Support will review progress during 2019/20, with updates being sought from Managers.

Internal Audit

The Head of Internal Audit has concluded that the overall opinion in relation to the framework of governance, risk management and control at South Norfolk Council is reasonable. The Head of Internal Audit has also highlighted that 12 of the 13 assurance audits completed within year resulted in a positive assurance, with no priority one recommendations raised.

The Head of Internal Audit has highlighted that a limited assurance opinion was reached for Cyber Crime.  A total of 18 recommendations were raised; eight priority two and 10 priority three. The agreed recommendations will ensure that associated operational risks are managed to improve cyber security maturity. All agreed recommendations are due to be addressed by August 2019.

The Head of Internal Audit has also drawn attention to two outstanding important recommendations raised in 2017/18. The first relates to the Service Desk report and the to the implementation of a formal change management policy due for 30 April 2019 and the second relates to the Business Continuity and Disaster Recovery report and developing a disaster recovery test plan due for August 2019.

A further twelve important recommendations from 2018/19 are outstanding. In response to all audit recommendations, the Council has developed an action plan to ensure that recommendations are implemented.

Risk Management

A risk management framework is in place to ensure a consistent approach at the Council, with risks identified as Strategic, Directorate or Operational.

Reports on risk management were taken to the Cabinet on a quarterly basis during 2018/19. These reports cover all strategic risks that the Council actively manages; each risk has an agreed action plan managed by Officers and monitored on a quarterly basis by Councillors by way of the accompanied report. Directorate and Operational risks are reviewed quarterly with any significant changes also reported to Cabinet.

Risks are added to the register as and when they are identified and all risks are reviewed regularly with further consideration by CMLT.

## Review and Approval of the Annual Governance Statement

The annual review of governance is coordinated by the Head of Governance, involving senior managers across the Council and reviewed by the Strategic Leadership Team. This Annual Governance Statement is considered in draft by the Finance, Resources, Audit and Governance Committee and amended to reflect the Committee's considerations and the views of the external auditor. The revised Annual Governance Statement is then formally reviewed and approved by the Finance, Resources, Audit and Governance Committee, prior to the approval of the Council's annual accounts.

## Certification

We are satisfied that appropriate arrangements are in place to address improvements in our review of effectiveness. Progress on these improvements and mitigation of risks will be monitored through the year and considered at our nest annual review.

Trevor Holden, Managing Director

(Chairman of the Finance, Resources, Audit and Governance Committee) – Lead Councillor

# STATEMENT OF RESPONSIBILITIES

**The Council's Responsibilities**
The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has the responsibility for the administration of those affairs. In this authority that Officer is the Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

**The Director of Resources Responsibilities**
The Director of Resources 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).

In preparing this Statement of Accounts, the Director of Resources 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 Director of Resources has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2019.

D. E. Lorimer

______________________________

Deborah Lorimer FCCA
(Director of Resources)

Date: 27th September 2019

# EXPENDITURE AND FUNDING ANALYSIS

| | Year ended 31 March 2018 | | |
|---|---|---|---|
| | Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding and Accounting Basis (Note 8) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| | £000s | £000s | £000s |
| Chief Executive directorate | 5,299 | 777 | 6,076 |
| Communities and Wellbeing directorate | 1,588 | 1,995 | 3,583 |
| Growth and Business Development directorate | 3,218 | 143 | 3,361 |
| Corporate Management | 1,220 | 63 | 1,283 |
| **Net Cost of Services** | **11,325** | **2,978** | **14,303** |
| Other Income and Expenditure | (15,664) | (766) | (16,430) |
| **(Surplus)/Deficit for the Year** | **(4,339)** | **2,212** | **(2,127)** |
| Opening General Fund (including Earmarked Reserves) | (18,363) | | |
| (Surplus)/Deficit on General Fund Balance for the Year | (4,339) | | |
| **Closing General Fund Balance (including Earmarked Reserves)** | **(22,702)** | | |

| | Year ended 31 March 2019 | | |
|---|---|---|---|
| | Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding and Accounting Basis (Note 8) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| | £000s | £000s | £000s |
| Chief Executive directorate | 5,778 | 628 | 6,406 |
| Communities and Wellbeing directorate | 1,969 | 1,999 | 3,968 |
| Growth and Business Development directorate | 3,853 | 228 | 4,081 |
| Corporate Management | 1,979 | 701 | 2,680 |
| **Net Cost of Services** | **13,579** | **3,556** | **17,135** |
| Other Income and Expenditure | (11,968) | (5,100) | (17,068) |
| **(Surplus)/Deficit for the Year** | **1,611** | **(1,544)** | **67** |
| Opening General Fund (including Earmarked Reserves) | (22,702) | | |
| (Surplus)/Deficit on General Fund Balance for the Year | 1,611 | | |
| **Closing General Fund Balance (including Earmarked Reserves)** | **(21,091)** | | |

*The Expenditure and Funding Analysis is a note to the Financial Statements; however, it is positioned here as it provides a link from the figures reported in the Narrative Report to the Comprehensive Income and Expenditure Statement*

# MOVEMENT IN RESERVES STATEMENT

**Movement in Reserves Statement**

| | General Fund Balance £000s | Capital Receipts Reserve £000s | Capital Grants Unapplied Account £000s | Total Usable Reserves £000s | Unusable Reserves £000s | Total Council Reserves £000s |
|---|---|---|---|---|---|---|
| **Balance brought forward as at 1 April 2017** | **18,363** | **4,008** | **0** | **22,371** | **(6,185)** | **16,186** |
| **Movement in Reserves during 2017/18:** | | | | | | |
| Total Comprehensive Expenditure and Income | 2,127 | **0** | **0** | **2,127** | 4,749 | **6,876** |
| Adjustments between accounting basis & funding basis under regulations (Note 8) | 2,212 | (1,421) | 0 | **791** | (791) | **0** |
| **Increase/Decrease in Year** | **4,339** | **(1,421)** | **0** | **2,918** | **3,958** | **6,876** |
| **Balance carried forward at 31 March 2018** | **22,702** | **2,587** | **0** | **25,289** | **(2,227)** | **23,062** |
| **Movement in Reserves during 2018/19:** | | | | | | |
| Total Comprehensive Expenditure and Income | (67) | 0 | 0 | **(67)** | (10,603) | **(10,670)** |
| Adjustments between accounting basis & funding basis under regulations (Note 8) | (1,544) | (2,022) | 588 | **(2,978)** | 2,978 | **0** |
| **Increase/Decrease in Year** | **(1,611)** | **(2,022)** | **588** | **(3,045)** | **(7,625)** | **(10,670)** |
| **Balance carried forward at 31 March 2019** | **21,091** | **565** | **588** | **22,244** | **(9,852)** | **12,392** |

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | Year ended 31 March 2019 | | | Year ended 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | Gross Expenditure | Gross Income | Net | Gross Expenditure | Gross Income | Net |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| ***Gross expenditure, gross income and net expenditure of continuing operations:-*** | | | | | | |
| Chief Executive directorate | 7,554 | (1,148) | 6,406 | 7,669 | (1,593) | 6,076 |
| Communities and Wellbeing directorate | 33,853 | (29,885) | 3,968 | 34,540 | (30,957) | 3,583 |
| Growth and Business Development directorate | 12,431 | (8,350) | 4,081 | 10,973 | (7,612) | 3,361 |
| Corporate Management | 2,750 | (70) | 2,680 | 1,300 | (17) | 1,283 |
| **Cost of Services** | **56,588** | **(39,453)** | **17,135** | **54,482** | **(40,179)** | **14,303** |
| ***Other Operating Expenditure:*** | | | | | | |
| Precepts paid to Parish Councils | | | 3,632 | | | 3,361 |
| (Gain)/Loss on disposal of non-current assets | | | (232) | | | (1,290) |
| Payments to Housing capital receipts pool | | | 0 | | | 1 |
| ***Financing and Investment Income and Expenditure:-*** | | | | | | |
| Interest payable or similar charges | | | 20 | | | 10 |
| (Gain)/Loss on trading accounts | | | (347) | | | (331) |
| Other investment property income | | | (30) | | | (30) |
| Pensions interest (income)/expenditure | | | 1,510 | | | 1,466 |
| Investment interest income | | | (927) | | | (653) |
| (Gain)/Loss on revaluation of investments | | | 0 | | | 490 |
| (Gain)/Loss on revaluation of Investment Property and Assets Held for Sale | | | 952 | | | 402 |
| ***Taxation and Non-Specific Grant Income and Expenditure:-*** | | | | | | |
| Council Tax Income | | | (10,695) | | | (9,957) |
| Business Rates Income and Expenditure | | | (4,886) | | | (4,388) |
| Capital Grants (Note 28) | | | (1,601) | | | (90) |
| General Grants (Note 28) | | | (4,464) | | | (5,421) |
| **(Surplus)/Deficit on provision of service for the Year** | | | **67** | | | **(2,127)** |
| (Surplus)/deficit on revaluation of property, plant and equipment assets (Note 24) | | | 398 | | | (824) |
| Remeasurement of the pensions net defined benefit liability/(asset) | | | 10,205 | | | (3,925) |
| **Other Comprehensive Income and Expenditure** | | | **10,603** | | | **(4,749)** |
| **Total Comprehensive Income and Expenditure** | | | **10,670** | | | **(6,876)** |

# BALANCE SHEET

| | As at 31 March 2019 £000s | As at 31 March 2018 £000s |
|---|---|---|
| **Non Current Assets** | | |
| Property, Plant & Equipment (Note 10) | 31,152 | 28,342 |
| Intangible Fixed Assets | 341 | 307 |
| Investment Properties (Note 11) | 12,596 | 11,901 |
| Long Term Investments (Note 16) | 6,493 | 5,880 |
| Long Term Debtors (Note 15) | 11,251 | 3,947 |
| **Total Non-Current Assets** | **61,833** | **50,377** |
| | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 18) | 13,194 | 17,803 |
| Debtors (Note 17) | 6,350 | 16,984 |
| Short Term Investments (Note 19) | 17,017 | 5,500 |
| Inventories | 5 | 7 |
| **Total Current Assets** | **36,566** | **40,294** |
| | | |
| **Current Liabilities** | | |
| Creditors (Note 20) | (10,728) | (8,554) |
| Revenue Grants Receipts in Advance (Note 28) | (152) | (355) |
| Capital Grants Receipts in Advance (Note 28) | (72) | 0 |
| Short Term Provisions (Note 21) | (1,766) | (672) |
| **Total Current Liabilities** | **(12,718)** | **(9,581)** |
| | | |
| **Long Term Liabilities** | | |
| Long Term Creditors (Note 22) | (1,174) | (1,024) |
| Grants Receipts in Advance (Note 28) | (2,930) | (1,756) |
| Provisions (Note 21) | (371) | (399) |
| Pension Scheme Liability (Note 32) | (68,814) | (54,849) |
| **Total Long Term Liabilities** | **(73,289)** | **(58,028)** |
| | | |
| **Net Assets** | **12,392** | **23,062** |
| | | |
| **Usable Reserves** | | |
| General Fund Balance | 1,400 | 1,400 |
| General Reserves (Note 23) | 19,691 | 21,302 |
| Usable Capital Receipts Reserve | 565 | 2,587 |
| Capital Grants Unapplied | 588 | 0 |
| | | |
| **Unusable Reserves (Note 24)** | | |
| Capital Adjustment Account | 51,263 | 45,079 |
| Collection Fund Adjustment Account | (98) | (599) |
| Deferred Capital Receipts Reserve | 12 | 12 |
| Pension Reserve | (68,814) | (54,849) |
| Revaluation Reserve | 7,849 | 8,405 |
| Short Term Accumulated Absences Account | (64) | (275) |
| | | |
| **Total Net Worth** | **12,392** | **23,062** |

These financial statements replace the unaudited financial statements certified by Deborah Lorimer FCCA on 31st May 2019.

D. E Lorimer

27th September 2019

# CASHFLOW STATEMENT

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| **Net Surplus/(Deficit) on the provision of services** | **(67)** | **2,126** |
| Adjustment to surplus or deficit on the provision of services for noncash movements | 10,847 | 1,875 |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (4,355) | (2,467) |
| Net Cash flows from Operating activities | 6,425 | 1,534 |
| | | |
| Net Cash flows from Investing Activities | (18,009) | 1,267 |
| Net Cash flows from Financing Activities | 6,975 | (99) |
| Net increase or (decrease) in cash and cash equivalents | (4,609) | 2,702 |
| | | |
| Cash and cash equivalents at the beginning of the reporting period | 17,803 | 15,101 |
| | | |
| **Cash and cash equivalents at the end of the reporting period (Note 18)** | **13 ,194** | **17,803** |

The cash flows for operating activities include the following items:

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Interest received | 910 | 724 |
| Interest paid | (20) | (10) |
| | **890** | **714** |

The surplus on the provision of services has been adjusted for the following non-cash movements:

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Depreciation | 1,481 | 1,405 |
| Impairment and downward valuations | (723) | (247) |
| Amortisation | 158 | 135 |
| Movement in contract assets, liabilities and costs (IFRS 15) | 657 | 0 |
| Increase/(decrease) in creditors | (118) | 1954 |

| | | |
|---|---|---|
| (Increase)/decrease in debtors | 4,608 | (4,799) |
| (Increase)/decrease in inventories | 2 | (2) |
| Movement in pension liability | 3,758 | 3,126 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 6 | 34 |
| Other non-cash items charged to the net surplus on the provision of services | 1,017 | 269 |
| | **10,847** | **1,875** |

The surplus on the provision of services has been adjusted for the following items that are investing and financing activities:

| | **31 March 2019** | **31 March 2018** |
|---|---|---|
| | **£000s** | **£000s** |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (239) | (1,319) |
| Any other items for which the cash effects are investing or financing cash flows | (4,116) | (1,148) |
| | **(4,355)** | **(2,467)** |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

At the Balance Sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom. These standards are not expected to have a material impact on the Council's financial statements:

- IAS 40 Investment Property: Transfers of Investment Property
- Amendments to IFRS 9 Financial Instruments: Prepayment features with Negative Compensation
- IFRIC 22 Foreign Currency Transactions and Advance consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle
- IFRS 16 Leases The standard will require local authorities who are lessees to recognise, where applicable, leases on their balance sheet as right-of-use assets, with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/Local Authority Accounts Advisory Committee (LASAAC) have deferred implementation of IFRS16 for local government to 1st April 2020.

## 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Judgement is applied to decisions concerning the authority's property, plant and equipment in matters such as determining the classification of each asset and the appropriate basis for valuation. Assets are classified according to their characteristics, after comparing them to the guidelines set out within the Code and accountancy standards, with these classifications kept under review. Valuations are made by a professional with appropriate and relevant qualifications at intervals not exceeding five years.

Appeals lodged against NNDR assessments may succeed, resulting in the need to refund all or part of the NNDR paid by the business concerned. The authority has considered the potential effect of the appeals outstanding as at 31 March 2019 and has made a reasoned judgement of the potential effect of these appeals.

## 3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Statement of Accounts requires the Council to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year.

However, the nature of estimation means that actual outcomes could differ from those estimates. The key adjustments and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows :-

**Property, Plant and Equipment**
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall.

**Pension Liability**
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Currently these assumptions are calculated for South Norfolk Council by expert actuaries, Hymans Robertson LLP. They provide South Norfolk Council with expert advice about the assumptions that need to be applied. The pension liability as at 31 March 2019 is £67.7 million. Further details can be found in Note 32.

**NNDR Appeals and Localisation of Business Rates**
Billing authorities are required to estimate and make provisions for the liabilities likely to arise from successful appeals against NNDR (Business Rates) bills issued as at 31 March each year. The authority has made a total provision for appeals of £1,527,000, which is detailed in Note 21 of the accounts. In addition it has an earmarked reserve to deal with all financial risks related to the Business Rates system and this is shown in Note 23 of the accounts. The operation of the Business Rates system is currently under review at a national level and changes are expected to impact from 2020/21 onwards.

## 4. MATERIAL ITEMS OF INCOME AND EXPENSE

Material items of income and expense which are not disclosed separately on the face of the Comprehensive Income and Expenditure Statement are as follows:

- Housing Benefit subsidy of £23.676 million is included in the Cost of Services section in the top half of the Comprehensive Income and Expenditure Statement. This income is the result of a claim made to the Department of Work and Pensions and reimburses the expenditure incurred by the authority for those amounts paid to recipients of housing benefit in the local community. (See Note 28).

- Pension costs charged to the Comprehensive Income and Expenditure Statement on page 30 are shown in Note 32.

## 5. EVENTS AFTER BALANCE SHEET DATE

The Statement of Accounts were authorised for issue by the Director of Resources on 31st May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Year ended 31 March 2018 | | | |
|---|---|---|---|---|
| | **Adjustments for Capital Purposes (Note 1) £000s** | **Net change for Pensions Adjustments (Note 2) £000s** | **Other differences (Note 3) £000s** | **Total Adjustments 2017/18 £000s** |
| Chief Executive directorate | 363 | 426 | (12) | 777 |
| Communities and Wellbeing directorate | 1,536 | 518 | (59) | 1,995 |
| Growth and Business Development directorate | (506) | 766 | (117) | 143 |
| Corporate Management | 0 | 63 | 0 | 63 |
| **Cost of Services** | **1,393** | **1,773** | **(188)** | **2,978** |
| Other income and expenditure from the Expenditure and Funding Analysis | (2,247) | 1,404 | 77 | (766) |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provisions of Services** | **(854)** | **3,177** | **(111)** | **2,212** |

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Year ended 31 March 2019 | | | |
|---|---|---|---|---|
| | **Adjustments for Capital Purposes (Note 1) £000s** | **Net change for Pensions Adjustments (Note 2) £000s** | **Other differences (Note 3) £000s** | **Total Adjustments 2018/19 £000s** |
| Chief Executive directorate | 263 | 404 | (39) | 628 |
| Communities and Wellbeing directorate | 1,558 | 502 | (61) | 1,999 |
| Growth and Business Development directorate | (363) | 701 | (110) | 228 |
| Corporate Management | 0 | 701 | 0 | 701 |
| **Cost of Services** | **1,458** | **2,308** | **(210)** | **3,556** |
| Other income and expenditure from the Expenditure and Funding Analysis | (5,722) | 1,450 | (502) | (4,774) |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provisions of Services** | **(4,264)** | **3,758** | **(712)** | **(1,218)** |

### (1) Adjustments for Capital Purposes

- Adjustments for capital purposes – this column adds in depreciation, amortisation, 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 those assets.
  - Financing and Investment income and expenditure – the statutory charges for capital financing i.e. Revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**(2) Net Change for 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 pensions 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:
  - For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
  - The charge under Taxation and Non-Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## 7. EXPENDITURE AND INCOME ANALYSED BY NATURE

| | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| **Expenditure/Income** | | |
| **Expenditure** | | |
| Employee benefits expenses | 18,994 | 17,752 |
| Depreciation, amortisation, impairment & REFCUS | 3,500 | 2,749 |
| Interest payments | 1,530 | 1,476 |
| Precepts and levies | 3,632 | 3,361 |
| Gain on disposal of assets | (232) | (1,290) |
| Gain/loss on revaluation | 952 | 892 |
| Other expenditure | 43,508 | 43,131 |
| **Total expenditure** | **71,884** | **68,071** |
| | | |
| **Income** | | |
| Fees, charges and other income | (14,028) | (14,044) |
| Interest and investment income | (221) | (160) |
| Income from Council Tax and Non-Domestic Rates | (24,367) | (23,021) |
| Government grants and contributions | (33,202) | (32,973) |
| **Total income** | **(71,817)** | **(70,198)** |
| **(Surplus)/Deficit on Provision of Services** | **67** | **(2,127)** |

## 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

The following sets out a description of the reserves that the adjustments are made against:

**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. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with generally accepted accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

**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 at the year-end.

| Year ended 31 March 2018: | General Fund Balance | Capital Receipts Reserve | Movement in Unusable Reserves |
|---|---|---|---|
| | **£000s** | **£000s** | **£000s** |
| **Adjustments Primarily involving the Capital Adjustment Account** | | | |
| **Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement** | | | |
| Amortisation of Intangible Assets | 135 | 0 | (135) |
| Depreciation of Property, Plant & Equipment | 1,405 | 0 | (1,405) |
| Gain/(Loss) on revaluation of Property, Plant & Equipment | (247) | 0 | 247 |
| Government Grants & Contributions | (1,148) | 0 | 1,148 |
| Revenue Expenditure funded from Capital Under Statute | 1,457 | 0 | (1,457) |
| 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 | 34 | 0 | (34) |
| Gain/(Loss) on revaluation of Investments | 490 | 0 | (490) |
| Gain/(Loss) on revaluation of Investment Properties and Assets Held for Sale | 402 | 0 | (402) |
| Capital grants and contributions applied credited to the Comprehensive Income and Expenditure Account | 0 | 0 | 0 |
| | **2,528** | **0** | **(2,528)** |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement** | | | |
| Capital Expenditure financed from Revenue | (2,064) | 0 | 2,064 |
| | **(2,064)** | **0** | **2,064** |
| **Adjustments Primarily involving the Capital Receipts Reserve** | | | |
| Transfer from Usable Capital Receipts | 1 | 176 | (177) |
| Transfer of Cash Sale Proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement | (1,319) | 1,319 | 0 |
| Use of the Capital Receipts Reserve to finance new Capital Expenditure | 0 | (2,916) | 2,916 |
| | **(1,318)** | **(1,421)** | **2,739** |
| **Adjustments primarily involving the Pensions Reserve** | | | |
| Employers pension contribution | (2,506) | 0 | 2,506 |
| Net charges made for retirement benefits | 5,683 | 0 | (5,683) |
| | **3,177** | **0** | **(3,177)** |
| **Other adjustments** | | | |
| Adjustments involving the Collection Fund Adjustment Account | 78 | 0 | (78) |
| Short Term Accumulated Absences | (189) | 0 | 189 |
| | **(111)** | **0** | **111** |
| **Net Additional amount to be charged/(credited) to the General Fund** | **2,212** | **(1,421)** | **791** |

| Year ended 31 March 2019: | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Movement in Unusable Reserves |
|---|---|---|---|---|
| | £000s | £000s | £000s | £000s |
| **Adjustments Primarily involving the Capital Adjustment Account** | | | | |
| **Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement** | | | | |
| Amortisation of Intangible Assets | 158 | 0 | 0 | (158) |
| Depreciation of Property, Plant & Equipment | 1,482 | 0 | 0 | (1,482) |
| Gain/(Loss) on revaluation of Property, Plant & Equipment | (565) | 0 | 0 | 565 |
| Government Grants & Contributions | (3,177) | 0 | 0 | 3,177 |
| Revenue Expenditure funded from Capital Under Statute | 2,425 | 0 | 0 | (2,425) |
| 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 | 6 | 0 | 0 | (6) |
| Gain/(Loss) on revaluation of Investments | 0 | 0 | 0 | 0 |
| Gain/(Loss) on revaluation of Investment Properties and Assets Held for Sale | 952 | 0 | 0 | (952) |
| Capital grants and contributions applied credited to the Comprehensive Income and Expenditure Account | (262) | 0 | 262 | 0 |
| | **1,019** | **0** | **262** | **(1,281)** |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement** | | | | |
| Capital Expenditure financed from Revenue | (5,042) | 0 | 0 | 5,042 |
| | **(5,042)** | **0** | **0** | **5,042** |
| **Adjustments Primarily involving the Capital Receipts Reserve** | | | | |
| Transfer from Usable Capital Receipts | 0 | 5,443 | 0 | (5,443) |
| Transfer of Cash Sale Proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement | (241) | 241 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new Capital Expenditure | 0 | (7,706) | 0 | 7,706 |
| | **(241)** | **(2,022)** | **0** | **2,263** |
| **Adjustments primarily involving the Pensions Reserve** | | | | |
| Employers pension contribution | (2,658) | 0 | 0 | 2,658 |
| Net charges made for retirement benefits | 6,416 | 0 | 0 | (6,416) |
| | **3,758** | **0** | **0** | **(3,758)** |
| **Other adjustments** | | | | |
| Adjustments involving the Collection Fund Adjustment Account | (501) | 0 | 0 | 501 |
| Short Term Accumulated Absences | (211) | 0 | 0 | 211 |
| | **(712)** | **0** | **0** | **712** |
| **Net Additional amount to be charged/(credited) to the General Fund** | **(1,218)** | **(2,022)** | **262** | **(2,978)** |

## 9. DISCLOSURE ON TRANSITION TO IFRS 15

The following table shows the impact of adopting IFRS 15 Revenue from Contracts with Customers on the Council's accounts for the year. The Council has calculated the effect of recognising income to match the stage of delivery of contracts to customers of its services.

| | Impact of change in accounting policies | | |
|---|---|---|---|
| | As reported (2018/19) | Adjustments | Amounts without adoption of IFRS 15 |
| | £000s | £000s | £000s |
| **Comprehensive Income and Expenditure Statement for the year ended 31 March 2019** | | | |
| **Gross expenditure** | | | |
| Growth and Business Development directorate | 12,432 | 700 | 13,132 |
| **Cost of Services - gross expenditure** | **56,588** | **700** | **57,288** |
| **Cost of Services - net** | **17,135** | **700** | **17,835** |
| **(Surplus)/Deficit on provision of service for the Year** | **67** | **700** | **767** |
| **Total Comprehensive Income and Expenditure** | **9,840** | **700** | **10,540** |
| | | | |
| **Balance Sheet as at 31 March 2019** | | | |
| Creditors | (10,728) | 700 | (10,028) |
| General Reserves | 19,691 | (700) | 18,991 |
| **Net Assets** | **12,392** | **700** | **13,092** |
| | | | |
| **Cashflow Statement for year ended 31 March 2019** | | | |
| Non-cash movements: | | | |
| Contract Liabilities | 657 | (657) | 0 |
| **Net cashflows from Operating Activities** | **6,425** | **(657)** | **5,768** |

## 10. PROPERTY, PLANT & EQUIPMENT

Movements in Property, Plant & Equipment during 2017/18 were as follows:

| | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment |
|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| **Valuation as at 1 April 2017** | **22,044** | **9,683** | **50** | **1,078** | **53** | **32,908** |
| Reclassifications | 0 | 48 | 0 | 320 | (48) | **320** |
| Additions | 10 | 912 | 0 | 0 | 261 | **1,183** |
| Revaluation increase/(decrease) recognised in the Revaluation Reserve | 442 | 0 | 0 | 27 | 0 | **469** |
| Revaluation increase/(decrease) recognised in the (Surplus) / Deficit on Provision of Services | 148 | 0 | 0 | 0 | 0 | **148** |
| Impairment losses written out to the Comprehensive Income & Expenditure Statement | 0 | (97) | 0 | 0 | 0 | **(97)** |
| De-recognition - disposals | 0 | (836) | 0 | 0 | 0 | **(836)** |
| **Value as at 31 March 2018** | **22,644** | **9,710** | **50** | **1,425** | **266** | **34,095** |
| **Accumulated Depreciation** | | | | | | |
| **At 1 April 2017** | **(82)** | **(5,570)** | **(50)** | **0** | **0** | **(5,702)** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation charge | (441) | (964) | 0 | 0 | 0 | (1,405) |
| Depreciation written out to the Revaluation Reserve | 355 | 0 | 0 | 0 | 0 | 355 |
| Depreciation written out to the Comprehensive Income & Expenditure Statement | 116 | 81 | 0 | 0 | 0 | 197 |
| De-recognition - disposals | 0 | 802 | 0 | 0 | 0 | 802 |
| **At 31 March 2018** | **(52)** | **(5,651)** | **(50)** | **0** | **0** | **(5,753)** |
| **Net Book Value at 31 March 2018** | **22,592** | **4,059** | **0** | **1,425** | **266** | **28,342** |

Movements in Property, Plant & Equipment during 2018/19 were as follows:

| | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment |
|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| **Valuation as at 1 April 2018** | **22,644** | **9,710** | **50** | **1,425** | **266** | **34,095** |
| Reclassifications | 1,836 | 25 | 0 | 0 | (2,002) | **(141)** |
| Additions | 36 | 2,437 | 0 | 0 | 1,791 | **4,264** |
| Revaluation increase/(decrease) recognised in the Revaluation Reserve | (761) | 0 | 0 | 0 | 0 | **(761)** |
| Revaluation increase/(decrease) recognised in the (Surplus) / Deficit on Provision of Services | 566 | 0 | 0 | 0 | 0 | **566** |
| Impairment losses written out to the Comprehensive Income & Expenditure Statement | 0 | (36) | 0 | 0 | 0 | **(36)** |
| De-recognition - disposals | 0 | (463) | 0 | 0 | 0 | **(463)** |
| **Value as at 31 March 2019** | **24,321** | **11,673** | **50** | **1,425** | **55** | **37,524** |
| **Accumulated Depreciation** | | | | | | |
| **At 1 April 2018** | **(52)** | **(5,651)** | **(50)** | **0** | **0** | **(5,753)** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation charge | (425) | (1,056) | 0 | 0 | 0 | (1,481) |
| Depreciation written out to the Revaluation Reserve | 364 | 0 | 0 | 0 | 0 | 364 |
| Depreciation written out to the Comprehensive Income & Expenditure Statement | 14 | 21 | 0 | 0 | 0 | 35 |
| De-recognition - disposals | 0 | 463 | 0 | 0 | 0 | 463 |
| **At 31 March 2019** | **(99)** | **(6,223)** | **(50)** | **0** | **0** | **(6,372)** |
| **Net Book Value at 31 March 2019** | **24,222** | **5,450** | **0** | **1,425** | **55** | **31,152** |

## Analysis of Property, Plant & Equipment

| | No. of Assets | NBV as at 31 March 2019 £000s | NBV as at 31 March 2018 £000s |
|---|---|---|---|
| **Operational** | | | |
| **Land & Buildings** | | | |
| Car Parks | 18 | 2,101 | 1,431 |
| Depot | 1 | 315 | 319 |
| Hostels | 2 | 845 | 467 |
| Leisure Centre & Pool | 1 | 10,143 | 10,339 |
| Office | 1 | 3,455 | 3,372 |
| Public Conveniences | 7 | 632 | 647 |
| Swimming Pool | 1 | 2,657 | 2,789 |
| Travellers Site | 1 | 14 | 14 |
| Leisure Centre | 1 | 4,060 | 3,214 |
| **Land & Buildings Total** | | **24,222** | **22,592** |

| | | |
|---|---|---|
| **Vehicles, Plant & Equipment** | | |
| Vehicles | 2,766 | 2,388 |
| Wheeled Bins | 660 | 653 |
| Other | 2,024 | 1,018 |
| **Vehicles, Plant & Equipment Total** | **5,450** | **4,059** |
| | | |
| **Infrastructure assets** | | |
| Access road | **0** | **0** |
| **Operational Total** | **29,672** | **26,651** |
| | | |
| **Non Operational** | | |
| **Surplus Assets** | | |
| Land Awaiting Development | 1,425 | 1,425 |
| **Surplus Assets Total** | **1,425** | **1,425** |
| | | |
| **Assets Under Construction** | | |
| Assets Under Construction | 55 | 266 |
| **Assets Under Construction Total** | **55** | **266** |
| | | |
| **Non Operational Total** | **1,480** | **1,691** |
| | | |
| **Total Property, Plant & Equipment** | **31,152** | **28,342** |

## Depreciation of Vehicles, Plant & Equipment

Assets are depreciated on a straight-line basis over the useful life of the asset as determined by the valuer (for buildings) and internally (for vehicles, plant and equipment). A review of remaining useful life was undertaken and revisions made where necessary.

| Class of Asset | Remaining Useful Life (years) |
|---|---|
| Buildings | 38 - 56 |
| Plant and Equipment | 0 - 20 |
| Vehicles | 0 - 7 |

## Capital Commitments and Revaluations

As at 31 March 2019, the Council had the following capital commitments:

- Refuse Collection Vehicles £373,000

The Council carries out a rolling programme that ensures that all Land and Buildings required to be measured at fair value are revalued at least every 5 years by an external valuer in accordance with the Council's Accounting Policy.

| | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment |
|---|---|---|---|---|---|---|
| | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** |
| Carried at historical cost | 0 | 11,673 | 50 | 0 | 55 | **11,778** |
| Valued at fair value as at: | | | | | | |
| 31-Mar-15 | 345 | 0 | 0 | 0 | 0 | **345** |
| 31-Mar-16 | 43 | 0 | 0 | 26 | 0 | **69** |
| 31-Mar-17 | 662 | 0 | 0 | 1,052 | 0 | **1,714** |
| 31-Mar-18 | 518 | 0 | 0 | 347 | 0 | **865** |
| 31-Mar-19 | 22,753 | 0 | 0 | 0 | 0 | **22,753** |
| | **24,321** | **11,673** | **50** | **1,425** | **55** | **37,524** |

### Fair Value Hierarchy

All of the Council's surplus assets valued as part of the five year rolling programme have been assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policy 16 for an explanation of the fair value levels).

### Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets

The fair value for surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar assets are actively purchased and sold and the level of observable inputs are significant, leading to the assets being categorised at Level 2 in the fair value hierarchy.

### Highest and Best Use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of the assets is their current use.

### Valuation Process for Surplus Assets

The Council's surplus assets that are due for valuation as part of the five year rolling programme, have been valued as at 31st March 2019 by Wilks, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 11. INVESTMENT PROPERTIES

The Council has let out some of its properties and surplus land under operating leases. The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement within the lines (Gain)/Loss on trading accounts and other investment property income.

| | 2018/19<br>£000s | 2017/18<br>£000s |
|---|---|---|
| Rental income from investment property | (449) | (406) |
| Direct operating expenses arising from investment property | 167 | 101 |
| Net (gain)/loss | **(282)** | **(305)** |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement except for those properties which it leases out and is obliged to repair when necessary.

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

| | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| **Balance as at 1 April** | **11,901** | **12,252** |
| Additions: | | |
| Purchases | 1,593 | 0 |
| Subsequent Expenditure | 53 | 51 |
| Net Gain/(Loss) from Fair Value adjustments | (951) | (402) |
| **Balance as at 31 March** | **12,596** | **11,901** |

With regard to the Council's activity as a lessor, the gross value of assets held for use and leased out under operating leases was £9,652,300 (2017/18: £8,308,100). As these assets are held as investment properties, in accordance with the Code, no depreciation is charged upon them.

### Fair Value Hierarchy

All of the Council's investment properties have been assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policy 16 for an explanation of the fair value levels).

### Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value for the investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

### Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### Valuation Process for Investment Properties

The Council's investment properties have been valued as at 31st March 2019 by Wilks, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 12. FINANCE LEASES

The Council holds Wymondham leisure centre under a finance lease which is accounted for as an operational asset under property, plant and equipment as part of its non-current assets. Only a peppercorn rent is payable for this lease which began in 1993 for a lease term of 125 years. As at the 31st March 2019 the value of this asset was £10,143,000.

| | Net Book Value as at 31 March 2017 | Additions 2017/18 | Depreciation 2017/18 | Revaluations 2017/18 | Net Book Value as at 31 March 2018 |
|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| Leisure Centre | 9,400 | 0 | (211) | 1,150 | 10,339 |
| **Total Property, Plant & Equipment** | **9,400** | **0** | **(211)** | **1,150** | **10,339** |

| | Net Book Value as at 31 March 2018 | Additions 2018/19 | Depreciation 2018/19 | Revaluations 2018/19 | Net Book Value as at 31 March 2019 |
|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| Leisure Centre | 10,339 | 0 | (219) | 23 | 10,143 |
| **Total Property, Plant & Equipment** | **10,339** | **0** | **(219)** | **23** | **10,143** |

## 13. OPERATING LEASES

### Lessor

With regard to the Council's activity as a lessor, some of its properties and surplus land are held by tenants under operating leases. Rentals received are shown below:

| | 2018/19 | 2017/18 |
|---|---|---|
| | £000s | £000s |
| Land | 11 | 10 |
| Car Parks | 59 | 33 |
| | **70** | **43** |

The gross value of assets held and leased out under operating leases was £401,768.

The Council leases out property under operating leases for the following purposes:
- for economic development purposes to provide local business with affordable premises and agricultural land to local farmers.
- for the provision of community services such as town council premises, garage/garden plots and travellers site.

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

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| | £000s | £000s |
| Not later than 1 year | 55 | 55 |
| Later than 1 year but not later than 5 years | 220 | 220 |
| Later than 5 years | 851 | 906 |
| **Total Payments Receivable** | **1,126** | **1,181** |

## 14. FINANCIAL INSTRUMENTS

The following categories of Financial Instruments are carried in the Balance Sheet.

| | Non-Current | | | | | |
|---|---|---|---|---|---|---|
| | Investments | | Debtors | | Totals | |
| **Note 14.1 Financial Assets** | **31 March 2019 £000s** | **31 March 2018 £000s** | **31 March 2019 £000s** | **31 March 2018 £000s** | **31 March 2019 £000s** | **31 March 2018 £000s** |
| **Financial Assets** | | | | | | |
| Amortised cost | 0 | 0 | 893 | 970 | 893 | 970 |
| Fair Value through other comprehensive income-other | 25 | 25 | 0 | 0 | 25 | 25 |
| **Total Financial Assets** | **25** | **25** | **893** | **970** | **918** | **995** |
| Non-financial assets | 6,468 | 5,855 | 9,160 | 1,750 | 15,628 | 7,605 |
| **Total** | **6,493** | **5,880** | **10,053** | **2,720** | **16,546** | **8,600** |

| | Current | | | | | |
|---|---|---|---|---|---|---|
| | Investments | | Debtors | | Totals | |
| **Note 14.1 - Financial Assets** | **31 March 2019 £000s** | **31 March 2018 £000s** | **31 March 2019 £000s** | **31 March 2018 £000s** | **31 March 2019 £000s** | **31 March 2018 £000s** |
| **Financial Assets** | | | | | | |
| Amortised cost | 30,211 | 23,303 | 3,386 | 9,193 | 33,597 | 23,303 |
| **Total Financial Assets** | **30,211** | **23,303** | **0** | **0** | **33,597** | **23,303** |
| Non-financial assets | 0 | 0 | 0 | 0 | 0 | 9,193 |
| **Total** | **30,211** | **23,303** | **3,386** | **9,193** | **33,597** | **32,496** |
| **TOTAL FINANCIAL ASSETS** | **36,704** | **29,183** | **13,439** | **11,913** | **50,143** | **41,096** |

| Note 14.2 Financial Liabilities | Non-Current Creditors 31 March 2019 £000s | 31 March 2018 £000s | Total 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| Amortised cost | 2,981 | 1,806 | 2,981 | 1,806 |
| **Total Financial Liabilities** | **2,981** | **1,806** | **2,981** | **1,806** |

| Note 14.2 Financial Liabilities | Current Creditors 31 March 2019 £000s | 31 March 2018 £000s | Total 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| Amortised cost | 5,390 | 5,859 | 5,390 | 5,859 |
| **Total Financial Liabilities** | **5,390** | **5,859** | **5,390** | **5,859** |
| | | | | |
| **TOTAL FINANCIAL LIABILITIES** | **8,371** | **7,665** | **8,371** | **7,665** |

In accordance with the new adopted standard IFRS 9, the above financial instruments have been restated in their opening balances between the new categories as above. Non-Financial Assets include equity invested in shareholding companies incorporated by the Council (Big Sky Ventures Group). The equity shares are non-elected and will therefore be categorised as Fair Value through Profit and Loss. Elected shares will be at Fair Value Other Comprehensive Income.

Where financial assets are solely payments of principal and interest, these will be categorised at Amortised cost.

The above figures do not include Pension Liability which is already disclosed in Note 32.

Financial liabilities will be accounted for at amortised cost unless they are held for trading. The Council does not hold any such debt instruments.

**Fair Values of Financial Assets**

Some of the Council's financial assets are measured at fair value on a recurring basis. Including the valuation techniques used to measure them. The fair value hierarchy for categorising instruments is as follows:

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

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

Level 3 inputs – unobservable inputs for the asset.

| 14.3 Financial Assets Fair Value Hierarchy- Fair Value through Profit or Loss | Fair Value Hierarchy | Amount £'000 |
|---|---|---|
| Equity shareholding in Big Sky Ventures Ltd | Level 3 | £6,468 |

There have been no transfers between input levels during the year and no changes in valuation techniques.

## Fair Values of Financial Assets and Liabilities

With the exception of financial assets carried at fair value as described in table 14.3 above, all other financial liabilities and assets held by the Authority are carried in the Balance Sheet at amortised cost. The fair values are calculated as follows:

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| **Note 14.3 Fair Value disclosures Financial Liabilities** | **Carrying Amount £000s** | **Fair Value £000s** | **Carrying Amount £000s** | **Fair Value £000s** |
| Financial Liabilities held at amortised cost | 5,390 | 5,390 | 5,859 | 5,859 |
| Long Term creditors | 2,981 | 2,981 | 1,806 | 1,806 |
| **Total Financial Liabilities** | **8,371** | **8,371** | **7,665** | **7,665** |

| **Note 14.3 Fair Value disclosures Financial Assets** | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| **Financial Assets** | **Carrying Amount £000s** | **Fair Value £000s** | **Carrying Amount £000s** | **Fair Value £000s** |
| Financial Assets held at amortised cost | 30,211 | 30,211 | 23,303 | 23,303 |
| Short Term Debtors | 0 | 0 | 9,193 | 9,193 |
| Long Term Investments in Shareholding companies | 0 | 0 | 5,855 | 5,855 |
| Long Term Investments | 25 | 25 | 25 | 25 |
| Long Term Debtors Intercompany loans | 0 | 0 | 1,750 | 1,750 |
| Other Long Term Debtors | 893 | 893 | 970 | 970 |
| **Total Financial Assets** | **31,129** | **31,129** | **41,096** | **41,096** |

## Income Expenses Gains and Losses – Financial Instruments

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| **Note 14.4 Income, Expense, Gains and Losses** | **Surplus or Deficit on Provision of Services £000s** | **Other Comprehensive Income and Expenditure £000s** | **Surplus or Deficit on Provision of Services £000s** | **Other Comprehensive Income and Expenditure £000s** |
| Interest Revenue: | | | | |
| Financial Assets measured at amortised cost | 222 | 0 | 653 | 0 |
| Investment Income /Interest | 0 | 706 | 0 | 706 |
| Interest Expense | (20) | 0 | (10) | 0 |
| **Total Interest revenue** | **202** | **706** | **643** | **706** |

## Risk

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

**Credit risk** – the possibility that other parties might fail to pay amounts due to the Council.

**Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.

**Market risk** – the possibility that financial loss might arise for the Council as a result in changes in such measures as interest rates and stock market movements.

### Procedures for managing Risk

Risk management is carried out by the Treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The rating criteria used by the Council, and supplied by the three Credit Rating Agencies, is that of the lowest common denominator method of selecting counterparties and applying limits. During 2018/19, deposits were made with banks and financial institutions that were either rated independently with a minimum score of A- or equivalent and had a sovereign rating minimum of AA+ or AAA for non UK sovereigns. In accordance with the counterparty list a maximum of £7 million of the Council's Investments were deposited in excess of 1 year and up to 2 years. The Council has a policy of not lending more than £12.5 million to one institution at any one time. This limit with the approval of the Section 151 Officer and Members can be exceeded if necessary.

### Impairment Losses in accordance with the Expected Credit Loss Model

The following inputs, assumptions and estimation techniques have been used in calculating impairment loss allowances:

The expected credit loss (ECL) model applies only to contractual financial assets measured at amortised cost in respect of this Council (or Fair Value at Other Comprehensive Income if applicable). For loans and investments the loss allowance is equal to 12 Months expected credit losses unless credit loss has increased significantly in which case its equal to lifetime ECL's. There are no significant impairment losses expected within the Council's model for managing impairment, therefore a provision for losses has not been made during the year due to low materiality of 0.001%. The following table shows that the Council's ECL model has calculated expected credit losses for the year to be £4,870 and is not material.

| Borrower | Principal £'000 | Historic Risk of default | Expected Credit Loss £'000 |
|---|---|---|---|
| Lloyds | 3000 | 0.008% | 0.24 |
| Lloyds | 1000 | 0.014% | 0.14 |
| Lloyds | 5000 | 0.026% | 1.3 |
| Denbighshire CC | 5000 | 0.050% | 2.5 |
| Goldman Sachs | 2000 | 0.015% | 0.3 |
| Lloyds | 1000 | 0.039% | 0.39 |
| **Total** | **17000** | | **4.87** |

The Council has no past experience of default on any classes of its surplus funds deposited with financial institutions.

The Council does not generally extend credit to its customers beyond 30 days. At 31 March 2019, of the total debtor balances of £6.350 million (2017/18: £5.200 million), the past due amount was £1,891,000 (2017/18: £1,592,000) and can be analysed by age as follows:

| Note 14.4 Customer debts | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| **Customer debts** | | |
| Less than three months | 1,179 | 142 |
| Three months to one year | 563 | 385 |
| More than one year | 149 | 1,065 |
| **Total** | **1,891** | **1,592** |

These figures exclude £2.894 million of past due debts in relation to the Community Infrastructure Levy (CIL), since this is a statutory charge on property developments in the district. Most of the CIL debts are being paid in agreed instalments.

### Liquidity risk

As the Council has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments.

### Market Risk

### Interest rate risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council. For example, an increase in interest rates would have the following effect:

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
Investments at fixed rates – the fair value of the assets will fall.

The treasury management team have an active strategy for assessing interest rate exposure that feeds into setting the annual and revised budgets, which allows for positive or adverse changes to be accommodated.

### Price Risk

The Council does not invest in equity shares traded on the open market, so is not exposed to price risk.

**Foreign exchange risk**
The Council has no financial assets or liabilities denominated in foreign currencies so has no exposure to losses arising from movements in exchange rates.

## 15. LONG TERM DEBTORS

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Sawmills Business Park | 113 | 113 |
| Housing Renewal Loans | 115 | 114 |
| Decent Home Loans | 578 | 636 |
| Loans to Council owned companies | 9,160 | 1,750 |
| Other loans | 1,285 | 1,334 |
| **Total Long Term Debtors** | **11,251** | **3,947** |

## 16. LONG TERM INVESTMENTS

The investment figure is made up as follows:

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Other Local Authorities and Public Bodies | 25 | 25 |
| Council owned companies | 6,468 | 5,855 |
| **Total Long Term Investments** | **6,493** | **5,880** |

## 17. SHORT TERM DEBTORS

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Trade debtors | 1,766 | 4,932 |
| Local ratepayers - Council Tax and Business Rates (Council share) | 1,026 | 998 |
| Council owned companies | 439 | 6,307 |
| Other | 3,119 | 4,747 |
| **Total Short Term Debtors** | **6,350** | **16,984** |

The past due but not impaired amount for total local taxation (Council Tax and Non-Domestic Rates) can be analysed by age as follows:

| | NNDR Debtors | | Council Tax Debtors | |
|---|---|---|---|---|
| | **31 March 2019 £000s** | **31 March 2018 £000s** | **31 March 2019 £000s** | **31 March 2018 £000s** |
| Less than three months | 419 | 605 | 1,082 | 906 |
| Three to six months | 76 | 140 | 161 | 129 |
| Six months to one year | 341 | 258 | 335 | 285 |
| More than one year | 220 | 256 | 1,535 | 1,269 |
| Totals | **1,056** | **1,259** | **3,113** | **2,589** |

## 18. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Cash held by the authority | 2 | 1 |
| Cash in Transit | 130 | 211 |
| Bank Current Accounts | 13,062 | 17,591 |
| **Total Cash and Cash Equivalents** | **13,194** | **17,803** |

## 19. SHORT TERM INVESTMENTS

The capital receipts resulting from the transfer of the Council’s housing stock to the Saffron Housing Association and other receipts generated from asset sales together with working capital, has enabled short term investments to be made in various financial institutions of £17,017,000 as at 31 March 2019 (£5,500,000 as at 31 March 2018).

## 20. SHORT TERM CREDITORS

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Trade creditors | 1,257 | 650 |
| Local ratepayers - Council Tax and Business Rates | 522 | 644 |
| Receipts in advance | 1,125 | 828 |
| Business Rates preceptors | 2,713 | 1,118 |
| Community Infrastructure Levy | 2,489 | 3,840 |
| Other | 2,622 | 1,474 |
| **Total Creditors** | **10,728** | **8,554** |

## 21. PROVISIONS

| | Planning Provisions | NDR Appeals Provision | Other Provisions | Total Provisions |
|---|---|---|---|---|
| | £000s | £000s | £000s | £000s |
| Balance as at 1 April 2018 | 100 | 971 | 0 | 1,071 |
| Additional provisions made | 400 | 556 | 225 | 1,181 |
| Amounts used in year | (15) | 0 | 0 | (15) |
| Amounts unused in year | (100) | 0 | 0 | (100) |
| **Balance as at 31 March 2019** | **385** | **1,527** | **225** | **2,137** |
| Short term | 385 | 1,156 | 225 | 1,766 |
| Long term | 0 | 371 | 0 | 371 |

Provisions have been made in relation to ongoing planning and regulatory cases to cover the Council's own legal costs, totalling £400,000. These have been allocated as short term provisions. Other provisions of £225,000 have been made in relation to HMRC interest on disclosure of a VAT error.

Further details can be found in note 33.

The Council's share of the NDR appeals provision totals £1,527,000. The total movement in provision for appeals can be found in the Collection Fund Statement on page 71.

## 22. LONG TERM CREDITORS

Included here are payments received from developers of housing estates transferring the responsibility for the upkeep of grassed areas to the Council. These sums are transferred to the General Fund over ten years to offset the costs incurred.

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| | £000s | £000s |
| Maintenance of Grassed Areas | 1,124 | 974 |
| Other entities and individuals | 50 | 50 |
| **Total Long Term Creditors** | **1,174** | **1,024** |

## 23. USABLE RESERVES

Movements in the Council's Usable Reserves are included within the General Fund Balance in the Movement in Reserves Statement on page 29. A breakdown of the movement in Earmarked General Reserves is detailed below:

| Name of Reserve | Balance as at 31 March 2018 | Movement in Year | Balance as at 31 March 2019 |
|---|---|---|---|
| | £000s | £000s | £000s |
| Revenue | 10,938 | (3,068) | 7,870 |
| Infrastructure Reserve | 3,525 | (118) | 3,407 |
| Localisation of Business Rates Reserve | 2,489 | 1512 | 4,001 |
| Localisation of Council Tax Benefit | 500 | 0 | 500 |
| Neighbourhood Grants Reserve | 22 | (22) | 0 |
| Vehicle and Equipment Procurement and Replacement Reserve | 949 | (178) | 771 |
| District and Parish Elections Reserve | 142 | 40 | 182 |
| Land Charges | 152 | (152) | 0 |
| Local Development Reserve | 855 | 0 | 855 |
| 3G Pitch Renewal Reserve | 11 | 15 | 26 |
| Non-Commercial Assets Replacement Reserve | 593 | 300 | 893 |
| Low Cost Housing (New Homes Bonus) Reserve | 876 | 0 | 876 |
| Communities and Localism Reserve | 191 | (10) | 181 |
| Enterprise Zone Reserve | 59 | 0 | 59 |
| Car Parks Reserve | 0 | 70 | 70 |
| **Total** | **21,302** | **(1,611)** | **19,691** |

## 24. UNUSABLE RESERVES

### 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 amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties as well as revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

| | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| **Balance at 1 April** | **45,079** | **42,646** |
| **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:** | | |
| Charges for Depreciation and Impairment of non-current assets | (1,064) | (1,305) |
| Amortisation of Intangible Assets | (158) | (135) |
| Revenue Expenditure Funded From Capital Under Statute | (2,425) | (1,457) |
| Revaluation gains/(losses) on Property, Plant and Equipment | 148 | 148 |
| Revaluation gains/(losses) on Investments | 0 | (490) |
| Revaluation gains/(losses) on Investment Properties | (952) | (402) |
| 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 | (6) | (34) |
| | (4,457) | (3,675) |
| Adjusting amounts written out of the Revaluation Reserve | 158 | 157 |
| Net written out amount of the cost of non-current assets consumed in the year | (4,299) | (3,518) |
| **Capital financing applied in the year:** | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 7,706 | 2,916 |
| Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 3,177 | 1,148 |
| Capital Expenditure charged against the General Fund Balance | 5,043 | 2,064 |
| Company Loans Repaid | (5,380) | (125) |
| Home Improvement Loans Repaid | (63) | (52) |
| | 10,483 | 5,951 |
| **Balance at 31 March** | **51,263** | **45,079** |

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant & Equipment. 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
- Disposed of and the gains are realised

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

| | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| **Balance at 1 April** | **8,405** | **7,738** |
| Upward Revaluation of Assets | 605 | 1,038 |
| Downward Revaluation of Assets and Impairment losses not charged to the Provision of Services | (1,002) | (214) |
| Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (397) | 824 |
| Difference between fair value depreciation and historical cost depreciation | (159) | (157) |
| Amount written off to the Capital Adjustment Account | (159) | (157) |
| **Balance at 31 March** | **7,849** | **8,405** |

**Pensions Reserve**
See Note 32 on page 63.

## 25. MEMBERS ALLOWANCES

Total allowances paid to Members in 2018/19 amounted to £339,346 (2017/18: £332,586).

## 26. OFFICER REMUNERATION

### Banding Note

In 2018/19 the employees whose remuneration excluding pension contributions was £50,000 or more in bands of £5,000 (including senior employees) were:

| Remuneration Band | Number of Employees | |
|---|---|---|
| £ | 2018/19 | 2017/18 |
| 50,000 – 54,999 | 3 | 5 |
| 55,000 – 59,999 | 4 | 2 |
| 60,000 – 64,999 | 2 | 1 |
| 65,000 – 69,999 | 1 | 0 |
| 70,000 – 74,999 | 0 | 0 |
| 75,000 – 79,999 | 0 | 1 |
| 80,000 – 84,999 | 2 | 1 |
| 85,000 – 89,999 | 0 | 0 |
| 90,000 – 94,999 | 0 | 0 |
| 95,000 – 99,999 | 0 | 0 |
| 100,000 – 104,999 | 0 | 0 |
| 105,000 – 109,999 | 0 | 0 |
| 110,000 – 114,999 | 0 | 0 |
| 115,000 – 119,999 | 0 | 0 |
| 120,000 – 124,999 | 0 | 0 |
| 125,000 – 129,999 | 0 | 0 |
| 130,000 – 134,999 | 1 | 1 |

### Senior Employee Note

In 2018/19, the remuneration of senior employees who have the power to direct or control the major activities of the body, in particular activities involving the expenditure of money, and whose annual salaries were between £50,000 and £150,000 were as per the table below.
Disclosed are annualised salaries of £50,000 or more: amounts paid are shown below.
Please note that this reflects the structure at 31st March 2019 prior to the official commencement of the restructured senior management hierarchy from 1st April 2019.

| Role | Financial Year | Salary | Expenses | Total Renumeration (Excl Pension Contributions) | Employer Pension Contributions | Total Including Pension Contributions |
|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ |
| Chief Executive | *2017/18* | *129,681* | *1,347* | *131,028* | *20,963* | 151,991 |
| | 2018/19 | 132,083 | 625 | 132,708 | 19,812 | 152,521 |
| Director of Communities and Wellbeing *(from 9.10.17)* | *2017/18* | *38,852* | *8,000* | *46,852* | *5,827* | 52,679 |
| | 2018/19 | 83,235 | 362 | 83,597 | 12,485 | 96,082 |
| Director of Growth and Business Development | *2017/18* | *79,466* | *62* | *79,528* | *11,919* | 91,447 |
| | 2018/19 | 83,235 | 0 | 83,235 | 12,485 | 95,720 |
| Assistant Director - Resources *(to 18.02.19)* | *2017/18* | *62,609* | *32* | *62,641* | *9,391* | 72,032 |
| | 2018/19 | 62,821 | 0 | 62,821 | 9,403 | 72,224 |
| Head of Business Transformation | *2017/18* | *52,226* | *151* | *52,377* | *7,833* | 60,210 |
| | 2018/19 | 60,382 | 0 | 60,382 | 9,057 | 69,439 |

The Managing Director of South Norfolk Council and Broadland District Council started on 2nd January 2019 and is employed by Broadland District Council with costs shared 50:50 with South Norfolk Council. The total cost to South Norfolk Council in 2018/19 was £23,124.
Payments made to the Chief Executive and Assistant Director - Resources that relate to their separate roles as Directors of Big Sky Developments Ltd during 2018/19 (as described in Note 29) are disclosed in the Group Accounts Note 7.

## 27. EXTERNAL AUDIT COSTS

The PSAA Ltd has tendered all local government external audit work for 2012/13 onwards and EY were appointed as the Council's external auditors. A new contract was agreed from 1st April 2018 to 31st March 2022.

In 2018/19 the following costs relating to external audit and inspection were paid:

| | **2018/19** | **2017/18** |
|---|---|---|
| | **£000s** | **£000s** |
| Fees payable to EY with regard to external audit services carried out by the appointed auditor | 63 | 48 |
| Fees payable to EY for the certification of grant claims and returns | 10 | 13 |
| **Total External Audit Costs** | **73** | **61** |

## 28. GRANT INCOME

The following grant income and donations have been credited to the Council's Comprehensive Income and Expenditure Statement in 2018/19:

| 31 March 2019 £000s | | 31 March 2018 £000s |
|---|---|---|
| | **Credited to Taxation and Non Specific Grant Income** | |
| 509 | Revenue Support Grant | 639 |
| 44 | Second Homes Monies | 83 |
| 3,838 | New Homes Bonus | 4,390 |
| 73 | Other | 309 |
| **4,464** | **General Grants** | **5,421** |
| 1,274 | Capital grants and contributions | 90 |
| **5,738** | **Total Credited to Taxation & Non Specific Grant Income** | **5,511** |
| | **Credited to Services** | |
| 23,676 | DWP Housing Benefit | 25,579 |
| 267 | DWP HB Admin Grant | 291 |
| 113 | Council Tax Support Admin Grant | 124 |
| 100 | Section 106 Developer Contributions | 195 |
| 384 | Homelessness Grants | 275 |
| 942 | DFG Capital Grant | 859 |
| 0 | Green Deal Capital Grant Applied | 5 |
| 250 | NCC Pooled Business Rates | 0 |
| 363 | Homes England Funding | 0 |
| 898 | Other | 423 |
| **26,993** | **Total Credited to Services** | **27,750** |
| **32,731** | **Total Grants Credited to Comprehensive Income & Expenditure Statement** | **33,261** |

The Council has also received a number of grants that have yet to be recognised as income as they have conditions attached to them that will require monies to be returned if the conditions are not met.
These sums are included in the Balance Sheet at year end as follows:

| 31 March 2019 £000s | **Balance Sheet** | 31 March 2018 £000s |
|---|---|---|
| 152 | Revenue Grants Receipts in Advance (Short Term) | 355 |
| 72 | Capital Grants Receipts in Advance (Short Term) | 0 |
| 2,930 | Grants Receipts in Advance (Long Term) | 1,756 |
| **3,154** | | **2,111** |

## 29. RELATED PARTIES

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

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in Grants Note 28.

Members of the Council have direct control over the Council's financial and operating policies. Members Allowances paid during the year to 31st March 2019 are disclosed in Note 25.

The Council operates a Register of Members' Interests and a Register of Staff Interests to record and monitor related party transactions. In addition to this, forms were sent to all Members of the Council and those Officers in key management posts to declare any related party transactions existing during the year.

The following related party transactions existed during the year to 31 March 2019:

Two members of the Council are on the Board of Saffron Housing Trust. During 2018/19, Saffron Housing Trust was paid £342,300 by the Council, principally for Disabled Facilities Grants towards improvements to the Trust's properties.

One member of the Council is Chairman of the Norwich Fringe Project, which received a grant of £8,980 from the Council of which included a payment of £2,400 for environmental improvement works undertaken.

One member is on the Board of Hethel Engineering, which received a payment of £2,977 during 2018/19 for hosting a business conference.

One member of the Council is on the Board of North East Suffolk Citizens' Advice Bureau which received Service Level Agreement payments of £4,000 during 2018/19.

One member of the Council is a trustee of St Barnabas Counselling Centre, which received payments of £6,145 for services in 2018/19.

During 2018/19, the Council commissioned services to the value of £1,509 from voluntary and membership organisations in which four members had an interest. Payments were made in full compliance with the Council's standing orders.

Members are provided with individual Ward Member budgets of £1,000 annually to spend within their ward.

In all instances, grants and contributions were made with proper consideration of the declarations of interest. The relevant Members and Officers did not take part in any discussion or decision relating to them, except in relation to grants from Ward Member budgets.

Four members are board members of local Internal Drainage Boards. One member is appointed to the Broads Authority which receives funding in the form of a share of the New Homes Bonus.

The Council controls the following companies through 100% ownership of the share capital in Big Sky Ventures Ltd which acts as a holding company for: Big Sky Developments Ltd and Big Sky Property Management Ltd. Following the sale of 50% of its share-holding to NPS Property Consultants Limited on 2nd January 2018, the Council now has a 50% share-holding in Build

Insight Ventures Ltd which acts as a holding company with Build Insight Ltd and Build Insight Consulting Ltd. These companies had normal commercial trading relationships with each other and with the Council.

The Chief Executive of South Norfolk Council was a Director of all the Council's wholly and partly owned companies. The Assistant Director - Resources was Director of Big Sky Developments and Big Sky Property Management Ltd. He was appointed Director of Build Insight Ltd, Build Insight Consulting Ltd and Build Insight Ventures on 3rd April 2018. The Director of Resources resigned as Director of Build Insight Ltd, Build Insight Consulting Ltd and Build Insight Ventures on 3rd April 2018. The Managing Director of the Council was appointed Director of Big Sky Developments, Big Sky Property Management Ltd and Big Sky Ventures on 18th March 2019.

Detailed 'Related Party' transactions are disclosed in the individual accounts of these companies. Group Accounting details and senior officer remuneration are disclosed in the Group Accounts section.

As at 31 March 2019, South Norfolk Council held £6.47 million in equity in Big Sky Ventures Ltd. It had outstanding loans to Big Sky Developments Ltd of £6.0 million and to Big Sky Property Management Ltd of £3.16 million. The Council charges a commercial rate of interest on each loan, that can vary to reflect the level of risk and asset base of each company.

During 2018/19, the Council received £594,000 in interest from Big Sky Developments Ltd. It received £112,000 in interest from Big Sky Property Management Ltd.

During 2018/19, the Council made payments of £144,000 to Big Sky Property Management Ltd, principally for services relating to the Council's own commercial properties and its Handyman scheme.

## 30. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

| | 2018/19<br>£000s | 2017/18<br>£000s |
|---|---|---|
| **Opening capital financing requirement** | **0** | **0** |
| **Capital Investment:** | | |
| Tangible Fixed Assets | 4,264 | 1,183 |
| Investment Properties | 1,646 | 51 |
| Intangible Fixed Assets | 58 | 78 |
| Revenue Expenditure Funded from Capital under Statute | 2,425 | 1,457 |
| Investments and loans | 7,533 | 3,315 |
| Debtors | 0 | 44 |
| | **15,926** | **6,128** |
| **Sources of Finance:** | | |
| Capital Receipts | (7,706) | (2,916) |
| Revenue Contributions | (5,043) | (2,064) |
| Grants & Contributions | (3,177) | (1,148) |
| | **(15,926)** | **(6,128)** |
| **Closing Capital Financing Requirement** | **0** | **0** |

## 31. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, 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.

| 2018/19 | | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| **Expenditure** | **Grants Received** | **Expenditure funded from other sources** | | **Expenditure** | **Grants Received** | **Expenditure funded from other sources** |
| **£000s** | **£000s** | **£000s** | | **£000s** | **£000s** | **£000s** |
| 686 | (686) | 0 | Improvement Grants | 527 | (527) | 0 |
| 356 | (256) | 100 | Aids & Adaptations | 378 | (332) | 46 |
| 533 | (533) | 0 | Section 106 | 184 | (184) | 0 |
| 0 | 0 | 0 | Affordable Housing | 11 | 0 | 11 |
| 0 | 0 | 0 | Green Deal Projects | 10 | (5) | 5 |
| 1 | (1) | 0 | Play Area Refurbishments | 11 | (11) | 0 |
| 613 | (613) | 0 | Highways Works | 0 | 0 | 0 |
| 98 | 0 | 98 | Toilet Refurbishment | 17 | 0 | 17 |
| 76 | (76) | 0 | Ketts Park | 0 | 0 | 0 |
| 52 | 0 | 52 | Street Lighting | 0 | 0 | 0 |
| 0 | 0 | 0 | Ketteringham Depot Improvements | 69 | 0 | 69 |
| 10 | 0 | 10 | Diss Heritage | 250 | 0 | 250 |
| **2,425** | **(2,165)** | **260** | | **1,457** | **(1,059)** | **398** |

## 32. DEFINED BENEFIT PENSION SCHEME

As part of the terms and conditions of employment of its Officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme. Until 31 March 2014, this was a defined benefit final salary scheme, administered by Norfolk County Council. From 1 April 2014, the scheme changed to an average salary scheme, details of which can be found on page 68.
This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

We recognise 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 the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirements is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

| | Local Government Pension Scheme 2018/19 £000s | Local Government Pension Scheme 2017/18 £000s |
|---|---|---|
| **Comprehensive Income and Expenditure Statement** | | |
| *Cost of Services:* | | |
| *Service cost comprising:* | | |
| - Current service cost | (4,213) | (2,592) |
| *Financing and Investment Income and Expenditure* | | |
| - Net interest expense | (1,501) | (1,121) |
| *Total Post-employment Benefits charged to the Surplus or (Deficit) on the Provision of Services* | (5,714) | (3,713) |

| *Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement* | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| Remeasurement of the new defined benefit liability comprising: | | |
| - Return on plan assets (excluding amount included in the net interest expense) | 2,666 | 1,043 |
| - Actuarial gains and losses arising on changes in demographic assumptions | 0 | 0 |
| - Actuarial gains and losses arising on changes in financial assumptions | (12,459) | 2,826 |
| - Other | (43) | 5 |
| *Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement* | (9,836) | 3,874 |
| **Movement in Reserves Statement** | | |
| - Reversal of net changes made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (5,766) | (5,683) |
| - Actual amount charged against the General Fund Balance for pensions in year | 3,108 | 3,177 |
| Employers' contributions payable to the scheme | (2,658) | (2,506) |

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans are as follows:

| | Local Government Pension Scheme | |
|---|---|---|
| | 2018/19 | 2017/18 |
| | £000s | £000s |
| Present value of the defined benefit obligation | 153,349 | 134,774 |
| Fair value of plan assets | (84,535) | (79,925) |
| **Net liability arising from defined benefit obligation** | **68,814** | **54,849** |

## Reconciliation of the Movements in the Fair Value of Scheme (Plan) assets

| | Local Government Pension Scheme | |
|---|---|---|
| | 2018/19 | 2017/18 |
| | £000s | £000s |
| Opening fair value of scheme assets | 79,925 | 76,910 |
| Interest income | 2,159 | 1,998 |
| Remeasurement gain/(loss): | | |
| - The return on plan assets, excluding the amount included in the net interest expense | 2,243 | 1,043 |
| Contributions from employer | 2,606 | 2,456 |
| Contributions from employees into the scheme | 743 | 708 |
| Benefits paid | (3,141) | (3,190) |
| **Closing fair value of scheme assets** | **84,535** | **79,925** |

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

| | Local Government Pension Scheme | |
|---|---|---|
| | 2018/19 | 2017/18 |
| | £000s | £000s |
| Opening balance at 1 April | 134,774 | 132,506 |
| Current service cost | 4,213 | 4,167 |
| Interest cost | 3,669 | 3,464 |
| Contributions from scheme participants | 743 | 708 |
| Remeasurement (gains) and losses: | | |
| - Actuarial gains/losses arising from changes in demographic assumptions | 641 | 0 |
| - Actuarial gains/losses arising from changes in financial assumptions | 12,459 | (2,826) |
| - Other | 43 | (5) |
| Benefits paid | (3,193) | (3,240) |
| **Closing balance at 31 March** | **153,349** | **134,774** |

## Local Government Pension Scheme assets comprised:

| | Fair value of scheme assets | | | |
|---|---|---|---|---|
| | 2018/19 £000s | % of total assets | 2017/18 £000s | % of total assets |
| Cash and cash equivalent | | | | |
| | | | | |
| Equity instruments: | | | | |
| By industry type | | | | |
| Consumer | 5,266 | 6.2% | 5,255 | 6.6% |
| Manufacturing | 4,351 | 5.1% | 4,482 | 5.6% |
| Energy and utilities | 1,902 | 2.2% | 1,426 | 1.8% |
| Financial institutions | 4,606 | 5.4% | 4,459 | 5.6% |
| Health and care | 2,045 | 2.4% | 1,465 | 1.8% |
| Information Technology | 4,157 | 4.9% | 2,506 | 3.1% |
| Other | 3 | 0.0% | 0 | 0.0% |
| Sub-total equity | 22,330 | | 19,593 | |
| | | | | |
| Debt securities: | | | | |
| UK Government | 974 | 1.1% | 1,203 | 1.5% |
| | 974 | | 1,203 | |
| Property: | | | | |
| By type | | | | |
| UK property | 8,410 | 9.9% | 7,011 | 8.8% |
| Overseas property | 1,623 | 1.9% | 1,149 | 1.4% |
| Sub-total property * | 10,033 | | 8,160 | |
| | | | | |
| Private equity: | | | | |
| All | 5,245 | 6.2% | 4,416 | 5.5% |
| Sub-total private equity * | 5,245 | | 4,416 | |
| | | | | |
| Investment Funds and Unit Trusts: | | | | |
| Equities | 14,619 | 17.2% | 21,398 | 26.8% |
| Bonds | 29,417 | 34.6% | 22,116 | 27.7% |
| Sub-total other investment funds | 44,036 | | 43,514 | |
| | | | | |
| Derivatives: | | | | |
| Foreign Exchange | (23) | 0.0% | 122 | 0.2% |
| Other | 243 | 0.3% | (61) | -0.1% |
| | 219 | | 61 | |
| Cash and Cash Equivalents: | | | | |
| All | 2,121 | 2.6% | 2,978 | 3.7% |
| | 2,121 | | 2,978 | |
| | | | | |
| Total assets | 84,958 | | 79,925 | |

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method to give an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Norfolk Pension Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries and are based upon the latest full valuation of the scheme as at 31 March 2016.

The Principal assumptions used by the actuary have been:

| | Local Government Pension Scheme | |
|---|---|---|
| | **2018/19** | **2017/18** |
| Mortality assumptions: | | |
| | | |
| Longevity at 65 for current pensioners: | | |
| Men (years) | 22.1 | 22.1 |
| Women (years) | 24.4 | 24.4 |
| | | |
| Longevity at 65 for future pensioners: | | |
| Men (years) | 24.1 | 24.1 |
| Women (years) | 26.4 | 26.4 |
| | | |
| Rate of increase in salaries | 2.8% | 2.7% |
| Rate of increase in pensions | 2.5% | 2.4% |
| Rate for discounting scheme liabilities | 2.4% | 2.7% |

The estimate of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| | Impact on the Defined Benefit Obligation in the Scheme | |
|---|---|---|
| **Change in Assumptions at year ended 31 March 2019** | **Approximate % increase to Employer Liability** | **Approximate Monetary Amount (£'000s)** |
| **0.5% increase in the Salary Increase Rate** | 2% | 2,405 |
| **0.5% increase in the Pension Increase Rate** | 10% | 14,777 |
| **0.5% decrease in Real Discount Rate** | 11% | 17,469 |

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2016. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council is anticipated to pay £2,686,000 expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 19.1 years 2018/19 (19.1 years 2017/18).

Further information can be found in the Norfolk Pension Fund Annual Report, which is available on request from: Department of Finance & Information, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

## 33. CONTINGENT ASSETS & LIABILITIES

### McCloud/Sargeant case

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied.

The impact of the ruling is uncertain. It is looking likely that benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. However, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Norfolk Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to South Norfolk Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £281,000.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

**GMP Indexation and Equalisation**

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of South Norfolk Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimate as it applies to South Norfolk Council is that total liabilities could increase by approximately £360,000 as at 31 March 2019.

These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

**NHS Trust**

The Council has received a claim for mandatory business rates relief from a local NHS Trust based on charitable status. The decision to grant relief to the Trust has not yet been decided and is subject to ongoing investigation. The clear view of the Council is that the claim is unfounded. The Council is supporting other local authorities who are defending similar claims. The timing, probability and amount of any relief is therefore uncertain at the current time.

**Other**
There are ongoing planning and regulatory cases for which the Council has made a provision to cover its own legal costs. However, there is uncertainty over the outcome of these cases which could lead to further expenditure in the coming financial year.

No contingent assets have been identified.

## 34. INFRASTRUCTURE INVESTMENT FUND

Broadland District Council, Norwich City Council and South Norfolk Council have adopted and implemented their own Community Infrastructure Levy (CIL) schemes and agreed to pool a significant proportion of their CIL income. On 21 October 2015, an agreement including Norfolk County Council was signed to pool the CIL income (excluding the neighbourhood element and the proportion retained to cover administrative costs) to support the Greater Norwich Growth Board's Strategic Infrastructure Programme. Norfolk County Council, as the accountable body and in accordance with the agreement, established the Infrastructure Investment Fund from the CIL income it has received from each of the authorities. At 31st March 2019, the Infrastructure Investment Fund had a cash balance of £3.634m which will be used to support projects currently in progress, projects already approved but not yet started or future projects.

# COLLECTION FUND STATEMENT

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 and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

| | Total 2018/19 | Business Rates | Council Tax | Total 2017/18 | Business Rates | Council Tax |
|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| **Income** | | | | | | |
| Business Rates Receivable (Note 2) | 30,122 | 30,122 | - | 27,925 | 27,925 | - |
| Council Tax Receivable | 86,002 | - | 86,002 | 79,396 | - | 79,396 |
| | 116,124 | 30,122 | 86,002 | 107,321 | 27,925 | 79,396 |
| **Expenditure** | | | | | | |
| **Precepts, Demands and Shares** (Note 4) | | | | | | |
| Central Government | 15,312 | 15,312 | - | 14,413 | 14,413 | - |
| Norfolk County Council | 66,839 | 3,005 | 63,834 | 61,743 | 2,940 | 58,803 |
| South Norfolk Council (including Parish Councils re.Council Tax) | 22,674 | 12,021 | 10,653 | 21,685 | 11,759 | 9,926 |
| Norfolk Police and Crime Commissioner | 11,058 | - | 11,058 | 10,233 | - | 10,233 |
| **Charges to Collection Fund** | | | | | | |
| Cost of Collection | 164 | 164 | - | 162 | 162 | - |
| Renewable Energy Schemes (Disregarded) | 159 | 159 | | 157 | 157 | |
| Transitional Protection payments due to/(from) central government | 30 | 30 | | 160 | 160 | |
| Increase/(decrease) in allowance for impairment of debts/appeals | (171) | (208) | 37 | 273 | 148 | 125 |
| Increase/(decrease) in provision for appeals | 1,388 | 1,388 | - | (1,104) | (1,104) | - |
| Write Offs of uncollectable amounts | 446 | 350 | 96 | 197 | 126 | 71 |
| **Apportionment of Previous Year Surplus/ (Deficit)** | | | | | | |
| Contribution to Central Government | (1,749) | (1,749) | - | (603) | (603) | - |
| Contribution to Norfolk County Council | (192) | (350) | 158 | 737 | (121) | 858 |
| Contribution to South Norfolk Council | (1,372) | (1,399) | 27 | (335) | (483) | 148 |
| Contribution to Norfolk Police and Crime Commissioner | 28 | - | 28 | 156 | - | 156 |
| | 114,614 | 28,723 | 85,891 | 107,874 | 27,554 | 80,320 |
| **Surplus/(Deficit) for Year** (Note 5) | 1,510 | 1,399 | 111 | (553) | 371 | (924) |
| **Collection Fund Balance** | | | | | | |
| Balance at beginning of the Year | (1,667) | (1,685) | 18 | (1,114) | (2,056) | 942 |
| Surplus/Deficit (+/-)for Year | 1,510 | 1,399 | 111 | (553) | 371 | (924) |
| Balance at End of the Year | (157) | (286) | 129 | (1,667) | (1,685) | 18 |

# NOTES TO THE COLLECTION FUND

## 1 GENERAL

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows transactions in relation to Non-Domestic Rates and Council Tax. The Collection Fund is consolidated with the Council's accounts.

## 2 INCOME FROM BUSINESS RATES

The Council acts as the billing authority for itself, Norfolk County Council and Central Government and each authority retains a share of the business rate income. The Council collects non-domestic rates for the area based on local rateable values multiplied by a uniform rate. The total non-domestic rateable value at 31 March 2019 was £86.75 million (£85.8 million 31 March 2018). The standard non-domestic multiplier for the year was 49.3p (47.9p 2017/18) and the small business multiplier 48.0p (46.6p 2017/18).

## 3 COUNCIL TAX

The Council's tax base was calculated as follows:

| Band | Estimated No. of Taxable Properties after Discounts | Ratio | Band D Equivalents |
|---|---|---|---|
| A | 5,341 | 6/9 | 3,561 |
| B | 15,197 | 7/9 | 11,820 |
| C | 14,039 | 8/9 | 12,479 |
| D | 10,050 | 9/9 | 10,050 |
| E | 6,415 | 11/9 | 7,841 |
| F | 2,753 | 13/9 | 3,976 |
| G | 1,383 | 15/9 | 2,305 |
| H | 98 | 18/9 | 197 |
| | 55,276 | | 52,229 |
| Adjustment for changes during the year and losses on collection | | | (3,970) |
| Council Tax Base | | | 48,259 |

The average total Band D Council Tax for the year was £1,772.64 (2017/18 £1,675.78).

## 4 COUNCIL TAX PRECEPTS AND DEMANDS

| | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| Norfolk County Council | 63,834 | 58,803 |
| Norfolk Police and Crime Commissioner | 11,058 | 10,233 |
| South Norfolk District Council | 6,998 | 6,596 |
| Parish Councils | 3,655 | 3,330 |
| | 85,545 | 78,962 |

## 5 SURPLUS/(DEFICIT)

The Council Tax Collection Fund has increased with an in-year surplus of £111,000 together with a brought forward surplus balance of £18,000 leading to an overall surplus of £129,000 on the Council Tax Collection Fund as at 31 March 2019.

The localised Non-Domestic (Business) Rate Scheme has resulted in a NDR Collection Fund deficit balance of £286,000 as at 31 March 2019 compared to a deficit balance of £1,685,000 as at 31 March 2018. This is mainly due to an increase in rateable values for new and improved premises together with a reduction on reliefs given.

## 6 COLLECTION FUND BALANCE

On the basis that Council Tax surpluses and deficits are shared between South Norfolk Council, Norfolk County Council and Norfolk Police and Crime Commissioner on an agency arrangement basis and Non-Domestic Rate surpluses and deficits are shared between South Norfolk Council, Norfolk County Council and Central Government, as required by the Code, the Collection Fund balance has been accounted for as follows:

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Central Government | (143) | (842) |
| Norfolk Police and Crime Commissioner | 17 | 2 |
| Norfolk County Council | 67 | (154) |
| South Norfolk District Council | (98) | (673) |
| | (157) | (1,667) |

In the Balance Sheet as at 31 March 2019 the £157,000 deficit has been split as a part of an overall creditor to Norfolk County Council, debtors from Central Government and Norfolk Police and Crime Commissioner and a £98,000 deficit to the Collection Fund Adjustment Account.

# SIGNIFICANT ACCOUNTING POLICIES

These accounting policies cover both the Council's single entity and group accounts

## 1. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2018/19 and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. The regulations require these to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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.

## 2. Accruals of Income and Expenditure – Change in accounting Policy

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where Statements debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

## 4. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or 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.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 5. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses, amortisation or revaluations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis, determined by the Council in accordance with statutory guidance.

Depreciation, impairment losses, amortisation and revaluations (not charged through the Revaluation Reserve) are adjusted through the Capital Adjustment Account and reversed out of the Comprehensive Income and Expenditure Statement through the Movement in Reserves Statement.

## 6. Employee Benefits

**Short term employee benefits** are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and flex leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination benefits** are amounts payable as a result of a decision by the Council to terminate an Officer's employment before the normal retirement date, or an Officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to (can no longer withdraw from) the termination of the employment of an Officer or group of Officers or making an offer to encourage voluntary redundancy.

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

**Post Employment Benefits** Employees of the Council are eligible to become members of the Local Government Pension Scheme (subject to qualifying criteria), administered by Norfolk County Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% based on the yield available on a basket of AA- rated bonds with long terms to maturity (the iBoxx Sterling Corporates AA over 15 years Index).
- The assets of the Norfolk Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value
- The change in the net pensions liability is analysed into the following components:
    - Service cost comprising:
        - current service cost, being the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
        - past service cost, being the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
        - net interest cost, being the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
    - Remeasurements comprising:
        - return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) and charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
        - actuarial gains and losses, being 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. This is

charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the Norfolk pension fund, being cash paid as employer's contributions to the pension fund; not accounted for as an expense.

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

## 7. 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 is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

## 8. Financial Instruments – Change in Accounting Policy (IFRS 9)

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument. They are initially measured at fair value.

### Financial liabilities

Financial liabilities are subsequently measured at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

### Financial assets

Financial assets are subsequently measured as:

- Amortised cost – assets whose basic contractual terms are basic lending arrangements of solely principal and interest or principal (SPPI) in that they give rise on specified dates to cash flows in accordance with the Council's business model for collecting those cash flows
- Fair value through other comprehensive income (FVOCI) – cash flows are solely payments of principal and interest and the Council's business model for managing those assets is to collect those cash flows and sell the assets
- Fair value through profit and loss (FVPL) applies in all other circumstances where the instrument fails the SPPI test.

## Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.
The expected credit loss model is not applicable to the Fair value at profit and loss model.
Impairment losses, where material, are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

## 9. Government Grants and Other Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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 creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (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 Reserve. Where it has been applied to fund Capital Expenditure, it is posted to the Capital Adjustment Account.

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy is pooled with other Norfolk authorities and will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will largely be used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

## 10. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) are capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment (5 years).

Intangible Assets are initially measured at cost. Amounts are only revalued where the fair value of the asset held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal 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, revaluations 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 proceeds greater than £10,000) the Capital Receipts Reserve.

## 11. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

## 12. Investment Property

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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 applies to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line 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 Movements in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 13. 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 building 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 in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Council as Lessee:**
**Finance Leases**
The Council as a lessee recognises finance leases as assets and liabilities on the Balance Sheet at amounts equal to the lower of fair value or the present value of the minimum lease payments. The discount rate used is the rate implicit in the lease or the Council's incremental borrowing rate - whichever is more practicable.

Rentals payable are apportioned between:
- finance charge (interest). The finance charge is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement; and
- the reduction of the outstanding liability - the liability is written down as the rent becomes payable.

Assets recognised under finance leases are accounted for using the policies applied generally to items of Property Plant & Equipment. The depreciation and revaluation of assets recognised under finance leases is consistent with the policy for owned assets, subject to depreciation being charged over the shorter of the lease term and the asset's estimated useful life. After initial recognition, such assets are subject to revaluation in the same way as any other asset.

**Operating Leases**
Leases that do not meet the definition of finance leases are accounted for as operating leases. Operating lease payments are charged to the relevant service line in the Comprehensive Income and Expenditure Statement benefitting from the use of the leased property, plant or equipment.

**The Council as Lessor:**
**Operating Leases**
Leases that do not meet the definition of finance leases are accounted for as operating leases. All assets subject to operating leases will be presented on the Balance Sheet according to the nature of the asset. Costs, including depreciation are recognised as an expense.

Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

### 14. Overhead and Support Services
The costs of overhead and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

### 15. Property, Plant & Equipment
Property, Plant & Equipment are non-current assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes and that benefit the Council for a period of more than one financial year.

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

Schemes that cost less than £10,000 are classified as de minimis and these schemes are classed as revenue rather than capital expenditure

**Componentisation Policy -** Where an item of property or plant has more than one major component, the Code states that the Council needs to apply the principles of component accounting and depreciate it separately over that major component's remaining useful economic life. Any asset deemed to be of sufficient value, in line with this Council's componentisation policy, shall be depreciated separately in accordance with the Code, unless the componentisation makes no material difference to the overall depreciation charge. It is the Council's componentisation policy to account separately for any major class of component, in respect of enhancement expenditure, disposal or valuation, where the following criteria are met:-

- Firstly, the major component value must be more than 20% of the property value as a whole.
- Secondly, the value of the major component must be above a £200,000 de minimis level.
- Thirdly, the separate depreciation of the major component will make a material difference to the overall depreciation charge against the Council's assets.

Where a component is an integral part of a property, it is only accounted for separately from the main structure where it satisfies all of the above criteria.

**Measurement –** Assets are initially measured at cost, comprising purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction (excluding investment property) shall be measured at depreciated historical cost (DHC).
- Surplus assets shall be measured at fair value, estimated at the highest and best use from a market participant's perspective.
- All other assets shall be valued at current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). If there is no market-based evidence of current value because of the specialist nature of the asset and the asset is rarely sold, the estimate for current value may be depreciated replacement cost (DRC). Specialist assets will only be categorised as such, and DRC applied, when so determined by a professionally qualified valuer.
- Non-property assets such as vehicles, plant & equipment shall be measured at current value. For assets that have short useful lives, i.e. less than 7 years, or low values, i.e. less than £50,000 or both, DHC will be used as a proxy for current value.

Assets included on the Balance Sheet at current value are valued on a rolling 5-year programme or when there has been a material change in the value. Where there has been a market condition affecting property values, indexation will be applied only if the change in values is found to be material.

Where decreases in value are identified, they are accounted for, as below:
- 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 accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines 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.

**Depreciation –** Land and buildings are separate assets even if acquired together. Depreciation applies to all property, plant and equipment except:

- freehold land, as this is considered to have an infinite useful life;
- investment properties carried at current value;
- assets held for sale;
- assets where it can be demonstrated that the asset has an unlimited useful life.

An asset shall not be depreciated:
- until it is available for use;
- when the residual value of an asset is equal or greater than the asset's carrying amount.

For all assets that are depreciated, depreciation is calculated on the following bases:
- Buildings – straight line allocation over the useful economic life of the property as estimated by the valuer (ranges from 25 to 57 years)
- Vehicles, plant and equipment – straight line allocation using internally assessed useful economic life, usually defined by the service user (ranges from 3 to 20 years)

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Depreciation charged to the Comprehensive Income and Expenditure Statement is not a charge to the General Fund; such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. On a revalued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account is carried out which represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.

**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/revaluation losses are identified, they are accounted for as below:
- 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 the balance (up to the amount of the accumulated gains).

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where impairment losses/revaluation losses are reversed subsequently, the reversal is credited to the relevant service line 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 and Non Current Assets Held for Sale –** A non-current asset is classified as held for sale, and therefore becomes a current asset, if it is probable that the carrying amount will be recovered principally through a sale transaction rather than through continued use.

The following criteria will have been met before an asset can be classified as held for sale:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The asset is revalued 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on 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 categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Capital Receipts 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 Property, Plant and Equipment and intangible non-current 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.

**16. Fair Value Measurement**

The Council measures some of its non-financial assets, such as investment properties and significant surplus assets, and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a 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 in its highest and best use.

The Council's valuers uses the valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed 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.

**17. Provisions and Contingent Liabilities**

**Provisions –** Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are 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.

**Contingent Liabilities –** A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise 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.

## 18. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts 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 in that year to score against the surplus or 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 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, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

## 19. Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movements 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.

## 20. Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from Income.

## 21. Council Tax and Non-Domestic Rate Income

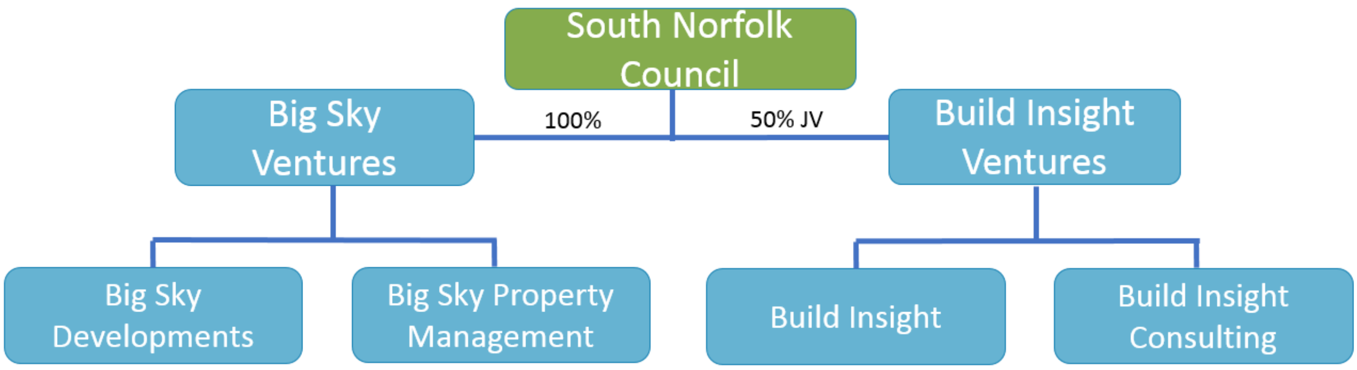
Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). In its capacity as a billing authority, the Council acts as an agent collecting and distributing Council Tax and NDR income on behalf of the major preceptors and itself. The Council’s share of Collection Fund income and expenditure is recognised in the Comprehensive Income and Expenditure Statement in the Taxation and Non-Specific Grant Income and Expenditure section.

# GROUP ACCOUNTS

## 1. INTRODUCTION

For a variety of legal, regulatory and other reasons, local authorities often choose (or are required) to conduct their activities not through a single legal entity but through two or more legal entities which fall under its ultimate control. For this reason, the financial statements of the local authority do not necessarily, in themselves, present a full picture of its economic activities or financial position. Because of this, The Code of Practice requires a local authority to prepare group accounts if it has a control over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity that is under the control of the local authority.

South Norfolk Council (the reporting authority) has the following subsidiary and joint venture companies:




- **Big Sky Ventures Ltd –** This is the top level holding company for Big Sky Developments Ltd and Big Sky Property Management Ltd. The Council is sole shareholder of this company which in turn is sole owner of the other companies in the group.
  The results for the year show a loss of £1,201 (2017/18: loss of £126,626) with net assets of £6,339,243 (2017/18: £5,727,244).
  The group accounts of this company are consolidated into the Council's group accounts.

- **Big Sky Developments Ltd –** This is a property developments company and was formerly named Rosebery Park Developments Limited.
  The results for the year show a profit of £23,198 (2017/18: £240,593) with net assets of £4,003,226 (2017/18: £3,980,029).

- **Big Sky Property Management Ltd –** This company manages properties retained for private sector rental.
  The results for the year show a profit of £155,494 (2017/18: profit of £62,839) with net assets of £3,009,175 (2017/18: £2,246,565).

- **Build Insight Ventures Ltd –** This is a holding company (50% owned by South Norfolk Council) for the Council's Approved Inspector operations. For the avoidance of doubt, CNC is not part of this structure.
  The results for the year show an operational loss of £1,128 (2017/18: loss of £616,381). The net liabilities of the company were £3,639 (2017/18: net liabilities of £2,511). The group accounts of this company are consolidated on an equity basis onto the Council's group accounts.

- **Build Insight Ltd –** This is the Approved Inspector company.
  The results for the year show a loss of £155,446 (2017/18: profit of £37,518) with net liabilities of £42,782 (2017/18: £112,664 assets).

- **Build Insight Consulting Ltd –** This is the company that can be used to provide consultancy services relating to Approved Inspector work.
  The results for the year show a profit of £79,483 (2017/18: loss of £15,463) with net assets of £81,147 (2017/18: £1,664 assets).

## 2. BASIS OF CONSOLIDATION

The group income and expenditure account, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the reporting authority (South Norfolk Council) and the group accounts of its subsidiary company (Big Sky Ventures Ltd) on a line by line basis. The group accounts of Build Insight Ventures Ltd (joint venture company) have been fully consolidated on a 50% joint venture basis (equity method) from 1st January 2018.

50% of Build Insight Ventures Ltd was acquired by Norfolk Property Services (NPS) Ltd on 1st January 2018 and South Norfolk Council owns the other 50%. The company was formerly part of the Big Sky Ventures group.

The accounts of Big Sky Ventures Ltd and Build Insight Ventures Ltd and their subsidiaries have been prepared using similar accounting policies and practices to that of the reporting authority and there are no material differences to be reported. All entities share the same year end of 31st March.

# GROUP MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| **Balance brought forward as at 1 April 2017** | **17,963** | **4,008** | **0** | **21,971** | **(6,082)** | **15,889** |
| **Movement in Reserves during 2017/18:** | | | | | | |
| Total Comprehensive Expenditure and Income (Council single entity) (page 30) | 2,127 | 0 | 0 | **2,127** | 4,749 | **6,876** |
| Total Comprehensive Expenditure and Income (Group companies) | 657 | 0 | 0 | **657** | 0 | **657** |
| Adjustments between accounting basis & funding basis under regulations | 1,637 | (1,421) | 0 | **216** | (216) | **0** |
| **Increase/Decrease in Year** | **4,421** | **(1,421)** | **0** | **3,000** | **4,533** | **7,533** |
| **Balance carried forward at 31 March 2018** | **22,384** | **2,587** | **0** | **24,971** | **(1,549)** | **23,422** |
| **Movement in Reserves during 2018/19:** | | | | | | |
| Total Comprehensive Expenditure and Income (Council single entity) (page 30) | (67) | 0 | 0 | **(67)** | (10,603) | **(10,670)** |
| Total Comprehensive Expenditure and Income (Group companies) | 198 | 0 | 0 | **198** | 0 | **198** |
| Adjustments between accounting basis & funding basis under regulations | (877) | (2,022) | 262 | **(2,637)** | 2,637 | **0** |
| **Increase/Decrease in Year** | **(746)** | **(2,022)** | **262** | **(2,506)** | **(7,966)** | **(10,472)** |
| **Balance carried forward at 31 March 2019** | **21,638** | **565** | **262** | **22,465** | **(9,515)** | **12,950** |

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | Year ended 31 March 2019 | | | Year ended 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | Gross Expenditure | Gross Income | Net | Gross Expenditure | Gross Income | Net |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| ***Gross expenditure, gross income and net expenditure of continuing operations:-*** | | | | | | |
| Chief Executive directorate | 7,512 | (1,099) | 6,413 | 7,580 | (1,499) | 6,081 |
| Communities and Wellbeing directorate | 33,838 | (29,885) | 3,953 | 34,521 | (30,957) | 3,564 |
| Growth and Business Development directorate | 12,431 | (8,350) | 4,081 | 10,948 | (7,483) | 3,465 |
| Corporate Management | 10,223 | (8,232) | 1,991 | 6,305 | (5,738) | 567 |
| **Cost of Services** | **64,004** | **(47,566)** | **16,438** | **59,354** | **(45,677)** | **13,677** |
| ***Other Operating Expenditure:*** | | | | | | |
| Precepts paid to Parish Councils | | | 3,632 | | | 3,361 |
| (Gain)/Loss on disposal of non-current assets | | | (232) | | | (1,290) |
| Payments to Housing capital receipts pool | | | 0 | | | 1 |
| ***Financing and Investment Income and Expenditure:-*** | | | | | | |
| Interest payable or similar charges | | | 20 | | | 10 |
| (Gain)/Loss on trading accounts | | | (347) | | | (331) |
| Other investment property income | | | (30) | | | (30) |
| Pensions interest (income)/expenditure | | | 1,510 | | | 1,466 |
| Investment interest income | | | (224) | | | (157) |
| (Gain)/Loss on revaluation of Investment Property and Assets Held for Sale | | | 768 | | | 299 |
| ***Taxation and Non-Specific Grant Income and Expenditure:-*** | | | | | | |
| Council Tax Income | | | (10,695) | | | (9,957) |
| Business Rates Income and Expenditure | | | (4,886) | | | (4,388) |
| Capital Grants | | | (1,601) | | | (90) |
| General Grants | | | (4,464) | | | (5,421) |
| **(Surplus)/Deficit on provision of service for the Year** | | | **(111)** | | | **(2,850)** |
| Joint Venture accounted for on an equity basis | | | (26) | | | 26 |
| Taxation expenses of subsidiaries | | | 6 | | | 40 |
| **Group (Surplus)/Deficit** | | | **(131)** | | | **(2,784)** |
| (Surplus)/deficit on revaluation of property, plant and equipment assets | | | 398 | | | (824) |
| Remeasurement of the pensions net defined benefit liability/(asset) | | | 10,205 | | | (3,925) |
| **Other Comprehensive Income and Expenditure** | | | **10,603** | | | **(4,749)** |
| **Total Comprehensive Income and Expenditure** | | | **10,472** | | | **(7,533)** |

# GROUP BALANCE SHEET

| | As at 31 March 2019 £000s | As at 31 March 2018 £000s |
|---|---|---|
| **Non Current Assets** | | |
| Property, Plant & Equipment | 31,164 | 28,342 |
| Intangible Fixed Assets | 341 | 307 |
| Investment Properties (Group Note 4) | 19,089 | 16,502 |
| Investments in Joint Ventures | 17 | 0 |
| Long Term Investments (Group Note 2) | 25 | 25 |
| Long Term Debtors (Group Note 1) | 2,091 | 2,197 |
| **Total Non-Current Assets** | **52,727** | **47,373** |
| **Current Assets** | | |
| Cash and cash equivalents | 13,652 | 18,973 |
| Debtors (Group Note 5) | 6,110 | 9,971 |
| Short Term Investments | 17,017 | 5,500 |
| Inventories (Group Note 3) | 16,439 | 10,291 |
| **Total Current Assets** | **53,218** | **44,735** |
| **Current Liabilities** | | |
| Creditors | (17,675) | (9,605) |
| Revenue Grants Receipts in Advance | (152) | (355) |
| Capital Grants Receipts in Advance | (72) | 0 |
| Liabilities in Joint Ventures | 0 | (26) |
| Short Term Provisions | (1,766) | (672) |
| **Total Current Liabilities** | **(19,665)** | **(10,658)** |
| **Long Term Liabilities** | | |
| Long Term Creditors | (1,174) | (1,024) |
| Grants Receipts in Advance | (2,930) | (1,756) |
| Provisions | (412) | (399) |
| Pension Scheme Liability | (68,814) | (54,849) |
| **Total Long Term Liabilities** | **(73,330)** | **(58,028)** |
| **Net Assets** | **12,950** | **23,422** |
| **Usable Reserves** | | |
| General Fund Balance | 1,623 | 1,082 |
| General Reserves | 19,691 | 21,302 |
| Usable Capital Receipts Reserve | 565 | 2,587 |
| Capital Grants Unapplied | 588 | 0 |
| **Unusable Reserves** | | |
| Capital Adjustment Account | 51,598 | 45,757 |
| Collection Fund Adjustment Account | (98) | (599) |
| Deferred Capital Receipts Reserve | 12 | 12 |
| Pension Reserve | (68,814) | (54,849) |
| Revaluation Reserve | 7,849 | 8,405 |
| Short Term Accumulated Absences Account | (64) | (275) |
| **Total Net Worth** | **12,950** | **23,422** |

# GROUP CASHFLOW STATEMENT

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| **Net Surplus/(Deficit) on the provision of services** | **(131)** | **2,784** |
| Adjustment to surplus or deficit on the provision of services for noncash movements | 11,676 | 1,569 |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (4,372) | (2,467) |
| Net Cash flows from Operating activities | 7,435 | 1,886 |
| Net Cash flows from Investing Activities | (19,730) | 1,173 |
| Net Cash flows from Financing Activities | 6,975 | (128) |
| Net increase or (decrease) in cash and cash equivalents | (5,320) | 2,931 |
| Cash and cash equivalents at the beginning of the reporting period | 18,973 | 16,042 |
| **Cash and cash equivalents at the end of the reporting period** | **13,653** | **18,973** |

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## 1. GROUP LONG TERM DEBTORS

| | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| Balance per South Norfolk Council single entity accounts (Note 15) | 11,251 | 3,947 |
| Companies' long term debtors | 0 | 0 |
| Eliminate loans to Council owned companies | (9,160) | (1,750) |
| **Group balance as at 31 March 2019** | **2,091** | **2,197** |

## 2. GROUP LONG TERM INVESTMENTS

| | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| Balance per South Norfolk Council single entity accounts (Note 16) | 6,493 | 5,880 |
| Eliminate Council owned companies' investments | (6,468) | (5,855) |
| **Group balance as at 31 March 2019** | **25** | **25** |

## 3. GROUP INVENTORIES

| | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| Balance per South Norfolk Council single entity accounts | 5 | 7 |
| Consolidate companies' inventories | 16,434 | 10,284 |
| **Group balance as at 31 March 2019** | **16,439** | **10,291** |

## 4. GROUP INVESTMENT PROPERTIES

| | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| Balance per South Norfolk Council single entity accounts (Note 11) | 12,596 | 11,901 |
| Consolidate Council owned companies' investment properties | 6,493 | 4,601 |
| **Group balance as at 31 March 2019** | **19,089** | **16,502** |

## 5. GROUP DEBTORS

| | 2018/19 £000s | 2017/18 £000s |
|---|---|---|
| Balance per South Norfolk Council single entity accounts (Note 17) | 6,350 | 16,984 |
| Elimination of intercompany balances | (567) | (7,306) |
| Consolidate Council owned companies' debtors | 327 | 293 |
| **Group balance as at 31 March 2019** | **6,110** | **9,971** |

## 6. GROUP CASHFLOW STATEMENT – NOTES

The cash flows for operating activities include the following items:

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Interest received | 224 | 228 |
| Interest paid | (20) | (10) |
| | **204** | **218** |

The surplus on the provision of services has been adjusted for the following non-cash movements:

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Depreciation | 1,482 | 1,405 |
| Impairment and downward valuations | (539) | (247) |
| Amortisation | 158 | 135 |
| Movement in contract assets, liabilities and costs (IFRS 15) | 657 | 0 |
| Increase/(decrease) in creditors | 7,151 | (793) |
| (Increase)/decrease in debtors | 4,546 | (1,964) |
| (Increase)/decrease in inventories | (6,149) | 146 |
| Movement in pension liability | 3,758 | 3,177 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 6 | 34 |
| Other non-cash items charged to the net surplus on the provision of services | 606 | (324) |
| | **11,676** | **1,569** |

The surplus on the provision of services has been adjusted for the following items that are investing and financing activities:

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---|---|
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (239) | (1,319) |
| Any other items for which the cash effects are investing or financing cash flows | (4,116) | (1,148) |
| | **(4,355)** | **(2,467)** |

## 7. OFFICER REMUNERATION

### Build Insight Ltd, Big Sky Developments Ltd and Big Sky Property Management Ltd

In 2018/19, the remuneration of senior employees who have the power to direct or control the major activities of the companies, in particular activities involving the expenditure of money, and whose annual salaries were between £50,000 and £150,000 were as per the table below.
Disclosed are annualised salaries of £50,000 or more: amounts paid are shown below.

| Role | Financial Year | Salary<br>£ | Expenses<br>£ | Total Remuneration (Excl Pension Contributions)<br>£ | Pension Contributions<br>£ | Total Including Pension Contributions<br>£ |
|---|---|---|---|---|---|---|
| Operations Director (to 31.05.17) | 2018/19 | 0 | 0 | 0 | 0 | 0 |
| | *2017/18* | *11,151* | *161* | *11,312* | *0* | *11,312* |
| Development Project Manager | *2018/19* | *61,892* | *0* | *61,892* | *0* | *61,892* |
| | *2017/18* | *51,250* | *0* | *51,250* | *0* | *51,250* |

In addition, the 2017/18 Managing Director of Big Sky Developments Ltd (also the Chief Executive of the Council) was paid £25,000 for her continuing work for all of the Big Sky group of companies. Another Director received £10,000 and two Directors (one of which was the Assistant Director – Resources of the Council) received £5,000 each in 2018/19 in recognition of the successful performance of Big Sky Developments Ltd in 2017/18. Payments are in addition to the payments disclosed in Note 26 of the single entity accounts for the Chief Executive and Assistant Director – Resources.

# GLOSSARY OF FINANCIAL TERMS

**Accounting Period**
The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

**Accruals**
Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.

**Amortisation**
The writing off of intangible assets to provision of services over an appropriate period of time.

**Assets Held for Sale**
Asset category for those where it is probable that the carrying amount will be recovered principally through a sale transaction rather than through continued use (classified as a current asset).

**Capital Charges**
Charges made to provision of services based on the value of the assets they use.

**Capital Expenditure**
Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

**Capital Receipts**
The money received from the sale of assets.

**Carrying Value**
See 'Net Book Value' below.

**Community Infrastructure Levy**
The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge

**Creditors**
Amounts incurred by the Council but not yet paid.

**Contingency**
A condition exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

**Current Assets**
Assets which can be expected to be consumed or realised during the next accounting period.

**Current Liabilities**
Amounts which will become due or could be called upon during the next accounting period.

**Current Value**
The amount that would be paid for an asset in its current condition and use.

**Debtors**
Amounts due to the Council but not yet received.

**Deferred Capital Receipts**
Amounts due to the Council from the sale of non-current assets which are not receivable immediately on sale e.g. repayments on mortgages granted on the sale of Council Houses.

**Depreciation**
The estimated losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

**Direct Revenue Financing**
A method of financing capital expenditure from revenue resources in the year of account instead of spreading the cost over a period of years.

**Fair Value**
The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

**Finance Lease**
A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee.

**General Fund**
The main account of the Council which records the cost of services.

**Government Grants**
Payments by central government towards local authority expenditure. They may be specific, for example Housing Benefit Subsidy, or general such as the Revenue Support Grant.

**Gross Book Value**
The gross value of an asset prior to depreciation.

**Intangible Asset**
Non-current assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights, e.g. software licences.

**Market Value**
The amount that would be paid for an asset in its highest and best use.

**Net Book Value**
Also known as the carrying value, this is the value at which the authority carries an asset on its balance sheet. It is equal to the cost of the asset minus accumulated depreciation.

**Net Realisable Value**
The estimated selling price of an asset in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

**Non-Current Assets (formerly Fixed Assets)**
Assets which can be expected to be of use or benefit the Council in providing its service for more than one accounting period.

**Operating Lease**
A lease under which the ownership of the asset remains with the lessor.

**Operational Assets**
Non-current assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Precepts**
The amount which a local authority, which cannot levy a Council Tax directly on the public (for example County Council), requires to be collected on its behalf by South Norfolk Council.

**Present Value**
The value of an asset at the balance sheet date, discounting for future inflation.

**Provisions**
Monies set aside for liabilities which are likely to be incurred but where exact amounts or dates are uncertain.

**Residual Value**
The estimated amount that the authority would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

**Revenue Expenditure Funded from Capital under Statute**
Capital expenditure for which the Council either never had, or no longer holds a capital asset.

**Reserves**
Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.

**Revenue Expenditure**
Recurring expenditure on day-to-day expenses such as salaries, electricity, and telephones.

**Revenue Support Grant**
Paid by central government to assist in the provision of local government services.

**Support Service Costs**
The cost of certain departments that provide professional and administrative services to the Council e.g. human resources and accountancy.

# GLOSSARY OF ABBREVIATIONS

| | |
|---|---|
| CIL | Community Infrastructure Levy |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| DFG | Disabled Facilities Grant |
| DHC | Depreciated Historical Cost |
| DRC | Depreciated Replacement Cost |
| EUV | Existing Use Value |
| FTE | Full time equivalent |
| IAS | International Accounting Standard |
| IFRS | International Financial Reporting Standards |
| NNDR | National Non-Domestic Rates |
| RSG | Revenue Support Grant |
| SOLACE | Society of Local Authority Chief Executives |