

# Statement of Accounts 2019/2020



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## TABLE OF CONTENTS

## Narrative Report

|                  |   |
|------------------|---|
| Narrative Report | 3 |
|------------------|---|

## Statement of Accounts

|   |    |
|---|----|
| Statement of Responsibilities for the Statement of Accounts | 9  |
| Comprehensive Income and Expenditure Statement              | 10 |
| Movement in Reserves Statement                              | 11 |
| Balance Sheet   | 12 |
| Cash Flow Statement   | 13 |
| Notes to the Accounts                                       | 14 |
| Collection Fund   | 59 |

## Annual Governance Report

|                          |    |
|--------------------------|----|
| Annual Governance Report | 62 |
|--------------------------|----|

## Glossary of Terms

|                   |    |
|-------------------|----|
| Glossary of Terms | 73 |
|-------------------|----|

## Independent Auditor's Report

|                              |  |
|------------------------------|--|
| Independent Auditor's Report |  |
|------------------------------|--|

## NARRATIVE REPORT

### 1. About Broadland District Council

Broadland District Council is a district council covering an area of approximately 213 sq. miles to the North and East of Norwich. The district is split between rural areas, market towns and the urban fringe of the city of Norwich and, as the name suggests covers some of the Norfolk Broads which is considered to be an area of outstanding natural beauty.

The Council delivers services to approximately 130,579 residents (Source: ONS 2019). These services include:

- Waste and recycling
- Street cleansing
- Car parking
- Electoral registration
- Planning
- Housing benefits
- Council Tax support
- Tourism and Leisure
- Open spaces.

The Council is made up of 47 councillors and the current composition is 33 Conservatives, 12 Liberal Democrats and 2 Labour. The Cabinet consists of seven portfolio members of the Conservative Group. Broadland Council comprises 63 parishes of varying sizes.

Broadland District Council is headed by a Corporate Management Team consisting of a Managing Director, 3 Directors and 9 Assistant Directors. Each Assistant Director has overall responsibility for their service areas.

Broadland District Councils Band D Council tax for 2019/20 (excluding special expenses) was £121.14.

### 2. Format of Accounts

The financial statements are prepared on an accruals basis and follow best practice recommended by the Code of Practice on Local Authority Accounting. The various statements include, where relevant, comparative figures relating to the previous financial year and supporting notes.

The statements summarise the overall financial position of the Authority and include the following:

**Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices and shows how that cost has been financed from Council Tax payers, Business Rate income and Government grants.

**Movement in Reserves Statement** - This statement shows the movement in the year of the different reserves held by the Authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

**Balance Sheet** – This statement shows the assets and liabilities of all the activities of the Authority and the balances and reserves at the Authority's disposal.

**Cash Flow Statement** – This statement shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**Collection Fund** – This statement reflects a statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Authority as a billing authority in relation to council tax and non-domestic rates, and the way in which the total amount collected has been distributed to the precepting authorities and central Government.

### **3. Joint Working Arrangement with South Norfolk Council**

On 12 July 2018, Broadland District Council and South Norfolk Council agreed collaborative working arrangements. This included the proposal to form one joint officer team across the two autonomous Councils. Consequently the authorities had a shared Corporate Management Team throughout 2019/20 and the remainder of the workforce worked jointly from 1<sup>st</sup> January 2020.

However, the authorities remain sovereign independent bodies, and keep their separate identities, retain their own Councillors and budgets, and set their own council taxes.

### **4. Broadland's Business Plan 2019-23**

The Broadland Business Plan for 2019-23 contains key ambitions to improve the district for all who live, work or visit Broadland. Some of the major achievements against these ambitions during the year were:

- The Council continues to have good reputation locally and nationally.
- It remains strong in light of the implementation of the "one team" in January 2020 across South Norfolk and Broadland District Council.
- The positive variance against the revenue budget is a sign of the present strength of the Council's financial position which needs to be protected in the future. It is recognised that there is a strategic risk that the Council is unable to deliver priority services should revenue funding fall short of required expenditure.
- The net revenue surplus detailed below reflects the higher business rates income achieved to date due to high rates of collection and S31 grant income from central government (total net income business rates budget of £2.904m compared to actual outturn of £4.161m. The Council participated in the Norfolk 75% business rates retention pilot during 2019/20, ensuring a greater share of rates collected for the authority and a greater share on a county wide level, ensuring funding for economic development and other projects.
- Looking ahead to 20/21, Covid 19 will have a significant financial and operating impact on the Council. It will therefore be important to closely monitor performance in 20/21.

## 5. Financial Outturn

### Revenue Income and Expenditure

The table below summarises the Authority's revenue income and expenditure and compares this to the budget for the year. It also shows how the overall Authority expenditure was funded by income from Council Tax payers, business rate income, and Government Grants. The numbers here differ to the figures shown on the Comprehensive Income and Expenditure Statement as some items of expenditure, such as depreciation, are presented differently.

|  | Expend<br>£'000 | Budget<br>Income<br>£'000 | Net<br>£'000  | Expend<br>£'000 | Actual<br>Income<br>£'000 | Net<br>£'000  |
|--|-----------------|---------------------------|---------------|-----------------|---------------------------|---------------|
| <b>Resources / MD</b>                        |                 |                           |               |                 |                           |               |
| Corporate Costs                              | 250             | 0                         | 250           | 188             | -15                       | 173           |
| Finance & Revenues                           | 1,891           | -217                      | 1,674         | 1,836           | -237                      | 1,599         |
| Governance & Business Support                | 3,476           | -217                      | 3,259         | 3,613           | -600                      | 3,013         |
| Managing Director and Chief of Staff         | 1,187           | -10                       | 1,177         | 800             | -4                        | 796           |
|  | 6,804           | -444                      | 6,360         | 6,437           | -856                      | 5,581         |
| <b>Place</b>                                 |                 |                           |               |                 |                           |               |
| Economic Growth                              | 1,615           | -658                      | 957           | 1,804           | -834                      | 969           |
| Regulatory Services                          | 2,316           | -210                      | 2,106         | 2,269           | -259                      | 2,010         |
| Planning                                     | 1,921           | -1,233                    | 688           | 1,946           | -1,353                    | 593           |
|  | 5,852           | -2,101                    | 3,751         | 6,018           | -2,446                    | 3,572         |
| <b>People &amp; Communities</b>              |                 |                           |               |                 |                           |               |
| Individuals & Families                       | 22,401          | -22,440                   | -39           | 18,970          | -19,426                   | -457          |
| Waste Services                               | 5,157           | -3,267                    | 1,890         | 5,209           | -3,355                    | 1,853         |
|  | 27,558          | -25,707                   | 1,851         | 24,178          | -22,782                   | 1,396         |
|  | <b>40,214</b>   | <b>-28,252</b>            | <b>11,962</b> | <b>36,633</b>   | <b>-26,084</b>            | <b>10,549</b> |
| Precepts - Parish Councils                   |                 |                           | 3,601         |                 |                           | 3,601         |
| Precepts - Internal Drainage Boards          |                 |                           | 238           |                 |                           | 246           |
| Pooling of HRA Receipts                      |                 |                           | 3             |                 |                           | 0             |
| Community Infrastructure Levy                |                 |                           | -189          |                 |                           | -189          |
| Interest Payable / MRP                       |                 |                           | 353           |                 |                           | 141           |
| Revenue contributions to Capital Expenditure |                 |                           | 0             |                 |                           | 27            |
| Interest Receivable                          |                 |                           | -246          |                 |                           | -690          |
| Transfers to / (from) Earmarked Reserves     |                 |                           | 99            |                 |                           | 484           |
| Collection Fund Surplus - CTAX               |                 |                           | -3            |                 |                           | -3            |
| Collection Fund Deficit - NDR                |                 |                           | 503           |                 |                           | 507           |
| <b>Budget Requirement</b>                    |                 |                           | <b>16,321</b> |                 |                           | <b>14,776</b> |
| Council Tax                                  |                 |                           | -9,292        |                 |                           | -9,292        |
| NNDR (Business Rates)                        |                 |                           | -2,904        |                 |                           | -4,161        |
| New Homes Bonus                              |                 |                           | -2,174        |                 |                           | -2,174        |
| Government Grant - Other                     |                 |                           | 0             |                 |                           | -100          |
| Council Tax Admin Subsidy Grant              |                 |                           | 0             |                 |                           | -96           |
| <b>Net Deficit / (Surplus) for the Year</b>  |                 |                           | <b>1,951</b>  |                 |                           | <b>-1,047</b> |

The following table then reconciles the above figures to the figures in the Statement of Accounts.

|   |               |
|---|---------------|
| Deficit / (Surplus) on Provision of Services (From Comprehensive I&E Statement on page 10)    | 487           |
| Adjustments between Accounting Basis and Funding Basis (From Movement in Reserves on page 11) | -2,018        |
| Net Transfer to Earmarked Reserves  | 484           |
| <b>(Increase) in General Fund Reserve</b>   | <b>-1,047</b> |

All figures in this table can be found in the first column (General Fund Balance) of the Movement in Reserves Statement on page 11.

## **Movement in Reserves**

The Movement in Reserves Statement shows the movement in the year of the different reserves held by the Authority.

The key movements in the Authority's usable reserves are as follows.

- The General Fund Balance increased by £1,047,000 to £15,346,000.
- Earmarked reserves increased by £484,000 to £8,733,000.
- The Authority's Capital Receipts Reserve reduced by £1,907,000 as funds were used to fund the capital investment programme.

The Authorities Unusable Reserves increased by £8,703,000. This is primarily because the pension fund deficit reduced by £6,810,000.

## **Capital Expenditure**

Capital expenditure during 2019/20 amounted to £4.4 million. Of this sum, £2.2m was spent as capital grants to external organisations and individuals, and did not result in the acquisition of assets on the Authority's balance sheet.

Broadland can borrow via the Public Works Loans Board (PWLb) to fund capital expenditure, provided that it has fully considered the affordability and sustainability of the debt beforehand. The Authority evaluated the cost of borrowing and concluded that it was more cost effective to fund the 2019/20 capital programme from internal resources.

## **Financial Position at Year End**

The Balance Sheet shows the Authority's assets and liabilities as at 31 March and the following table provides a summary of the Authority's key assets and liabilities.

|                               | Value<br>31 March<br>2019<br>£m | Value<br>31 March<br>2020<br>£m |
|-------------------------------|---------------------------------|---------------------------------|
| <b>Assets</b>                 |                                 |                                 |
| Property, Plant and Equipment | 7.1                             | 8.4                             |
| Long Term Debtors             | 1.7                             | 2.6                             |
| Assets Held for Sale          | 0.4                             | 0.0                             |
| Investments                   | 26.0                            | 22.7                            |
| Short Term Debtors            | 6.1                             | 11.8                            |
| Cash and Bank holdings        | 6.9                             | 13.0                            |
|                               |                                 |                                 |
| <b>Liabilities</b>            |                                 |                                 |
| Short Term Creditors          | -13.0                           | -21.7                           |
| Pension Liability             | -31.1                           | -24.1                           |

The Authority, as part of the terms and conditions of employment, offers retirement benefits to staff. Although these benefits will not be payable until employees retire, the Authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

This pension liability has been accounted for under International Accounting Standard 19 Employee Benefits (IAS19) and in common with many public and private companies, who offer defined benefit pension schemes, the current IAS19 valuation of the pension fund assets is significantly less than the actuarial estimate of the liability. For Broadland the pension asset value is £56.8m and the liability £80.9m giving a net deficit of £24.1m as at 31 March 2020.

However the Authority's actual contributions to the pension fund are independently assessed by the scheme actuary on a different statutory basis to ensure that any deficit on the pension fund is made good over the period that the liabilities will arise and contributions to the fund are determined by the actuary's advice.

### **Cash Flow**

The Cash Flow Statement shows the inflows and outflows of cash arising from transactions with third parties.

It shows that in 2019/20 the amount of cash and cash equivalents held by the Authority increased by £6.073m.

### **Collection Fund**

The Collection Fund Statement shows the transactions of the Authority, as a billing authority, in relation to council tax and non-domestic rates.

In 2019/20 BDC raised £84.2m in Council Tax. Council Tax income is paid over to the precepting bodies (Norfolk County Council, Office of the Police & Crime Commissioner and BDC) and the amount paid over in 2019/20 (£83.7m) equals the amount that was requested as part of the 2019/20 budget setting process.

In 2019/20 BDC raised £30.3m in business rates. Business rate income is shared as follows: Central Government 50%; BDC 40%, Norfolk County Council 10%. Business rates income in excess of this figure is shared on a different basis as the Council was part of a Business Rates Pilot in 2019/20.

## **6. Other Matters to Report**

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

The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. As the condition did exist at the 31 March 2020, this is therefore an adjusting event, for which a estimate of its financial effect on the reporting entity can be made as at 31 March 2020, particularly with regards to financial impact for 2019/20 in terms of Property Plant and Equipment valuations and impairments, the provision for impairment on receivables and Pension liability valuations as at the balance sheet date.

Expenditure incurred on additional service provision, or reduced Income from services or investments pertaining to 2020/21 will be accounted for within the 2020/21 financial statements in accordance with our accounting policies and accepted accounting practice.

The Authority has a statutory duty to assess and, where appropriate, pay housing benefit claims from residents of the district on behalf of the Department of Work and Pensions (DWP). Payments are reimbursed by the DWP. These are the largest items of expenditure and income within the Comprehensive Income & Expenditure Statement. In 2019/20, total Housing Benefits payments were £17.24m and the claim for reimbursement was £17.22m.

We also report to you the following matters:

- Apart from the matters disclosed above, there are no other significant factors affecting the Accounts that require highlighting in 2019/20.
- There are no significant changes in accounting policy to report.
- There are no significant contingencies or material write offs to report.

## **7. Future Plans**

The outlook for the public sector in general remains uncertain, with levels of Government funding forecast to decrease in real terms. The Authority's Medium Term Financial Plan estimates a funding gap of approximately £1m. This will require either successful income generation schemes or additional efficiency savings to be made.

Furthermore, pressures on the Authority's services are increasing as the economic situation due to Covid 19 affects the district's residents and businesses.

The Council in February 2020 adopted a new Strategic Plan for 2020-2024 which sets out the following priorities for the coming years.

### **OUR PRIORITIES, OUR PEOPLE, OUR APPROACH**



**Growing the economy**



**Supporting individuals and  
empowering communities**



**Protecting our natural  
and built environment,  
whilst maximising quality  
of life**



**Moving with the times,  
working smartly and  
collaboratively**

## **8. Further Information**

Additional information relating to these accounts is available from:

Assistant Director – Finance  
Broadland District Council  
Thorpe Lodge  
1 Yarmouth Road  
Thorpe St. Andrew  
Norwich  
NR7 0DU



## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required to:

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

### The Assistant Director of Finance's Responsibilities

The Assistant Director of Finance 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 Assistant Director of Finance 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 Assistant Director of Finance 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 confirm that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2020.

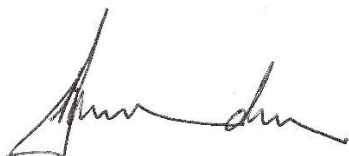
*R Fincham*

Assistant Director of Finance

Date: 1 December 2020

### Certificate of Approval – Chair of Audit Committee

I can confirm that these accounts were provisionally approved by the Audit Committee at the meeting held on 26 November 2020 subject to final amendments and have been approved on 1 December 2020.



Signed on behalf of Broadland District Council  
Chair of Audit Committee

Date: 1 December 2020

## COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This statement 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. Authorities raise taxation to cover expenditure in accordance with regulations; which is likely to be different from the accounting cost.

| 2018/19 (Restated)    |                       |                     |   | Note | 2019/20               |                       |                     |
|-----------------------|-----------------------|---------------------|---|------|-----------------------|-----------------------|---------------------|
| Gross Expend<br>£'000 | Gross Income<br>£'000 | Net Expend<br>£'000 |   |      | Gross Expend<br>£'000 | Gross Income<br>£'000 | Net Expend<br>£'000 |
| 561                   | -29                   | 532                 | <b>Resources / MD</b>   |      | 571                   | -15                   | 556                 |
| 1,334                 | -222                  | 1,112               | Corporate Costs   |      | 2,041                 | -237                  | 1,804               |
| 3,261                 | -186                  | 3,075               | Finance & Revenues  |      | 4,011                 | -600                  | 3,411               |
| 778                   | -15                   | 763                 | Governance & Business Support   |      | 880                   | -4                    | 876                 |
|                       |                       |                     | Managing Director and Chief of Staff                                      |      |                       |                       |                     |
| 1,483                 | -371                  | 1,112               | <b>Place</b>  |      | 1,841                 | -834                  | 1,007               |
| 1,285                 | -224                  | 1,061               | Economic Growth   |      | 2,590                 | -259                  | 2,331               |
| 2,098                 | -1,054                | 1,044               | Regulatory Services   |      | 2,195                 | -1,353                | 842                 |
|                       |                       |                     | Planning  |      |                       |                       |                     |
| 24,381                | -22,945               | 1,436               | <b>People</b>   |      | 20,675                | -21,029               | -354                |
| 5,284                 | -3,281                | 2,003               | Individuals & Families  |      | 5,362                 | -3,356                | 2,006               |
|                       |                       |                     | Waste & Recycling   |      |                       |                       |                     |
| <b>40,465</b>         | <b>-28,327</b>        | <b>12,138</b>       | <b>Cost of Services</b>   |      | <b>40,166</b>         | <b>-27,687</b>        | <b>12,479</b>       |
|                       |                       |                     | <b>Other Operating Expenditure</b>  |      |                       |                       |                     |
|                       |                       | 3,471               | Precepts - Parish Councils  |      |                       |                       | 3,601               |
|                       |                       | 238                 | Precepts - Internal Drainage Boards                                       |      |                       |                       | 245                 |
|                       |                       | 16                  | Apprenticeship Levy   |      |                       |                       | -                   |
|                       |                       | -127                | Community Infrastructure Levy   |      |                       |                       | -189                |
|                       |                       | -10                 | (Gain)/loss on disposal of non-current assets                             |      |                       |                       | 51                  |
|                       |                       | -                   | Donated Assets  |      |                       |                       | -127                |
|                       |                       |                     | <b>Financing and Investment Income and Expenditure</b>                    |      |                       |                       |                     |
|                       |                       | 17                  | Interest payable and similar charges                                      | 16   |                       |                       | 789                 |
|                       |                       | 2,194               | Pensions Net Interest Cost  | 31   |                       |                       | 2,196               |
|                       |                       | -1,541              | Expected return on pension costs  | 31   |                       |                       | -1,438              |
|                       |                       | -353                | Interest receivable and similar income                                    | 16   |                       |                       | -690                |
|                       |                       |                     | <b>Taxation and Non-Specific Grant Income and Expenditure</b>             |      |                       |                       |                     |
|                       |                       | -9,080              | Council tax income  |      |                       |                       | -9,292              |
|                       |                       | -3,681              | Non domestic rates income   |      |                       |                       | -4,627              |
|                       |                       | -438                | Revenue Support Grant   |      |                       |                       | -                   |
|                       |                       | -2,008              | New Homes Bonus   |      |                       |                       | -2,174              |
|                       |                       | -176                | Non service related Government grants                                     |      |                       |                       | -196                |
|                       |                       | 0                   | Capital Grants and Contributions  |      |                       |                       | -141                |
|                       |                       | <b>660</b>          | <b>(Surplus) or Deficit on Provision of Services</b>                      |      |                       |                       | <b>487</b>          |
|                       |                       | -508                | (Surplus) or deficit on revaluation of Property, Plant & Equipment assets | 10   |                       |                       | -296                |
|                       |                       | 5,493               | Remeasurements of the net defined benefit liability                       | 31   |                       |                       | -8,518              |
|                       |                       | <b>4,985</b>        | <b>Other Comprehensive Income &amp; Expenditure</b>                       |      |                       |                       | <b>-8,814</b>       |
|                       |                       | <b>5,645</b>        | <b>Total Comprehensive Income &amp; Expenditure</b>                       |      |                       |                       | <b>-8,327</b>       |

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

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

|   | General<br>Fund<br>Balance<br>£'000 | Earmarked<br>Reserves<br>£'000 | Capital<br>Receipts<br>Reserve<br>£'000 | Capital<br>Grants<br>Unapplied<br>£'000 | Total<br>Usable<br>Reserves<br>£'000 | Unusable<br>Reserves<br>£'000 | Total<br>Reserves<br>£'000 |
|---|-------------------------------------|--------------------------------|---|---|--------------------------------------|-------------------------------|----------------------------|
| <b>Balance at 31 March 2018</b>   | <b>14,264</b>                       | <b>6,630</b>                   | <b>3,972</b>                            | <b>133</b>                              | <b>24,999</b>                        | <b>-17,126</b>                | <b>7,873</b>               |
| Total Comprehensive Income and Expenditure  | -660                                | -                              | -                                       | -                                       | -660                                 | -4,985                        | -5,645                     |
| Adjustment between accounting basis and<br>funding basis under regulations (Note 7) | 2,314                               | -                              | -1,251                                  | -                                       | 1,063                                | -1,063                        | -                          |
| Net Increase / Decrease before Transfers to<br>Earmarked Reserves                   | 1,654                               | -                              | -1,251                                  | -                                       | 403                                  | -6,048                        | -5,645                     |
| Transfers to / from Earmarked Reserves (Note 9)                                     | -1,619                              | 1,619                          | -                                       | -                                       | -                                    | -                             | -                          |
| <b>Balance at 31 March 2019</b>   | <b>14,299</b>                       | <b>8,249</b>                   | <b>2,721</b>                            | <b>133</b>                              | <b>25,402</b>                        | <b>-23,174</b>                | <b>2,227</b>               |
| Total Comprehensive Income and Expenditure  | -487                                | -                              | -                                       | -                                       | -487                                 | 8,814                         | 8,327                      |
| Adjustment between accounting basis and<br>funding basis under regulations (Note 7) | 2,018                               | -                              | -1,907                                  | -                                       | 111                                  | -111                          | -                          |
| Net Increase / Decrease before Transfers to<br>Earmarked Reserves                   | 1,531                               | -                              | -1,907                                  | -                                       | -376                                 | 8,703                         | 10,555                     |
| Transfers to / from Earmarked Reserves (Note 9)                                     | -484                                | 484                            | -                                       | -                                       | -                                    | -                             | -                          |
| <b>Balance at 31 March 2020</b>   | <b>15,346</b>                       | <b>8,733</b>                   | <b>814</b>                              | <b>133</b>                              | <b>25,026</b>                        | <b>-14,471</b>                | <b>10,555</b>              |

## BALANCE SHEET

The Balance Sheet shows the value, as at the Balance Sheet date, of assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Authority is not able to use to provide services.

|  | Note | 31 March 2019<br>£,000 | 31 March 2020<br>£'000 |
|--|------|------------------------|------------------------|
| Property, Plant and Equipment              | 10   | 7,122                  | 8,363                  |
| Heritage Assets                            | 11   | -                      | -                      |
| Intangible Assets                          | 12   | 158                    | 158                    |
| Investments in Associates & Joint Ventures | 13   | 10                     | 10                     |
| Long Term Debtors                          | 14   | 1,724                  | 2,577                  |
| <b>Long Term Assets</b>                    |      | <b>9,014</b>           | <b>11,108</b>          |
| Assets Held for Sale                       | 15   | 381                    | -                      |
| Short Term Investments                     | 16   | 25,965                 | 22,726                 |
| Inventories                                |      | 3                      | 3                      |
| Short Term Debtors                         | 17   | 6,161                  | 11,783                 |
| Cash & Cash Equivalents                    |      | 6,908                  | 12,981                 |
| <b>Current Assets</b>                      |      | <b>39,418</b>          | <b>47,493</b>          |
| Short Term Creditors                       | 18   | -12,946                | -21,702                |
| Short Term Provisions                      | 19   | -437                   | -491                   |
| Capital Grants Receipts in Advance         | 20   | -14                    | -1                     |
| <b>Current Liabilities</b>                 |      | <b>-13,397</b>         | <b>-22,194</b>         |
| Other Long Term Liabilities – Pension Fund |      | -31,121                | -24,080                |
| Long-Term Provisions                       | 19   | -1,669                 | -1,509                 |
| Capital Grants Receipts in Advance         | 20   | -18                    | -263                   |
| <b>Long Term Liabilities</b>               |      | <b>-32,808</b>         | <b>-25,852</b>         |
| <b>Total Net Assets</b>                    |      | <b>2,227</b>           | <b>10,555</b>          |
| Usable Reserves                            |      |                        |                        |
| General Fund                               |      | 14,298                 | 15,346                 |
| Earmarked Reserves                         | 9    | 8,248                  | 8,733                  |
| Usable Capital Receipts Reserve            |      | 2,722                  | 814                    |
| Capital Grants Unapplied                   |      | 133                    | 133                    |
| Unusable Reserves                          | 22   |                        |                        |
| Revaluation Reserve                        |      | 2,217                  | 2,468                  |
| Pension Fund Reserve                       |      | -31,121                | -24,080                |
| Capital Adjustment Account                 |      | 6,950                  | 8,323                  |
| Collection Fund Adjustment Account         |      | -1,137                 | -167                   |
| Financial Instruments Adjustment Account   |      | -143                   | -177                   |
| Deferred Capital Receipts – Mortgages      |      | 60                     | 60                     |
| Accumulated Absences Account               |      | -                      | -125                   |
| Pooled Investment Funds Adjustment Account |      | -                      | -773                   |
| <b>Total Reserves</b>                      |      | <b>2,227</b>           | <b>10,555</b>          |

*R Fincham*

Assistant Director of Finance

Date: 1 December 2020

Broadland District Council  
Statement of Accounts 2019/20

## CASHFLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

|   | Note | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|------|------------------|------------------|
| Net (Surplus) / Deficit on Provision of Services  |      | 660              | 487              |
| Adjustment for Non cash Movements   |      | -1,624           | -3,886           |
| Adjustment for Investment and Finance Activities  |      | 149              | 205              |
| <b>Net Cash Flows from Operating Activities</b>   | 23   | <b>-815</b>      | <b>-3,194</b>    |
| <b>Investing Activities</b>   |      |                  |                  |
| Purchase of PPE and intangible assets   |      | 193              | 929              |
| Purchase of short- term and long-term investments   |      | 37,644           | 48,486           |
| Proceeds from the sale of PPE   |      | -10              | -                |
| Proceeds from short-term and long-term investments  |      | -37,000          | -51,000          |
| Other receipts from investing activities  |      | -71              | -655             |
| <b>Net Cash Flow from Investing Activities</b>  |      | <b>756</b>       | <b>-2,240</b>    |
| <b>Finance Activities</b>   |      |                  |                  |
| Cash Payments for the reduction of the outstanding liabilities relating to finance leases |      | 205              | 120              |
| Billing Authorities – Council Tax & NDR adjustments                                       |      | -221             | -759             |
| Other receipts from financing activities  |      | -3               | -1               |
| <b>Net Cash Flows from Financing Activities</b>   |      | <b>-19</b>       | <b>-640</b>      |
| <b>Net Cash Flow</b>  |      | <b>-78</b>       | <b>-6,073</b>    |
| <b>Cash and Cash Equivalents at 1 April</b>   |      | <b>-6,829</b>    | <b>-6,908</b>    |
| <b>Cash and Cash Equivalents at 31 March</b>  |      | <b>-6,908</b>    | <b>-12,981</b>   |

|   |               |                |
|---|---------------|----------------|
| <b>Analysis of Cash &amp; Cash Equivalents</b>      |               |                |
| Cash held   | -1            | -1             |
| Bank current accounts                               | 100           | -373           |
| Short Term Deposits with Banks and other intuitions | -7,007        | -12,607        |
|   | <b>-6,908</b> | <b>-12,981</b> |

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

#### **General**

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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.

#### **Accruals of Income and Expenditure**

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

- Revenue from contracts with service recipients, whether for services of 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 case 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 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.

An exception to this principle relates to utility bills and other quarterly payments, which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied and does not have a material effect on the year's accounts.

#### **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 two working days 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.

#### **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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 the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) 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.

### **Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. These charges are therefore reversed out of the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

### **Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central Government share proportionately the risks and rewards that the amount of council tax collected could be less or more than predicted.

### **Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of accrued income for the year. However regulations determine the amount of council tax and NDR that must be included in the Authority's general fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the general fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave eg time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial 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, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post-Employment Benefits**

Employees of the Authority are members of the Local Government Pension Scheme, administered by Norfolk County Council.

This scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Authority.

The Local Government Pension Scheme is accounted for as a defined benefits scheme: The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond.

The assets of the pension fund attributable to the Authority 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 pension's liability is analysed into the following components:



#### Service cost, comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability (asset) ie net interest expense for the Authority – 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 – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any change in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

#### Re-measurements, comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset). Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. Charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
- Contributions paid to the Pension Fund -cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

#### Discretionary Benefits

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

#### Events after the Reporting Period

Events after the reporting period 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.

## **Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Authority's main financial liabilities consist of embedded leases within the Authority's refuse and street cleansing contract.

### **Financial Assets**

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Authority holds financial assets measured at:

- Amortised cost, and
- Fair value through profit or loss (FVPL).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, 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.

Impairment losses 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.

## Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services, however, in December 2019 the Government issued guidance allowing local authorities to mitigate the effect of these gains and losses by means of a statutory override whereby any gains or losses can be reversed, so as not to effect general fund balances, and held in an unusable reserve.

### Fair Value Measurement of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Authority's financial assets are based on the following techniques.

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels.

- 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.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

### Government Grants and Contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution 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 either to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

When 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, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## Community Infrastructure Levy

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

The 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 be largely used to fund capital expenditure.

## Heritage Assets

The Authority's heritage assets consist of bridges, culverts and a tunnel along a stretch of the Bure Valley Railway line.

The Authority values its Heritage assets at historical cost, which is nil (the original cost to the Authority). A valuation based on open market price or replacement cost would not be appropriate, as the Authority does not intend to either sell the bridges or to rebuild them in their current style or location if the need should arise. The valuation will be reconsidered at least every five years.

## Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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 line(s) 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 are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

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

## Interest in Companies and Other Entities

The Authority has an interest in one company and one joint arrangement.

- The Authority and NPS Group jointly control Broadland Growth Limited, with voting arrangements that allow for each party to participate in all decisions. This arrangement has been classified as a joint venture in accordance with the guidelines set down in CIPFA's codes of best practice in group accounting, and would therefore be consolidated by the equity accounting method if transactions are material enough to require group accounts to be prepared.

- Norse Environmental Waste Limited (NEWS) has contracted to provide recycling sorting and processing and garden waste composting to seven second tier Norfolk councils, with voting arrangements that give 7% influence to each minor body (including Broadland) and 51% to Norse Group. This relationship has been assessed as a joint venture, as the Authority has neither significant influence nor control.

Group accounts have not been prepared as the overall change between the single entity and the group statements is not material.

### **Inventories and Long-term Contracts**

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

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The Authority as Lessee:**

#### **Finance Leases**

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

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

## Operating Leases

Rentals payable under operating leases are charged to the relevant service line within the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

## The Authority as Lessor

## Finance Leases

The Authority does not currently have any finance leases for any Property, Plant or Equipment.

## Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

## **Overheads and Support Services**

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

## **Property, Plant and Equipment**

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

## Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure 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.

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value.

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

- Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost.
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciate replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years

Increases in valuations are matched by credits to the Revaluation Reserve to reflect unrealised gains. Exceptionally gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

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

Depreciation is calculated on the following bases:

- Buildings straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment a percentage of the value of each class of assets in the balance sheet.
- Infrastructure – straight- line allocation

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

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

### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and the 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 Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as Capital Receipts. The Capital Receipt is transferred to the Capital Receipts Reserve, and can then only be used for new capital expenditure or. 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 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.

### **Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority 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 when the Authority has an obligation, and are measured at the best estimate at the balance sheet data of the expenditure required to settle the obligation, taking account relevant risks and uncertainties.



When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some of all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

### Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance.

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 transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority

### 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 (ie capital grants to third parties) has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **VAT**

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

## **Fair Value Measurement of Non-Financial Assets**

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

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

The Authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, 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 Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset.

## **2. Accounting Standards that have been issued but have not yet been adopted**

The Code requires the Authority to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts.

This year there are three main changes being introduced in the 2020/21 Code of Practice of Local Authority Accounting:

- Amendments to IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures. Not expected to have a material impact.
- Annual Improvements to IFRS Standards 2015–2017 Cycle. Not expected to have a material impact.

Looking further ahead, IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2021.

## **3. Critical Judgements in Applying Accounting Policies**

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

- There is a degree of uncertainty about future funding levels for local government, with a funding review due and future changes to the Business Rates system. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to 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, with these classifications kept under review. Valuations are made by a professional with appropriate and relevant qualifications at intervals not exceeding five years.
- The Authority assesses any lease it enters into under the requirements of the code. The Authority's waste collection contract is deemed to contain an implied finance lease over the vehicles used in the operation of the contract. The vehicles have been added to the Authority's balance sheet and are depreciated in line with the term of the contract.
- Appeals lodged against Business Rates assessments may succeed, resulting in the need to refund all or part of the Business Rates paid by the business concerned. The Authority has considered the potential effect of the appeals outstanding as at 31 March 2020 and has made a reasoned judgement of the potential effect of these appeals. Further details are given in Note 3 to the Collection Fund Statement.
- Group Accounts - The Authority has considered the nature of its relationships with the two limited companies in which it holds interests, and has classified them according to proper accounting practice. Although there is a requirement to produce group accounts where an entity has interests in subsidiaries, associates or joint arrangements, the Authority has considered the effect of the transactions as at 31 March and has concluded that group statements would not differ materially from the single entity statements. Further details are given in Note 13.

#### **4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

The preparation of financial statements requires management 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 these estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year are as follows:

##### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Norfolk Pension Fund employs a firm of consulting actuaries to provide expert advice about the assumptions to be applied. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:-

| Change in assumptions at year ended 31 March 2020 | Approximate increase to employer liability |                                 |
|---|--|---------------------------------|
|   | %  | £'000                           |
| 0.5% decrease in Real Discount Rate               | 10   | 7,884                           |
| Increase in member life expectancy of one year    | Between 3% and 5%                          | Dependent on age group affected |
| 0.5% increase in the salary increase rate         | 1  | 992                             |
| 0.5% increase in the pension increase rate        | 8  | 6,804                           |

##### **Business Rates Appeals Provision**

Billing authorities are required to estimate and make provisions for the liabilities likely to arise from successful appeals against Business Rates bills issued as at 31 March. The Authority has made a total provision for appeals of £4.706m, with 42.5% of this shown in its balance sheet as its share.

The estimate was calculated by a specialist organisation in the field whose modelling takes into account factors such as the type of proposal and type of hereditament before identifying similar or comparable cases on which to base its results. Yield loss figures are calculated using the relevant multipliers for each affected financial year and the potential losses in rateable value; allowances are made for Small Business Rates Relief supplement losses where this is a factor. As part of the process, certain appeal records that could potentially be withdrawn are also flagged based on the appeal history for the hereditament in the current and previous rating lists.

Should the value of appeals settlements vary by +/- 1% of the total rateable value of the district, this will result in a variation of £777,000 in the refund. This would be allocated amongst the participants as follows; £194,250 to Central Government, £330,225 to Broadland District Council and £252,525 to Norfolk County Council.

##### **Asset Values**

The outbreak of Covid-19, declared by the World Health Organisation as a global pandemic on 11 March 2020 has impacted on global financial markets. On 18 March 2020, the RICS published guidance to the profession in relation to material valuation uncertainty in response to Covid -19 impact on individual markets. Further RICS guidance – Impact of Covid-19 on Valuation - was issued on 2 April 2020.

This is an evolving and fast moving situation, as new government and regulatory requirements are announced daily alongside economic predictors & forecasts, and as an organisation the VOA are currently involved in RICS led profession discussions as to how to address the unprecedented circumstances.

## **5. Events after the Reporting Period**

The unaudited Statement of Accounts were issued by the Assistant Director of Finance on 1 December 2020. Events taking place after this date are not reflected in the financial statement or notes.

Where events taking place before this date provided information about the conditions existing at 31 March 2020, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information.

The financial statement and notes would not be adjusted for events which took place after 31 March 2020 if they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

## 6. Expenditure and Funding Analysis

This note reconciles the **Funding Presentation** (ie the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure) to the **Accounting Presentation** (ie the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice).

|  | Net Expend<br>Chargeable to<br>General Fund<br><b>Funding</b> | Adjustment for<br>Capital<br>Purposes | Net Change<br>for<br>Employee<br>Absences | Net Change<br>for Pooled<br>Investments | Net Change for<br>Pension<br>Adjustment | Other<br>Differences | Total<br>Adjustment | Net Expend in<br>the CIES<br><br><b>Accounting</b> |
|--|---|---------------------------------------|---|---|---|----------------------|---------------------|--|
|  | £'000   | £'000                                 | £'000                                     | £'000                                   | £'000                                   | £'000                | £'000               | £'000  |
| <b>2019/20</b>   |   |                                       |   |   |   |                      |                     |  |
| Corporate Costs  | 275   | 560                                   |   |   | -279                                    |                      | 281                 | 556  |
| Finance and Revenues   | 1,599   |                                       | 21  |   | 184                                     |                      | 205                 | 1,804  |
| Governance and Business Support  | 3,013   | 198                                   | 22  |   | 178                                     |                      | 398                 | 3,411  |
| Managing Director and Chief of Staff   | 796   |                                       | 8   |   | 72                                      |                      | 80                  | 876  |
| Economic Growth  | 969   | -46                                   | 8   |   | 76                                      |                      | 38                  | 1,007  |
| Regulatory Services  | 2,010   | 4                                     | 39  |   | 278                                     |                      | 321                 | 2,331  |
| Planning   | 593   | 12                                    | 27  |   | 210                                     |                      | 249                 | 842  |
| Individuals and Families   | -456  | 101                                   | 0   |   | 0                                       |                      | 101                 | -354   |
| Waste and Recycling  | 1,853   | 153                                   | 0   |   | 0                                       |                      | 153                 | 2,006  |
| <b>Net Cost of Services</b>  | <b>10,652</b>   | <b>983</b>                            | <b>125</b>                                | <b>-</b>                                | <b>719</b>                              | <b>-</b>             | <b>1,827</b>        | <b>12,479</b>                                      |
| Other income and expenditure from the Expenditure & Funding Analysis                                     | -12,183   | -369                                  |   | 773                                     | 758                                     | -971                 | 191                 | -11,992  |
| <b>Difference between General Fund Surplus (before ER) and CIES Surplus on the Provision of Services</b> | <b>-1,531</b>   | <b>614</b>                            | <b>125</b>                                | <b>773</b>                              | <b>1,477</b>                            | <b>-971</b>          | <b>2,018</b>        | <b>487</b>   |
|  |   |                                       |   |   |   |                      |                     |  |
| <b>2018/19</b>   |   |                                       |   |   |   |                      |                     |  |
| Corporate Costs  | 533   |                                       |   |   |   |                      | 0                   | 80   |
| Finance and Revenues   | 1,039   | -5                                    |   |   | 128                                     |                      | 123                 | 245  |
| Governance and Business Support  | 2,774   | 204                                   |   |   | 99                                      |                      | 303                 | 497  |
| Managing Director and Chief of Staff   | 719   |                                       |   |   | 45                                      |                      | 45                  | 457  |
| Economic Growth  | 1,054   | -4                                    |   |   | 46                                      |                      | 42                  | 3,053  |
| Regulatory Services  | 1,034   | 30                                    |   |   | 185                                     |                      | 215                 | 1,561  |
| Planning   | 801   | 113                                   |   |   | 126                                     |                      | 239                 | 209  |
| Individuals and Families   | 1,500   | -65                                   |   |   |   |                      | -65                 | 1,255  |
| Waste and Recycling  | 1,541   | 241                                   |   |   |   |                      | 241                 | 4,781  |
| <b>Net Cost of Services</b>  | <b>10,995</b>   | <b>514</b>                            | <b>-</b>                                  | <b>-</b>                                | <b>629</b>                              | <b>*</b>             | <b>1,143</b>        | <b>12,138</b>                                      |
| Other income and expenditure from the Expenditure & Funding Analysis                                     | -12,649   | -384                                  |   |   | 1,096                                   | 459                  | 1,171               | -11,478  |
| <b>Difference between General Fund Surplus (before ER) and CIES Surplus on the Provision of Services</b> | <b>-1,654</b>   | <b>130</b>                            | <b>-</b>                                  | <b>-</b>                                | <b>1,725</b>                            | <b>459</b>           | <b>2,314</b>        | <b>660</b>   |

## 7. Movement in Reserves Statement – Adjustment between Accounting Basis and Funding Basis under Regulations

|  | 2018/19              |                          |                                 |                   |  | 2019/20              |                          |                                 |                   |
|--|----------------------|--------------------------|---------------------------------|-------------------|--|----------------------|--------------------------|---------------------------------|-------------------|
|  | General Fund Balance | Capital Grants Unapplied | Usable Capital Receipts Reserve | Unusable Reserves |  | General Fund Balance | Capital Grants Unapplied | Usable Capital Receipts Reserve | Unusable Reserves |
|  | £'000                | £'000                    | £'000                           | £'000             |  | £'000                | £'000                    | £'000                           | £'000             |
| <b>Adjustments involving the Capital Adjustment Account</b>  |                      |                          |                                 |                   |  |                      |                          |                                 |                   |
| <i>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</i>                            |                      |                          |                                 |                   |  |                      |                          |                                 |                   |
| Revaluation gains/losses on Property, Plant and Equipment  | 55                   |                          |                                 | -55               |  | 92                   |                          |                                 | -92               |
| Charges for Depreciation and Impairment of non-current assets  | -418                 |                          |                                 | 418               |  | -325                 |                          |                                 | 325               |
| Amortisation of Intangible Assets  | -87                  |                          |                                 | 87                |  | -81                  |                          |                                 | 81                |
| Government Grants and Contributions  | 1,062                |                          |                                 | -1,062            |  | 1,667                |                          |                                 | -1,667            |
| Revenue Expenditure funded from Capital under Statute  | -1,167               |                          |                                 | 1,167             |  | -2,234               |                          |                                 | 2,234             |
| Amounts of non-current assets written off on disposal to the CI&ES   | -                    |                          |                                 | -                 |  | -51                  |                          |                                 | 51                |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>                       |                      |                          |                                 |                   |  |                      |                          |                                 |                   |
| Statutory provision for the financing of capital expenditure   | 205                  |                          |                                 | -205              |  | 120                  |                          |                                 | -120              |
| Capital Expenditure charged against the General Fund Balance   | 66                   |                          |                                 | -66               |  | 27                   |                          |                                 | -27               |
| <b>Adjustments involving the Capital Grants Unapplied Account</b>  |                      |                          |                                 |                   |  |                      |                          |                                 |                   |
| Reversal of Unapplied Capital Grants and Contributions credited to the CI&ES   | 104                  | -104                     |                                 |                   |  | 13                   | -13                      |                                 |                   |
| Application of Grants to Capital Financing   |                      | 104                      |                                 | -104              |  |                      | 13                       |                                 | -13               |
| <b>Adjustments involving the Capital Receipts Reserve</b>  |                      |                          |                                 |                   |  |                      |                          |                                 |                   |
| Transfer of Sale Proceeds credited as part of gain / loss on disposal to the CIES  | 10                   |                          | -10                             |                   |  | -                    |                          | -                               |                   |
| Transfer of Receipts from Deferred Capital Receipts Reserve  |                      |                          |                                 |                   |  |                      |                          |                                 |                   |
| Cash receipts of a capital nature  | 35                   |                          | -35                             |                   |  | 193                  |                          | -193                            |                   |
| Use of Capital Receipts Reserve to finance new Capital Expenditure   |                      |                          | 1,331                           | -1,331            |  |                      |                          | 2,808                           | -2,808            |
| Transfers between reserves required by legislation   |                      |                          | -35                             | 35                |  |                      |                          | -708                            | 708               |
| <b>Adjustments involving the Financial Instruments Adjustment Account</b>  |                      |                          |                                 |                   |  |                      |                          |                                 |                   |
| Amount by which finance costs calculated in accordance with the Code differ from finance costs calculated according to statute | 5                    |                          |                                 | -5                |  | -34                  |                          |                                 | 34                |

|  | 2018/19                    |                                |  |                      |  | 2019/20                    |                                |  |                      |
|--|----------------------------|--------------------------------|--|----------------------|--|----------------------------|--------------------------------|--|----------------------|
|  | General<br>Fund<br>Balance | Capital<br>Grants<br>Unapplied | Usable<br>Capital<br>Receipts<br>Reserve | Unusable<br>Reserves |  | General<br>Fund<br>Balance | Capital<br>Grants<br>Unapplied | Usable<br>Capital<br>Receipts<br>Reserve | Unusable<br>Reserves |
|  | £'000                      | £'000                          | £'000                                    | £'000                |  | £'000                      | £'000                          | £'000                                    | £'000                |
| <b>Adjustments involving the Pensions Reserve</b>  |                            |                                |  |                      |  |                            |                                |  |                      |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES  | -3,317                     |                                |  | 3,317                |  | -3,182                     |                                |  | 3,182                |
| Employers Pension contributions and direct payments to pensioners payable in the year  | 1,592                      |                                |  | -1,592               |  | 1,705                      |                                |  | -1,705               |
| <b>Adjustments involving the Collection Fund Adjustment Account</b>  |                            |                                |  |                      |  |                            |                                |  |                      |
| Amount by which local taxation income credited to the CIES is different from income calculated for the year in accordance with statutory requirements  |                            |                                |  |                      |  |                            |                                |  |                      |
| - Business Rates   | -429                       |                                |  | 429                  |  | 973                        |                                |  | -973                 |
| - Council Tax  | -30                        |                                |  | 30                   |  | -3                         |                                |  | 3                    |
| <b>Adjustments involving the Accumulated Absences Account</b>  |                            |                                |  |                      |  |                            |                                |  |                      |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements  |                            |                                |  |                      |  | -125                       |                                |  | 125                  |
| <b>Adjustments involving the Pooled Investment Fund Adjustment Account</b>   |                            |                                |  |                      |  |                            |                                |  |                      |
| Amount by which capital appreciation/depreciation on pooled funds charged to the Comprehensive Income and Expenditure Statement is different from that chargeable in the year in accordance with statutory requirements. |                            |                                |  |                      |  | -773                       |                                |  | 773                  |
| <b>Total Adjustments</b>   | <b>-2,314</b>              | <b>-</b>                       | <b>1,251</b>                             | <b>1,063</b>         |  | <b>-2,108</b>              |                                | <b>1,907</b>                             | <b>111</b>           |



## 8. Income and Expenditure Analysed by Nature

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

|   | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| <b>Income</b>   |                  |                  |
| Fees, charges and other service income                              | -4,920           | -5,545           |
| Interest and investment income                                      | -1,894           | -2,127           |
| Authority's share of income from Council Tax and Non-Domestic Rates | -21,172          | -22,755          |
| Housing Benefit contributions and allowances                        | -20,466          | -18,237          |
| Grants and Contributions (excluding Housing Benefits)               | -7,119           | -8,401           |
| Gain on disposal of assets  | -10              | -                |
|   | <b>-55,581</b>   | <b>-57,065</b>   |
| <b>Expenditure</b>  |                  |                  |
| Employees' benefits expenses  | 9,439            | 9,855            |
| Housing Benefit expenditure   | 20,123           | 17,592           |
| Other services expenses   | 10,453           | 12,390           |
| Depreciation, amortisation, impairment                              | 450              | 314              |
| Interest payments   | 2,211            | 2,985            |
| Precepts and levies   | 3,725            | 3,862            |
| Loss on disposal of assets  | -                | 51               |
| Non-domestic rates expenditure (tariff and levy)                    | 9,840            | 10,503           |
|   | <b>56,241</b>    | <b>57,552</b>    |
| <b>(Surplus) or Deficit on the Provision of Services</b>            | <b>660</b>       | <b>487</b>       |

### **Segmental Income**

|                                  | 2018/19<br>£'000 | 2019/20<br>£'000 |
|----------------------------------|------------------|------------------|
| Revenues from external customers | -4,916           | -5,542           |
| Other income                     | -47,921          | -48,226          |
|                                  | <b>-52,837</b>   | <b>-53,768</b>   |

## 9. Transfers to / from Earmarked Reserves

|  | Balance<br>at 31<br>March<br>2018<br>£'000 | Transfers<br>In<br>2018/19<br>£'000 | Transfers<br>Out<br>2018/19<br>£'000 | Balance<br>at 31<br>March<br>2019<br>£'000 | Transfers<br>In<br>2019/20<br>£'000 | Transfers<br>Out<br>2019/20<br>£'000 | Balance<br>at 31<br>March<br>2020<br>£'000 |
|--|--|-------------------------------------|--------------------------------------|--|-------------------------------------|--------------------------------------|--|
| Repairs & Renewals (General)           | 348  | 6                                   | -38                                  | 316  | 7                                   | -                                    | 323  |
| Repairs & Renewals (Street Lighting)   | -  | 83                                  | -68                                  | 15   | 111                                 | -56                                  | 70   |
| Spend Equalisation                     | 538  | 161                                 | -139                                 | 560  | 128                                 | -                                    | 688  |
| Recession Mitigation Fund              | 40   | -                                   | -40                                  | -  | -                                   | -                                    | -  |
| Economic Success Fund                  | 324  | 1                                   | -18                                  | 307  | -                                   | -22                                  | 285  |
| Insurance                              | 59   | -                                   | -                                    | 59   | -                                   | -                                    | 59   |
| Building Control Trading               | 14   | -                                   | -                                    | 14   | -                                   | -                                    | 14   |
| External Funding Reserve               | 263  | 101                                 | -142                                 | 222  | -                                   | -                                    | 222  |
| Housing Assistance Policy              | 238  | 21                                  | -                                    | 259  | -                                   | -                                    | 259  |
| Developer Contributions – Adopted Land | 426  | 3                                   | -17                                  | 412  | 69                                  | -36                                  | 445  |
| Developer Contributions - Play Areas   | 197  | -                                   | -73                                  | 124  | 13                                  | -6                                   | 131  |
| Neighbourhood Plans - Front Runner     | 179  | 25                                  | -23                                  | 181  | 40                                  | -18                                  | 203  |
| Community Infrastructure Levy Reserve  | 237  | 151                                 | -84                                  | 304  | 199                                 | -101                                 | 402  |
| Community Right to Challenge Reserve   | 46   | -                                   | -                                    | 46   | -                                   | -                                    | 46   |
| Business Rates Reserve                 | 1,303                                      | 1,400                               | -                                    | 2,703                                      | -                                   | -                                    | 2,703                                      |
| I.T. Reserve                           | 186  | 28                                  | -                                    | 214  | 119                                 | -28                                  | 305  |
| Broadland Growth Reserve               | 2,122                                      | 12                                  | -1                                   | 2,133                                      | 52                                  | -7                                   | 2,178                                      |
| Systems Thinking Reserve               | 70   | -                                   | -                                    | 70   | -                                   | -                                    | 70   |
| Bridge Maintenance Reserve             | 40   | 270                                 | -                                    | 310  | 20                                  | -                                    | 330  |
|  | <b>6,630</b>                               | <b>2,262</b>                        | <b>-643</b>                          | <b>8,249</b>                               | <b>758</b>                          | <b>-274</b>                          | <b>8,733</b>                               |

## 10. Property, Plant and Equipment

The outbreak of Covid-19, declared by the World Health Organisation as a global pandemic on 11 March 2020 has impacted on global financial markets. On 18 March 2020, the RICS published guidance to the profession in relation to material valuation uncertainty in response to Covid -19 impact on individual markets. Further RICS guidance – Impact of Covid-19 on Valuation - was issued on 2 April 2020.

This is an evolving and fast moving situation, as new government and regulatory requirements are announced daily alongside economic predictors & forecasts, and as an organisation the VOA are currently involved in RICS led profession discussions as to how to address the unprecedented circumstances.

| <b>2019/20</b>   | Land & Buildings<br>£'000 | Vehicles, Plant & Equipment<br>£'000 | Infrastructure<br>£'000 | Surplus Land & Buildings<br>£'000 | Total<br>£'000 |
|--|---------------------------|--------------------------------------|-------------------------|-----------------------------------|----------------|
| <b>Cost or Valuation</b>   |                           |                                      |                         |                                   |                |
| At 1 April 2019  | 5,483                     | 3,641                                | 489                     | 1,298                             | 10,911         |
| Additions  | 756                       | 65                                   | 28                      | -                                 | 849            |
| Revaluation Increases / (Decreases)  |                           |                                      |                         |                                   |                |
| - Included within the Deficit on Provision of Services (posted to the CAA)     | 29                        | -                                    | -                       | -                                 | 29             |
| - Included within Other Comprehensive Income & Expenditure (posted to the RR)) | 632                       | -                                    | -                       | -389                              | 243            |
| Reclassification   | 381                       | -                                    | -                       | -                                 | 381            |
| Disposal   | -59                       | -708                                 | -                       | -                                 | -767           |
| <b>At 31 March 2020</b>  | <b>7,222</b>              | <b>2,998</b>                         | <b>517</b>              | <b>909</b>                        | <b>11,646</b>  |
| <b>Depreciation and Impairment</b>   |                           |                                      |                         |                                   |                |
| At 1 April 2019  | -142                      | -3,359                               | -288                    | -                                 | -3,789         |
| Depreciation charges   | -146                      | -156                                 | -24                     | -                                 | -326           |
| Depreciation written out on Revaluation  |                           |                                      |                         |                                   |                |
| - Depreciation written out to the RR   | 53                        | -                                    | -                       | -                                 | 53             |
| - Depreciation written out to the Surplus/Deficit on the Provision of Services | 63                        | -                                    | -                       | -                                 | 63             |
| Depreciation written out on disposal   | 8                         | 708                                  | -                       | -                                 | 716            |
| <b>At 31 March 2020</b>  | <b>-164</b>               | <b>-2,807</b>                        | <b>-312</b>             | <b>-</b>                          | <b>-3,283</b>  |
| <b>Net Book Value 1 April 2019</b>   | <b>5,341</b>              | <b>282</b>                           | <b>201</b>              | <b>1,298</b>                      | <b>7,122</b>   |
| <b>Net Book Value as at 31 March 2020</b>                                      | <b>7,058</b>              | <b>191</b>                           | <b>205</b>              | <b>909</b>                        | <b>8,363</b>   |

| <b>2018/19</b>  | Land & Buildings<br>£'000 | Vehicles, Plant & Equipment<br>£'000 | Infrastructure<br>£'000 | Surplus Land & Buildings<br>£'000 | Total<br>£'000 |
|---|---------------------------|--------------------------------------|-------------------------|-----------------------------------|----------------|
| <b>Cost or Valuation</b>  |                           |                                      |                         |                                   |                |
| At 1 April 2018   | 5,337                     | 3,609                                | 471                     | 1,256                             | 10,673         |
| Adjusted Balance Brought Forward  | 1                         | -                                    | -                       | -1                                | -              |
| Additions   | 90                        | 32                                   | 18                      | -                                 | 140            |
| Revaluation Increases / (Decreases)   |                           |                                      |                         |                                   |                |
| - Included within the Deficit on Provision of Services (posted to the CAA))   | -                         | -                                    | -                       | 55                                | 55             |
| - Included within Other Comprehensive Income & Expenditure (posted to the RR) | 55                        | -                                    | -                       | -12                               | 43             |
| <b>At 31 March 2019</b>   | <b>5,483</b>              | <b>3,641</b>                         | <b>489</b>              | <b>1,298</b>                      | <b>10,911</b>  |
| <b>Depreciation and Impairment</b>  |                           |                                      |                         |                                   |                |
| At 1 April 2018   | -457                      | -3,101                               | -262                    | -                                 | -3,820         |
| Depreciation charges  | -134                      | -258                                 | -26                     | -                                 | -418           |
| Depreciation written out on Disposal / Revaluation                            | 449                       | -                                    | -                       | -                                 | 449            |
| <b>At 31 March 2019</b>   | <b>-142</b>               | <b>-3,359</b>                        | <b>-288</b>             | <b>-</b>                          | <b>-3,789</b>  |
| <b>Net Book Value 1 April 2018</b>  | <b>4,880</b>              | <b>508</b>                           | <b>209</b>              | <b>1,256</b>                      | <b>6,853</b>   |
| <b>Net Book Value as at 31 March 2019</b>                                     | <b>5,341</b>              | <b>282</b>                           | <b>201</b>              | <b>1,298</b>                      | <b>7,122</b>   |

| Breakdown of assets                                    | 31 March<br>2019 | 31 March<br>2020 |
|--|------------------|------------------|
| Offices  | 2                | 2                |
| Depots   | 1                | 1                |
| Car Parks  | 4                | 5                |
| Public Conveniences                                    | 6                | 6                |
| Shared Equity Properties                               | 1                | 1                |
| Quayside   | 1                | 1                |
| Properties for the Provision of Homeless Accommodation | 2                | 2                |
|  | 17               | 18               |

The total number of car parks owned by the Council has increased by one to five compared to the prior year. The Bure Valley Railway car park was included in the reclassification of this whole asset to an Asset Held for Sale in 2017/18. However, during 2019/20 the decision was made to retain council management of the asset.

In addition to the above the Council owns areas of amenity land which have little or no value. They consist of general amenity land, woodland and play areas.

### **Valuation**

The Council ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out by a professionally qualified employee of the District Valuer and Valuations Office in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

| Property, Plant & Equipment Carried at Current Value | Land and Buildings<br>£'000 | Vehicles, Plant & Equipment<br>£'000 | Infrastructure Assets<br>£'000 | Surplus Assets<br>£'000 | Total<br>£'000 |
|--|-----------------------------|--------------------------------------|--------------------------------|-------------------------|----------------|
| Historical Cost                                      |                             | 2,998                                | 517                            |                         | 3,515          |
| Current Value in:                                    |                             |                                      |                                |                         |                |
| Year ended 31 March 2020                             | 3,562                       |                                      |                                | 66                      | 3,628          |
| Year ended 31 March 2019                             | 2,787                       |                                      |                                | 806                     | 3,593          |
| Year ended 31 March 2018                             | 535                         |                                      |                                | 37                      | 572            |
| Year ended 31 March 2017                             | 126                         |                                      |                                |                         | 126            |
| Year ended 31 March 2016                             | 212                         |                                      |                                |                         | 212            |
| Total  | 7,222                       | 2,998                                | 517                            | 909                     | 11,646         |

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets with a finite useful.

#### Useful lives

|                               |               |
|-------------------------------|---------------|
| Vehicles, plant and machinery | 5 years       |
| Domestic waste bins           | 10 years      |
| Buildings                     | 25 - 50 years |
| Street lighting columns       | 10 years      |
| Land drainage structures      | 40 years      |
| Buildings                     | 50 years      |
| Bridges                       | 120 years     |

## **Fair Value Hierarchy**

As part of the adoption of IFRS13, the Surplus Assets held by the Authority were revalued during 2016/17 according to the prescribed valuation techniques as detailed below. Further valuations of the surplus land were carried out in 2018/19. There were no transfers between levels 1 and 2 during 2018/19. Surplus land at Rosebery Road has been mainly transferred as part of the Broadland Growth Ltd housing development; the remainder was revalued in 2019/20 with no transfer between level 1 and 2.

| Surplus Assets Held at Fair Value | Quoted Value in Active Markets for Identical Assets (Level 1)<br>£'000 | Other Significant Observable Inputs (Level 2)<br>£'000 | Significant Other Un-observable Inputs (Level 3)<br>£'000 | Fair Value as at 31 March 2019<br>£'000 |
|-----------------------------------|--|--|---|---|
| Recurring Fair Value Measurements |  |  |   |   |
| Land                              | -  | 909  | -   | 909                                     |

## **Valuation Techniques Used to Determine Fair Values for Surplus Assets**

### Significant Observable Inputs – Level 2

The valuation technique applied was the market approach. This uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. The level 2 inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

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

## **11. Heritage Assets**

The Authority owns twenty-three bridges, seven culverts and one tunnel along a nine mile section of the Bure Valley Railway line. These structures were built in the 1870's as part of the East Norfolk Railway line, and were transferred to the Authority at no cost in 1989 by the British Railways Board to hold in trust and to maintain in a safe condition. The bridges have been considered on the basis of their background history and the Authority's intentions in acquiring the asset, and it was concluded that, as they were acquired purely for their value as historical artefacts, they fulfilled the definition of Heritage Assets.

Heritage assets are carried at valuation rather than at fair value, reflecting the fact that historical assets rarely change ownership. Valuations may be made on any basis that is appropriate and relevant. The Authority is unlikely to replace the structures with exact replicas of the originals in the event that one or all of the structures are destroyed or severely damaged, so a valuation on depreciated replacement cost is not appropriate. The Authority would not seek to sell the bridges, and has considered that if it were to attempt to do so, the purchaser would require the Authority to pay to offset the obligation of maintaining the bridges in a safe condition. After careful consideration, the Authority has opted to value the structures at historical cost. This is defined in the Code as the carrying amount of the asset as at 1 April 2007 or at the date of acquisition if later, adjusted for depreciation or impairment if appropriate. As the structures were transferred to the Authority at nil cost in 1989 and held at nil value on the Authority's balance sheet as at 31 March 2007, their historical cost valuation has been deemed to be nil. Capital expenditure undertaken to rectify damage and deterioration will be written off against the impairment to value that the damage represents.

The Authority has built a path for walkers and cyclists along the length of the line which is open to public access at any time, from which the bridges and culverts can be seen. The path is classified as an infrastructure asset within Property, Plant and Equipment on the balance sheet and is valued separately.

## 12. Intangible Assets

The purchase of software licences and project implementation costs are treated as intangible assets. Amortisation of intangible assets is charged to the revenue account on a straight line basis over a period of five years.

|                               | 2018/19<br>£'000 | 2019/20<br>£'000 |
|-------------------------------|------------------|------------------|
| <b>Cost</b>                   |                  |                  |
| Opening Gross Balance         | 1,212            | 1,264            |
| Additions                     | 52               | 81               |
| Disposals                     | -                | -135             |
| Closing Gross Balance         | 1,264            | 1,210            |
| <b>Amortisation</b>           |                  |                  |
| Opening Accumulated Balance   | -1,019           | -1,106           |
| Amortisation Charge           | -87              | -81              |
| Disposals                     | -                | 135              |
| Closing Amortisation Balance  | -1,106           | -1,052           |
| <b>Opening Net Book Value</b> | <b>193</b>       | <b>158</b>       |
| <b>Closing Net Book Value</b> | <b>158</b>       | <b>158</b>       |

## 13. Investments in Associates and Joint Ventures

### **Broadland Growth**

Broadland District Council has an interest in Broadland Growth Limited, which has been assessed as a joint venture with NPS Group. The company was formed in December 2013 to undertake housing development in the district.

The Authority contributed £10,000 initial capital to the company and provides rechargeable services such as book-keeping and liaison with the company's accountants (Aston Shaw). The £10,000 capital investment is shown within the Investments in Associates and Joint Ventures line in the balance sheet.

The company has estimated £177,865 as a pre-tax profit in 2019/20 (£213,030 2018/19 pre-tax profit).

As at the end of March 2020 a new development of 22 properties had been built, thirteen of which have been sold to date.

### **Community Infrastructure Levy (CIL)**

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, designated the accountable body in the agreement, established the Infrastructure Investment Fund from the CIL income it has received from each of the authorities.

At 31 March 2020, the Infrastructure Investment Fund had a cash balance of £6.350m which will be used to support projects.

## 14. Long Term Debtors

|  | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 |
|--|---------------------------|---------------------------|
| Transferred Debt                                     | 209                       | 186                       |
| Staff Car Loans                                      | 4                         | 8                         |
| Housing Advances for former council house stock      | 61                        | 61                        |
| Housing benefit overpayment debt                     | 120                       | 370                       |
| Deferred capital receipt on shared equity properties | 235                       | 328                       |
| Loans to Parish Councils                             | 105                       | 314                       |
| Loan to Broadland Growth Ltd                         | 990                       | 1,310                     |
|  | 1,724                     | 2,577                     |

The transferred debt is held on behalf of Great Yarmouth Borough Council - an obligation dating back to the 1974 Local Government Reorganisation scheme.

The deferred capital receipt refers to an agreement to take a 25% interest in nine shared equity properties on the Carrowbreck Meadow (six) and Rosebery Road (three) developments. The purchasers of these properties have signed a legal agreement to pay the Authority for the remaining equity within 25 years. As the Authority will not receive any interest on this deferred payment this has been classified as a soft loan, and the £378,750 value as at 31 March 2017 (Carrowbreck) has therefore been discounted to a fair value of £240,232 using a commonly available mortgage rate of 2.09%. The £127,250 value for the Rosebery Road properties has been discounted to a fair value of £87,918 using a rate of 1.49% (commonly available at 31<sup>st</sup> March 2020). The impairment in value is held within the Financial Instruments Adjustment Account, and will be reversed in instalments each year until the payment is received.

The Parish Council loan scheme is funded through the Broadland Growth Reserve to establish a community infrastructure fund. The aim of the fund is to provide a borrowing facility for Parish and Town Councils to submit bids for local infrastructure projects which are underwritten by the respective Parish or Town Council's future CIL (Community Infrastructure Levy) receipts. £500,000 has been ring-fenced within the Broadland Growth earmarked reserve for this purpose. Three loans have been advanced. A loan of £1,010,000 to Broadland Growth Limited is part of an agreed £2m loan facility extended to the company to fund a housing development project at Rosebery Road, Great Plumstead. This completes the loan; £690,000 was repaid during 2019/20. The Authority has deemed it prudent to estimate a return of the remaining funds after March 2020.

## 15. Assets Held For Sale

|   | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 |
|---|---------------------------|---------------------------|
| Balance outstanding at the start of the year: | 365                       | 381                       |
| Assets declassified as held for sale          | -                         | -381                      |
| Gains / (Losses) on revaluation               | 16                        | -                         |
| Balance outstanding at year end               | 381                       | -                         |

The opening balance relates to the Bure Valley Railway asset. As it is no longer likely that the assets will be disposed of, they have been reclassified back to operational assets during 2019/20.

## 16. Financial Instruments

### Categories of Financial Instruments

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

| Financial Assets                        | Non-Current                  |                              |                              |                              | Current                      |                              |                              |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|   | Investments                  |                              | Debtors                      |                              | Investments                  |                              | Debtors                      |                              |
|   | 31<br>March<br>2019<br>£'000 | 31<br>March<br>2020<br>£'000 | 31<br>March<br>2019<br>£'000 | 31<br>March<br>2020<br>£'000 | 31<br>March<br>2019<br>£'000 | 31<br>March<br>2020<br>£'000 | 31<br>March<br>2019<br>£'000 | 31<br>March<br>2020<br>£'000 |
| Amortised cost                          |                              |                              |                              |                              |                              |                              |                              |                              |
| - Soft loan on shared equity properties | -                            | -                            | 235                          | 328                          | -                            | -                            | -                            | -                            |
| - Simple Deposits                       | -                            | -                            | -                            | -                            | 12,541                       | 12,086                       | -                            | -                            |
| - Fin assets carried at contract amount | -                            | -                            | 1,370                        | 1,879                        | -                            | -                            | 5,036                        | 9,406                        |
| Fair value through profit or loss       | -                            | -                            | -                            | -                            | 13,421                       | 10,636                       | -                            | -                            |
|   | -                            | -                            | 1,605                        | 2,207                        | 25,962                       | 22,722                       | 5,036                        | 9,406                        |

| Financial Liabilities                      | Non-Current                  |                              |                              |                              | Current                      |                              |                              |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|  | Borrowings                   |                              | Creditors                    |                              | Borrowings                   |                              | Creditors                    |                              |
|  | 31<br>March<br>2019<br>£'000 | 31<br>March<br>2020<br>£'000 | 31<br>March<br>2019<br>£'000 | 31<br>March<br>2020<br>£'000 | 31<br>March<br>2019<br>£'000 | 31<br>March<br>2020<br>£'000 | 31<br>March<br>2019<br>£'000 | 31<br>March<br>2020<br>£'000 |
| Amortised cost finance lease liabilities   | -                            | -                            | -                            | -                            | (120)                        | -                            | -                            | -                            |
| Fin liabilities carried at contract amount | -                            | -                            | -                            | -                            | -                            | -                            | (1,295)                      | (710)                        |
|  | -                            | -                            | -                            | -                            | (120)                        | -                            | (1,295)                      | (710)                        |

The fair values of the items in the table above are equal to the carrying amounts shown within the table.

The soft loan consists of deferred capital receipts arising from a 25% share in a total of nine shared equity properties built by the Authority's joint venture housing development company. The value must be paid over to the Authority on or before the 25<sup>th</sup> anniversary of each property's purchase. The calculation of the loss in value arising from the delay in payment – effectively, an interest-free loan – has been made by discounting the estimated value of the receipt by 2.09% (Carrowbreck site) and 1.49% (Rosebery Road site) based on a readily available mortgage offer to first-time buyers, resulting in a fair value of £328,150.

Financial assets and financial liabilities represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value is assessed by calculating the present value of the cash flows that are expected to take place over the remaining life of the instruments, with the following assumptions:

- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- The fair value of an instrument due to mature within the next 12 months is taken to be the carrying amount.

### Income Expense Gains and Losses

|  | 2018/19  |   | 2019/20  |   |
|--|--|---|--|---|
|  | Surplus or<br>Deficit on the<br>Provision of<br>Services | Other<br>Comprehensive<br>Income and<br>Expenditure | Surplus or<br>Deficit on the<br>Provision of<br>Services | Other<br>Comprehensive<br>Income and<br>Expenditure |
|  | £'000  | £'000   | £'000  | £'000   |
| Interest revenue:  |  |   |  |   |
| financial assets measured at amortised cost                    | -183   | -   | -285   | -   |
| financial assets measured at fair value through profit or loss | -170   | -   | -405   | -   |
| <b>Total interest revenue</b>                                  | <b>-353</b>  | <b>-</b>  | <b>-690</b>  | <b>-</b>  |
| <b>Interest expense</b>  | <b>17</b>  | <b>-</b>  | <b>16</b>  | <b>-</b>  |



## Short Term Temporary Investments

The following investments were held at 31 March, valued at bid price in line with current local authority practice. The figures below include accrued interest.

|   | 31 March<br>2019 | 31 March<br>2020 |
|---|------------------|------------------|
| Banks/Building Societies                          | 13,027           | 13,039           |
| Externally Managed Pooled Funds                   | 13,422           | 10,636           |
| Gross Funds Invested                              | 26,449           | 23,675           |
| Less: Investments made on behalf of third parties | -484             | -949             |
|   | 25,965           | 22,726           |

## 17. Short Term Debtors

The following sums of income are due to be received in the next financial year.

|                                     | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 |
|-------------------------------------|---------------------------|---------------------------|
| Community Infrastructure Levy       | 4,259                     | 8,670                     |
| Other Entities and Individuals      | 2,252                     | 3,321                     |
|                                     | 6,511                     | 11,643                    |
| Less: Provision for Debt Impairment | -350                      | -208                      |
|                                     | 6,161                     | 11,783                    |

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

|                        | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 |
|------------------------|---------------------------|---------------------------|
| Six months to one year | 112                       | 133                       |
| More than one year     | 31                        | 43                        |
|                        | 143                       | 176                       |

## 18. Short Term Creditors

The following sums were outstanding at 31 March:

|  | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 |
|--|---------------------------|---------------------------|
| Community Infrastructure Levy                  | -5,480                    | -10,675                   |
| Advance Maintenance Fees – Play Areas          | -1,194                    | -2,117                    |
| MHCLG Business Rates Creditor                  | -1,253                    | -511                      |
| Norfolk CC Council Tax/Business Rates Creditor | -131                      | -1,633                    |
| Other Entities and Individuals                 | -4,888                    | -6,766                    |
|  | -12,946                   | -21,702                   |

## 19. Provisions

The Provisions figures relate to an estimate of the outcome of appeals against Business Rates assessments.

## 20. Capital Grants Receipts in Advance

Capital Grants Received in Advance refer to grants of a capital nature received where the grant carries conditions that have not yet been fulfilled, and where the funds must be used within a set period of time or returned to the donor. Accordingly, the Authority must carry these as potential creditors rather than register them as income and include them within its assets.

## 21. Section 106 Receipts

The Council has received contributions from developers in respect of Section 106 Planning Agreements that have not yet been recognised as income, as the funds must be returned to the donor if the conditions attached are not met. These are held as creditors – within Short-Term Creditors for receipts with a revenue purpose and as Capital Grants Receipts in Advance where the intended expenditure is capital in nature. These sums are included in the Balance Sheet at year end as follows:

| Balance Sheet category             | Purpose of Funds                                | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 |
|------------------------------------|---|---------------------------|---------------------------|
| Short Term Creditors               | Provision of Play Areas (Conditional)           | -1,194                    | -2,117                    |
| Short Term Creditors               | Maintenance of Adopted Land (Conditional)       | -31                       | -29                       |
| Capital Grants Receipts in Advance | Provision of Affordable Housing (Unconditional) | -30                       | -245                      |

## 22. Unusable Reserves

Unusable reserves are those reserves which cannot be used to fund expenditure or to reduce Council Tax.

### Revaluation Reserve

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

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

|  | 2018/19<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| Balance at 1 April   | -1,731           | -2,217           |
| Removal of revaluation balance for assets disposed of in year  | -                | 17               |
| Upward revaluation of assets   | -117             | -632             |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of services | 58               | 389              |
| Depreciation written back on revaluation   | -449             | -53              |
| Difference between fair value depreciation and historical cost depreciation  | 22               | 28               |
| Balance at 31 March  | -2,217           | -2,468           |

## **Pension Fund Reserve**

The Pensions Fund Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are due to be paid.

|  | 2018/19<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| Balance at 1 April   | -23,903          | -31,121          |
| Actuarial Gains / (Losses) on pensions assets and liabilities  | -5,493           | 8,621            |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | -3,317           | -3,285           |
| Employer's pension contributions & direct payments to pensioners in the year   | 1,592            | 1,705            |
| Balance at 31 March  | -31,121          | -24,080          |

## **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 or enhancement of those assets under statutory provisions.

The account is charged with the cost of acquisition or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition and enhancement. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

|  | 2018/19<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| Balance at 1 April   | -5,812           | (6,950)          |
| <u>Capital Financing applied in the year</u>   |                  |                  |
| Capital receipts   | -201             | (876)            |
| Application of grants from the Capital Grants Unapplied account  | -1,198           | (1,237)          |
| Capital expenditure charged against General Fund balances  | -66              | (27)             |
|  | -7,277           | (9,090)          |
| <u>Reversal of capital items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u> |                  |                  |
| Depreciation and amortisation  |                  |                  |
| - Charge for the year  | 277              | 258              |
| - Written out on Revaluation   | -                | -63              |
| Revaluation Reserve Balance Written out on Disposal  | -                | -17              |
| Disposals  | -                | 51               |
| Revaluations   | -55              | -29              |
| Government Grants and Contributions  | -1,062           | -1,540           |
| Deferred Income – Shared Equity Properties   | -                | -127             |
| Revenue expenditure funded from capital under statute  | 1,167            | 2,234            |
|  | 327              | 767              |
| Balance at 31 March  | -6,950           | -8,323           |

### **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of local taxation income in the Comprehensive Income and Expenditure Statement as it falls due from taxpayers compared with the statutory arrangements for paying amounts to the General Fund from the Collection Fund.

|   | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| Balance at 1 April  | 678              | 1,137            |
| Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements. | 459              | -970             |
| Balance at 31 March   | 1,137            | 167              |

### **Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences between the value of a financial instrument according to accounting practices and statutory requirements. The balance relates to the impairment in value to a soft loan resulting from the deferred capital receipt on six shared equity properties.

|   | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| Balance at 1 April  | 148              | 143              |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | -5               | 34               |
| Balance at 31 March   | 143              | 177              |

### **Deferred Capital Receipts - Mortgages**

Deferred capital receipts are amounts due to be received from the sale of council houses for which funds are received over a number of years. Capital receipts are minimal, amounting to less than £1,000 in each year.

|                          | 2018/19<br>£'000 | 2019/20<br>£'000 |
|--------------------------|------------------|------------------|
| Balance at 1 April       | -60              | -60              |
| Receipts transferred out | -                | -                |
| Balance at 31 March      | -60              | -60              |

### **Accumulated Absences Account**

The Accumulated Absences Account absorbs the timing differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

|   | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| Balance at 1 April  | -                | -                |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | -                | 125              |
| Balance at 31 March   | -                | 125              |

## **Pooled Investment Funds Adjustment Account**

The Accumulated Absences Account absorbs net capital appreciation/depreciation on pooled investment funds that would be charged to the general fund balance under IFRS9 but which are subject to a statutory override until 31 March 2023.

|  | 2018/19<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| Balance at 1 April   | -                | -                |
| Amount by which capital appreciation/depreciation on pooled funds charged to the Comprehensive Income and Expenditure Statement is different from that chargeable in the year in accordance with statutory requirements. | -                | 773              |
| Balance at 31 March  | -                | 773              |

## **23. Cash Flow Statement – Operating Activities**

The surplus or deficit on provision of services has been adjusted for the following items:

|   | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 |
|---|---------------------------|---------------------------|
| Depreciation  | -418                      | -325                      |
| Impairment and downward valuations  | -                         | 92                        |
| Amortisation  | -87                       | -81                       |
| (Increase) or decrease in creditors   | -2,790                    | -8,081                    |
| Increase or (decrease) in interest debtors                                      | -                         | -                         |
| Increase or (decrease) in other debtors   | 4,280                     | 5,712                     |
| Increase or (decrease) in inventories   | -                         | -                         |
| Movement in pension liability   | -1,725                    | -1,477                    |
| Contributions (to) or from provisions   | -                         | -51                       |
| Carrying amount of non-current assets held for sale, sold or de-recognised      | -                         | -                         |
| Other non-cash items charged to net surplus or deficit on provision of services | -884                      | 325                       |
| Net cash flow from operating activities   | -1,624                    | -3,386                    |

The cash flows for operating activities include the following items:

|                   | 2018/19<br>£'000 | 2019/20<br>£'000 |
|-------------------|------------------|------------------|
| Interest Received | -438             | -596             |
| Interest Paid     | 21               | 50               |
|                   | -417             | -546             |

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

|  | 31 March<br>2019 | 31 March<br>2020 |
|--|------------------|------------------|
| Capital grants credited to surplus or deficit on the provision of services       | -                | -                |
| Proceeds from the sale of non-current assets                                     | 10               | -                |
| Any other items for which the cash effects are investing or financing cash flows | 139              | 205              |
|  | 149              | 205              |

## **24. Members Allowances**

Payments to members for allowances and committee attendance expenses were £311,997 (2018/19 £231,203) and are included within the 'Governance and Business Support' line of the Comprehensive Income & Expenditure Statement.

## 25. Officers' Remuneration

The following table shows the remuneration of senior employees whose salaries are more than £50,000 per year. Senior employees are those that have the power to direct or control the major activities of the Council. No bonuses have been paid to any senior officer in either year.

South Norfolk Council and Broadland District Council share a joint Senior Management Team.

The employees detailed below therefore work across the two authorities and the costs are shared. The costs shown below are therefore the full remuneration received by the employee, as opposed to the actual cost to the Council.

| 2019/20   | Employing Authority | Salary incl fees, allowances & performance related pay<br>£ | Compensation for loss of office<br>£ | Total remuneration excluding pension contributions<br>£ | Employers pension contributions<br>£ | Total remuneration including employers pension contributions<br>£ |
|---|---------------------|---|--------------------------------------|---|--------------------------------------|---|
| Managing Director - Trevor Holden                           | BDC                 | 163,450   | -                                    | 163,450   | 24,518                               | 187,968   |
| Director - People and Communities                           | SNC                 | 90,250  | -                                    | 90,250  | 13,575                               | 103,825   |
| Director - Resources  | SNC                 | 90,250  | -                                    | 90,250  | 13,575                               | 103,825   |
| Director - Place  | BDC                 | 90,250  | -                                    | 90,250  | 13,538                               | 103,788   |
| Assistant Director - Planning                               | SNC                 | 67,329  | -                                    | 67,329  | 10,287                               | 77,616  |
| Assistant Director - Governance & Business                  | SNC                 | 65,250  | -                                    | 65,250  | 10,088                               | 75,338  |
| Assistant Director - Individuals & Families                 | SNC                 | 65,250  | -                                    | 65,250  | 9,788                                | 75,038  |
| Assistant Director - Chief of Staff                         | SNC                 | 64,627  | -                                    | 64,627  | 9,694                                | 74,321  |
| Assistant Director – Regulatory (started 30/09/2019)        | SNC                 | 32,931  | -                                    | 32,930  | 4,940                                | 37,870  |
| Assistant Director - Economic Growth (left 31/03/2020)      | BDC                 | 59,833  | 36,250                               | 96,083  | 8,975                                | 105,058   |
| Assistant Director – Finance (started 28/10/2019)           | BDC                 | 30,494  | -                                    | 30,494  | 4,574                                | 35,068  |
| Assistant Director - Community Service (started 07/11/2019) | BDC                 | 27,017  | -                                    | 27,017  | 4,037                                | 31,054  |

The following senior employees' costs were not shared between authorities during 2019/20.

| 2019/20  | Employing Authority | Salary incl fees, allowances & performance related pay<br>£ | Compensation for loss of office<br>£ | Total remuneration excluding pension contributions<br>£ | Employers pension contributions<br>£ | Total remuneration including employers pension contributions<br>£ |
|--|---------------------|---|--------------------------------------|---|--------------------------------------|---|
| Deputy Chief Executive (left 25/06/2019)                           | BDC                 | 5,145   | 113,920                              | 139,065   | 3,537                                | 142,602   |
| Head of Democratic Services and Monitoring Officer (left 28/06/19) | BDC                 | 20,660  | 74,947                               | 95,607  | 2,265                                | 97,872  |
| Head of Finance & Revenue Services                                 | BDC                 | 11,118  | -                                    | 11,118  | 1,559                                | 12,678  |

|  |                     |   |                                      |   |                                      |   |
|--|---------------------|---|--------------------------------------|---|--------------------------------------|---|
| (left 27/05/2019)                                  |                     |   |                                      |   |                                      |   |
| Head of Corporate Resources<br>(left 30/06/2019)   | BDC                 | 20,930  | 89,185                               | 110,115   | 2,680                                | 112,795   |
| <b>2018/19</b>                                     | Employing Authority | Salary incl fees, allowances & performance related pay<br>£ | Compensation for loss of office<br>£ | Total remuneration excluding pension contributions<br>£ | Employers pension contributions<br>£ | Total remuneration including employers pension contributions<br>£ |
| Chief Executive (retired 01/01/2019)               | BDC                 | 71,826  | -                                    | 71,826  | 305                                  | 72,131  |
| Managing Director (started 2/1/2019)               | BDC                 | 40,247  | -                                    | 40,247  | 6,000                                | 46,247  |
| Deputy Chief Executive                             | BDC                 | 100,607   | -                                    | 100,607   | 15,041                               | 115,648   |
| Head of Democratic Services and Monitoring Officer | BDC                 | 64,585  | -                                    | 64,585  | 8,916                                | 73,501  |
| Head of Finance & Revenue Services                 | BDC                 | 68,214  | -                                    | 68,214  | 9,482                                | 77,696  |
| Head of Economic Development                       | BDC                 | 58,818  | -                                    | 58,818  | 8,130                                | 66,948  |
| Head of Corporate Resource                         | BDC                 | 72,552  | -                                    | 72,552  | 10,883                               | 83,435  |
| Head of Planning                                   | BDC                 | 78,252  | -                                    | 78,252  | 11,031                               | 89,283  |
| HR & Customer Services Manager                     | BDC                 | 54,274  | -                                    | 54,274  | 8,207                                | 62,481  |
| Housing Manager                                    | BDC                 | 59,954  | -                                    | 59,954  | 8,993                                | 68,947  |

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 number of employees whose total remuneration (excluding employer's pension contributions) was £50,000 or more in bands of £5,000 was.

| Remuneration Band   | 2018/19 | 2019/20 |
|---------------------|---------|---------|
| £50,000 - £54,999   | 5       | 2       |
| £55,000 - £59,999   | 3       | 3       |
| £60,000 - £64,999   | 1       | 2       |
| £65,000 - £69,999   | 1       | -       |
| £70,000 - £74,999   | 2       | -       |
| £75,000 - £79,999   | 1       | -       |
| £90,000 - £94,999   | -       | 1       |
| £100,000 - £104,999 | 1       | -       |
| £160,000 - £164,999 | -       | 1       |
|                     | 14      | 9       |

Remuneration bands are shown by employing Authority, before recharges, and are exclusive of Compensation for Loss of Office.

### **Exit Packages 2019/20**

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

| 2019/20 Exit Package cost band                        | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band | Total cost of exit packages in each band £'000 |
|---|-----------------------------------|-----------------------------------|--|--|
| Under £50,000   | -                                 | 1                                 | 1  | 36   |
| Over £50,000  | 2                                 | 1                                 | 3  | 357  |
| Total cost included in bandings                       |                                   |                                   |  | 393  |
| Amounts provided for in CIES not included in bandings |                                   |                                   |  | -  |
| Total cost included in CIES                           |                                   |                                   |  | 393  |

The total cost of £393,000 in the table above was charged to the Authority's Comprehensive Income and Expenditure Statement in 2019/20.

### **Exit Packages 2018/19**

There were no exit packages agreed in 2018/19.

## **26. Grant Income**

|  | 2018/19<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| <b>Grants Credited to Taxation and Non-Specific Grant Income</b> |                  |                  |
| Revenue Support Grant  | -438             | -                |
| Business Rates Levy Surplus                                      | -                | -10              |
| New Homes Bonus Scheme   | -2,008           | -2,174           |
| Business Rates Retention Scheme                                  | -1,429           | -1,658           |
| Council Tax Annex Grant  | -27              | -31              |
| Transparency   | -8               | -8               |
| Local Council Tax / Business Rates Support & Administration      | -97              | -96              |
| EU Exit Preparation  | -17              | -35              |
| Business Rates Retail Discount Scheme Grant                      | -                | -9               |
| Planning Delivery Fund Grant (Community Led Planning)            | -101             | -                |
|  | -4,125           | -4,021           |
| <b>Grants Credited to Services</b>                               |                  |                  |
| DWP Housing Benefits   | -20,045          | -17,529          |
| Business Rates Cost of Collection                                | -139             | -140             |
| Disabled Facilities Grant  | -920             | -886             |
| Homelessness Grants  | -490             | -463             |
| Section 106 Contributions  | -91              | -13              |
| Elections / IEREG  | -41              | -590             |
| Private Sector Housing Renewal                                   | -395             | -946             |
| Sports Development   | -36              | -21              |
| Economic Development Pooled Funding Projects                     | -150             | -510             |
| Second Homes Funding   | -65              | -17              |
| Community Infrastructure – Admin/Surcharges                      | -24              | -10              |
| Public Health Partnership  | -17              | -1               |
| Neighbourhood Planning Frontrunners                              | -25              | -40              |
| Planning Registers Set-Up  | -34              | -17              |
| Recycling Partnership  | -122             | -64              |
| Parks and Woodlands  | -20              | -                |
| Street Cleansing – Litter Collection                             | -23              | -                |
| Covid-19   | -                | -38              |
| Other Grants   | -41              | -47              |
|  | -22,678          | -21,332          |
| <b>Total Grant Income</b>  | <b>-26,803</b>   | <b>-25,353</b>   |



## 27. External Audit Costs

Ernst & Young LLP have been appointed by Public Sector Audit Appointments (PSAA) as the Council's external auditors and PSAA sets a scale for external audit fees.

Without the distortions of payments to auditors falling in different financial years, the proposed scale level of audit fees payable are as follows:

|  | 2018/19<br>£ | 2019/20<br>£ |
|--|--------------|--------------|
| External audit services carried out by the appointed auditor | 32,022       | 32,022       |
| Certification of grant claims and returns                    | 14,500       | 14,500       |
|  | 46,522       | 46,522       |

## 28. Related Party Transactions

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**

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of the many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding are shown within the debtors listed in Note 17.

### **Members & Chief Officers**

Members of the Authority have direct control over its financial and operating policies. The total of members' allowances paid is shown in Note 24.

Members are required to complete a declaration of all relevant interests each year. In respect of 2019/20, the following relationships are declared as there have been amounts paid to the organisation concerned by the Authority which are either in excess of £1,000 or are potentially material to the organisation concerned:

- Councillor Judy Leggett is a trustee of Leeway Domestic Violence and Abuse Services. Leeway received £39,354 during the year in respect of an agreement to provide support services to Broadland residents.
- Councillor Shaun Vincent, Councillor Lana Hemsall and Trevor Holden, Managing Director are Directors of Broadland Growth Ltd. Further details of Broadland Growth Ltd.'s transactions with Broadland District Council are provided in Note 13. None of the three named above receive financial rewards from the company.

A number of grant payments are made by the Council to voluntary organisations where members or chief officers may have an interest. These are made with proper consideration of declarations of interest and the relevant members and chief officers did not take part in any discussion or decision relating to the grants.

Broadland works through various forms of partnership with other organisations and authorities.

- The Authority formed Broadland Growth Limited in December 2013 in partnership with NPS Group to undertake housing development within the district. The relationship has been classified as a joint venture. The cost of a loan to Broadland Growth Ltd. of £1,310,000 is included in the statements and Note 13. Details of the company's trading results are set out within Note 13.

- In October 2014, Broadland District Council entered into a joint venture agreement with Norse Environmental Waste Services Limited (NEWS), a subsidiary of Norse Group, to provide recycling sorting and processing. The company provides services to the seven second tier Norfolk councils and Norfolk County Council Household Waste Recycling Centres. Payments to NEWS for the year amounted to £791,977 (£664,360 in 2018/19). The joint venture is set up to allow the districts a 7% income from any profit the company makes and also potential income from the sale of materials once a set amount of income is made.
- Broadland District Council works in partnership with Norwich City Council, South Norfolk Council and Norfolk County Council as the Greater Norwich Development Partnership to deliver large-scale projects that transcend authority boundaries. Contributions are made from the Authority's Community Infrastructure Levy (CIL) income into the Infrastructure Investment Fund to support the Greater Norwich Growth Board's Strategic Infrastructure Programme. A total of £2,166,285 was paid during 2019/20, of which £971,466 related to activity taking place during 2018/19. A further £1,588,324 was paid in May 2020 in respect of CIL due for 2019/20 activities.

### **Other Public Bodies**

The Authority derives the majority of its funding from the UK Government. The Authority's relationships with central Government and other local government bodies fall within the scope of usual activities between such organisations.

Broadland District Council pays levies to three Internal Drainage Boards (IDB's) in the district; Waveney, Lower Yare and Lothingland IDB, Broads IDB and Norfolk Rivers IDB. These levies are determined by the boards of these organisations. Although members of the Council represent the Authority on these boards they do not have a controlling influence on their decisions, and the Authority is compelled under statute to pay the levy demanded. The total levies paid to the IDB's in 2019/20 amounted to £245,535 (2018/19 £237,771).

## **29. Leases**

### **Finance Lease where the Council is Lessee**

The Council has contracted with Veolia UK to provide refuse and recycling collections on its behalf. This contract requires the contractor to hold a fleet of specialist vehicles. An assessment of this arrangement in accordance with the Code of Practice on Local Authority Accounting revealed that there was judged to be an embedded lease in respect of the fleet of vehicles used in the contract. These are treated as being purchased under finance leases, although legal title to the vehicles will remain with the contractor after the contract is completed.

The amounts included in the balance sheet in respect of the vehicles are:

|                               | 31 March<br>2019 | 31 March<br>2020 |
|-------------------------------|------------------|------------------|
| Property, Plant and Equipment | 120              | -                |

The Council is committed to making minimum payments for the contract. This includes an element separated to represent the deemed finance lease on the vehicles used to perform the contract. The final lease payment for the vehicles of £120k was made in 2019/20.

### **Operating Leases where the Council is Lessee**

The Council uses leased cars under the terms of an operating lease. The amount paid under this arrangement in 2019/20 was £3,095 (£15,989 in 2018/19). There are no future cash payments required under these leases as at 31 March 2020.

### 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>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| Opening Capital Financing Requirement                 | 326              | 120              |
| <u>Capital Investment</u>                             |                  |                  |
| Property, Plant and Equipment                         | 140              | 847              |
| Intangible Assets                                     | 52               | 83               |
| Long-Term Debtors                                     | 1,090            | 1,224            |
| Revenue Expenditure funded from Capital under Statute | 1,167            | 2,234            |
|   | 2,449            | 4,388            |
| <u>Sources of Finance</u>                             |                  |                  |
| Capital Receipts                                      | -237             | -1,583           |
| Grants and Contributions                              | -2,147           | -2,777           |
| Revenue / Internal Funds                              | -271             | -148             |
| Closing Capital Financing Requirement                 | 120              | -                |

Commitments for future capital expenditure at 31 March 2020 include local community and homeowner home improvement grants, social housing grants, Thorpe Lodge works, commitments relating to a new ICT strategy and expenditure on major housing programmes co-ordinated by the authorities' jointly controlled company, Broadland Growth Ltd. The total commitment is estimated at £8.06 million.

### 31. Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not be payable until employees retire, the Authority has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement. Employees may participate in the Norfolk Pension Fund. The fund is administered by Norfolk County Council in accordance with the Local Government Pension Scheme Regulations 1997 as amended and is a defined benefit salary scheme. The scheme is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets. Contributions to the scheme are determined by the Fund's actuary on a triennial basis. Following the formal valuation of the fund as at 31 March 2016, the fund actuaries provided the Authority with a schedule of past service deficit contribution rates for three years beginning on 1 April 2017.

#### Guaranteed Minimum Pension (GMP)

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 of 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 Broadland District 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 McCloud Judgement**

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.

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.

## Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the net cost of services within the Income and Expenditure account when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have appeared in the core financial statements:

|  | 2018/19<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| <b><u>Comprehensive Income &amp; Expenditure Statement</u></b>   |                  |                  |
| <b>Service Cost:</b>   |                  |                  |
| <i>Cost of services</i>  |                  |                  |
| Current Service Cost   | 2,221            | 2,527            |
| Past Service costs / (gain)  | 437              | -103             |
| <i>Financing and Investment Income and Expenditure</i>   |                  |                  |
| Net Interest Expense   | 659              | 758              |
| <b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>   | <b>3,317</b>     | <b>3,182</b>     |
| <i>Other post-employment benefits charged to the Comprehensive Income &amp; Expenditure Statement</i>  |                  |                  |
| Re-measurement of the net defined benefit liability, comprising:   |                  |                  |
| Actuarial gains and losses arising on changes in demographic assumptions   | -                | -2,307           |
| Actuarial gains and losses arising on changes in financial assumptions   | 7,003            | -7,035           |
| Other experience   | 91               | -3,331           |
| Return on plan assets (excluding the amount included in the net interest expense)  | -1,601           | 4,155            |
| <b>Total post-employment benefits charged / (credited) to Other Comprehensive Income and Expenditure</b>                                     | <b>5,493</b>     | <b>-8,518</b>    |
| Total post-employment benefits charged / (credited) to the Comprehensive Income & Expenditure Statement                                      | 8,810            | -5,336           |
| <b><u>Movement in Reserves Statement</u></b>   |                  |                  |
| Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code | 3,317            | 3,182            |
| Employers' contributions payable to scheme   | -1,592           | -1,705           |
| <b><u>Pension Assets &amp; Liabilities recognised within the Balance Sheet</u></b>   |                  |                  |
| Present value of the defined benefit obligation  | -91,191          | -80,887          |
| Fair value of plan assets  | 60,070           | 56,807           |
| Net liability arising from defined benefit obligation  | -31,121          | -24,080          |

The liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. Although the liability has a negative impact on the net worth of the Authority as recorded in the balance sheet, statutory arrangements for the funding of the deficit mean that the financial position of the Authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be paid to the scheme in the year 2020/21 is £1,522,000 (2019/20 £1,535,000).

## **Assets and Liabilities in Relation to Post-Employment Benefits**

Reconciliation of present value of the scheme liabilities:

|  | 2018/19<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| Opening balance  | -81,202          | -91,191          |
| Current Service Cost   | -2,221           | -2,527           |
| Past Service Costs (Gains)   | -437             | 103              |
| Interest Cost  | -2,200           | -2,196           |
| Contributions from scheme participants                                     | -392             | -375             |
| Re-measurement gains / (losses):   |                  |                  |
| Actuarial gains / (losses) arising from changes in demographic assumptions | -                | 2,307            |
| Actuarial gains / (losses) arising from changes in financial assumptions   | -7,003           | 7,035            |
| Other experience gains / (losses)  | -91              | 3,331            |
| Benefits Paid  | 2,355            | 2,626            |
| At 31 March  | -91,191          | -80,887          |

Reconciliation of fair value of the scheme assets:

|  | 2018/19<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| Opening fair value   | 57,299           | 60,070           |
| Interest income  | 1,541            | 1,438            |
| Re-measurement gain / (loss): Return on assets, excluding amounts included in net interest | 1,601            | -4,155           |
| Employer contributions   | 1,592            | 1,705            |
| Contributions by scheme participants   | 392              | 375              |
| Benefits Paid  | -2,355           | -2,626           |
| At 31 March  | 60,070           | 56,807           |

The pension scheme assets consist of the following;

|  | Period ended 31 March 2019 |                       |                            | Period ended 31 March 2020 |                       |                            |
|--|----------------------------|-----------------------|----------------------------|----------------------------|-----------------------|----------------------------|
|  | Active markets             | Not in active markets | Percentage of total assets | Active markets             | Not in active markets | Percentage of total assets |
|  | £'000                      | £'000                 |                            | £'000                      | £'000                 |                            |
| Equity securities                      |                            |                       |                            |                            |                       |                            |
| Consumer                               | 3,723                      | -                     | 6%                         | 2,105                      | -                     | 4%                         |
| Manufacturing                          | 3,076                      | -                     | 5%                         | 1,669                      | -                     | 3%                         |
| Energy and utilities                   | 1,345                      | -                     | 2%                         | 509                        | -                     | 1%                         |
| Financial institutions                 | 3,257                      | -                     | 5%                         | 1,427                      | -                     | 3%                         |
| Health and care                        | 1,446                      | -                     | 2%                         | 1,318                      | -                     | 2%                         |
| Information technology                 | 2,939                      | -                     | 5%                         | 1,753                      | -                     | 3%                         |
| Other                                  | 2                          | -                     | 0%                         | 1                          | -                     | 0%                         |
| Debt Securities                        |                            |                       |                            |                            |                       |                            |
| Corporate bonds (investment grade)     | -                          | -                     | 0%                         | -                          | -                     | 0%                         |
| Corporate bonds (non-investment grade) | -                          | -                     | 0%                         | -                          | -                     | 0%                         |
| UK Government                          | 688                        | -                     | 1%                         | 660                        | -                     | 1%                         |
| Private Equity                         | -                          | 3,709                 | 6%                         | -                          | 3,419                 | 6%                         |
| Real Estate                            |                            |                       |                            |                            |                       |                            |
| UK Property                            | -                          | 5,946                 | 10%                        | -                          | 4,888                 | 9%                         |
| Overseas property                      | -                          | 1,148                 | 2%                         | -                          | 1,119                 | 2%                         |
| Investment Funds and Unit Trusts       |                            |                       |                            |                            |                       |                            |
| Equities                               | 10,336                     | -                     | 17%                        | 16,419                     | -                     | 29%                        |
| Bonds                                  | 20,800                     | -                     | 35%                        | 18,510                     | -                     | 33%                        |
| Infrastructure                         | -                          | -                     | -                          | -                          | 1,587                 | 3%                         |
| Derivatives                            | 155                        | -                     | 0%                         | -                          | -80                   | 0%                         |
| Cash and Cash Equivalents              | -                          | 1,500                 | 2%                         | -                          | 1,503                 | 3%                         |
| Totals                                 | 47,768                     | 12,302                | 100%                       | 44,371                     | 12,436                | 100%                       |

## **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries. Estimates are based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions made by the actuary are summarised below:

|                                     | 31 March<br>2019<br>% per<br>annum | 31 March<br>2020<br>% per<br>annum |
|-------------------------------------|------------------------------------|------------------------------------|
| Inflation / Pension Increases (CPI) | 2.5                                | 1.9                                |
| Salary Increases                    | 2.8                                | 2.6                                |
| Discount Rate                       | 2.4                                | 2.3                                |

Mortality rates are based on recent analyses of actual case histories to determine a reasonable estimate of life expectancy. The average future life expectancies at age 65 are summarised below:

|                    | Men        | Women      |
|--------------------|------------|------------|
| Current Pensioners | 21.7 years | 23.9 years |
| Future Pensioners  | 22.8 years | 25.5 years |

A commutation allowance of 50% is assumed for future retirements to elect to take additional tax free cash up to HMRC limits for pre April 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

## **32. Nature and Extent of Risks Arising from Financial Instruments**

### **Credit Risk**

Credit risk is the possibility that other parties might fail to pay amounts due to the Council. Credit risk arises from deposits with banks and financial institution as well as credit exposures to the Council's customers.

The risk is minimised through the Annual Investment Strategy. The Annual Investment Strategy for 2019/20, approved by members at Cabinet on 13 March 2019, set the criteria determining the counterparties regarded as suitable for investment purposes. The policy set a limit for internal investments of £5 million on the amount that can be invested with a single counterparty, with the exception of the Debt Management Office, but increased the limits on deposits placed for initial terms in excess of 364 days to £15m maximum (£10m in deposits of terms up to five years, £5m for deposits up to ten years).

The Council has the following exposure to credit risk. The table below categorises outstanding investments by their current credit rating as determined by Fitch Long Term Issuer Default.

|   | Credit Rating | Gross carrying<br>amount at 31<br>March 2020 |
|---|---------------|--|
| <b>12 month expected credit losses</b>            |               |  |
| Banks   | AA-           | -2,006                                       |
|   | A+            | -5,017                                       |
|   | A             | -6,012                                       |
| Less: Investments made on behalf of third parties | n/a           | 949  |
| Pooled Funds                                      | AAA           | -11,409                                      |
|   |               | -23,495                                      |
| Simplified Approach -<br>Debtors                  | n/a           | -11,285                                      |
| <b>Total Credit Risk Exposure</b>                 |               | <b>-34,780</b>                               |

### Amounts Arising from Expected Credit Losses

The Council has had no historical experience of default; this in part guides the estimation techniques that have been used in calculating impairment loss allowances. For those instruments classified as being held at amortised cost the 12 month expected credit loss model (ECL) has been applied by use of Historical Default Tables. These are produced by combining multi-year historic default rate data from the three main credit rating agencies, Fitch, Moody's and Standard and Poor's.

The Council's investments with banks are rated at either AA-, A or A+. The expected credit loss is 0.02% of the total invested and is therefore immaterial (approximately £2,000 overall).

The remainder of the Council's investments are with externally managed pooled funds (classified as revenue, measured at fair value through profit and loss) and current market prices are considered to be an appropriate reflection of credit risk with all movements in fair value impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services when they arise.

The Council does not generally allow credit to its customers. A provision is made in the accounts for bad or doubtful debts based on historical experience of collection using the simplified approach permissible, automatically based on lifetime expected credit losses. The risk of default has therefore been accounted for in the balance sheet.

The Authority has acquired a 25% interest in six properties on the Carrowbreck Meadow development and three on the Rosebery Road development site, with a legal agreement that the purchasers will pay the Authority the value on the twenty-fifth anniversary of the purchase at the latest. These have been deemed to be soft loans, and the current valuation of £378,750 (Carrowbreck) has been discounted back to a fair value of £240,232 by use of a readily available mortgage rate of 2.09%. The current valuation of the soft loan for Rosebery Road is £127,250 and will be discounted at a rate of 1.49%. The loans have been classed as long-term debtors, and appear within Note 13, with the impairment registered in the Financial Instruments Adjustment Account.

### **Liquidity Risk**

Liquidity Risk is the possibility that the Council might not have funds available to meet its commitments to make payments

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

### **Market Risk**

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

### **Interest Rate Risk**

The Annual Investment Strategy determines the Council's investment strategy and interest rate exposure that feeds into the setting of the annual budget and the Treasury Strategy Statement determines the interest rates to be used. The Council assumes a cautious percentage return and employs a professional treasury management advisor to provide interest rate forecasts.

Interest rates have remained low during 2019/20, which has continued to impact on investment returns. A 0.25% increase in rates earned by internally managed investments with all other variables being constant would have resulted in a rise of £32,500 (2018/19 £56,800) within the Income and Expenditure Account. The impact of a fall of 0.25% in interest rates would have been decreased income of the same amount.

### **Price Risk**

The Council does not invest in equity shares and consequently is not exposed to this risk.



## Foreign Exchange Risk

None of the Authority's financial assets or liabilities is denominated in foreign currencies; therefore, it has no exposure to loss arising from movements in exchange rates.

### 33. Contingent Assets and Liabilities

There are no material contingent assets or liabilities.

### 34. Going Concern

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

The impact of COVID-19 has substantial implications for the Council's finances. Firstly, the response to the pandemic has required additional expenditure to ensure the Council could continue to deliver its statutory responsibilities. Secondly, it has lost income primarily as a result of the restrictions on public and business activity put in place since mid-March 2020. Finally, COVID-19 is having a significant detrimental impact on the wider economy, with the expectation that there will be a consequent reduction in funding from Council Tax and Business Rates.

Government has sought to address this through the provision of non-ringfenced COVID-19 grants. The first grant of £50,643 was received in March 2020. Subsequent to this, the Council has received a further £1,574,675 in 2020/21, to support the Council's response to, and recovery from, COVID-19.

The Council's year-end reserve balances, as reported in these statements are as follows.

| Date      | General Fund | Earmarked Reserves |
|-----------|--------------|--------------------|
| 31 Mar 20 | £15.3m       | £8.7m              |

The Council has carried out an assessment of the impact of COVID-19 on future income and expenditure and is satisfied that there is no material uncertainty relating to the Council's going concern.

Through the assessment we have identified that we expect in 2020/21 reductions in revenue as follows:

|  | Methodology        | Original Budget<br>£'000 | New Budget<br>£'000 | Change<br>£'000 |
|--|--------------------|--------------------------|---------------------|-----------------|
| Planning                               | 25% reduction      | 980                      | 735                 | -245            |
| Car Parking                            | N/A                | 1                        | 1                   | -               |
| Waste Charges                          | 25% reduction      | 51                       | 38                  | -13             |
| Land charges                           | 25% reduction      | 220                      | 165                 | -55             |
| Housing Benefit Overpayment            | 25% reduction      | 400                      | 300                 | -100            |
| Council Tax recovery                   | 25% reduction      | 70                       | 52                  | -18             |
| Licensing                              | No change proposed | 164                      | 164                 | -               |
| Recycling credits                      | No change proposed | 768                      | 768                 | -               |
| Green Waste                            | No change proposed | 2,212                    | 2,212               | -               |
| Other income & service specific grants | No change proposed | 2,165                    | 2,165               | -               |
| Total                                  |                    | 7,031                    | 6,600               | -431            |

Additional general expenditure in 20/21 relating to Covid-19 has been estimated at £500,000.

The Council is still expecting to generate a small surplus in 20/21.

The Council has undertaken cash flow modelling through to March 2022 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of the audit report, based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances and the ability for borrowing under the Treasury Management Policy.

The Council expects the Comprehensive Spending Review to be announced in Autumn 2020, along with a review of Business Rates which is under consultation until October 2020. Outcomes will then be reviewed and reflected on in the 2021/22 budget setting process.

However, given the pandemic is still unfolding, the associated economic impact and service implications remain unclear, and there remains significant uncertainty over the final cost to the Council. However, current estimates indicate that there is a reasonable likelihood that the Council will need to undertake a limited draw down on its reserves in 2020/21. The Council has sufficient reserves to allow any drawn down to be managed.

### 35. Authorised for Issue

The Statement of Accounts was authorised for issue by the Assistant Director of Finance on 1 December 2020. This is the date up to which events after the balance sheet date were considered.

Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information.

No events have occurred that require changes to the accounting statements.

## COLLECTION FUND

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.

|   | 2018/19<br>Council<br>Tax<br>£'000 | Business<br>Rates<br>£'000 | 2019/20<br>Council<br>Tax<br>£'000 | Business<br>Rates<br>£'000 |
|---|------------------------------------|----------------------------|------------------------------------|----------------------------|
| <b>Income</b>                                     |                                    |                            |                                    |                            |
| Council Taxpayers                                 | 80,054                             |                            | 84,159                             |                            |
| Business Ratepayers (Non-Domestic Rates)          |                                    | 31,928                     |                                    | 30,334                     |
|   | 80,054                             | 31,928                     | 84,159                             | 30,354                     |
| <b>Expenditure</b>                                |                                    |                            |                                    |                            |
| Precepts and Demands                              |                                    |                            |                                    |                            |
| Central Government                                |                                    | 14,893                     |                                    | 7,251                      |
| Norfolk County Council                            | 60,495                             | 2,979                      | 62,752                             | 9,427                      |
| Office of the Police and Crime Commissioner       | 10,480                             |                            | 11,658                             |                            |
| Broadland District Council                        | 9,094                              | 11,915                     | 9,293                              | 12,327                     |
| Costs of Collection Allowance                     |                                    | 139                        |                                    | 140                        |
| Provision for Non Payment of Council Tax/NNDR     | 199                                | 155                        | 308                                | 181                        |
| Write Offs  | 180                                | 206                        | 148                                | 48                         |
| Transitional Protection Payable                   |                                    | 686                        |                                    | 250                        |
| Provision for Appeals (Non-Domestic Rates)        |                                    | 2,177                      |                                    | -557                       |
| Disregarded Amounts (Renewable Energy)            |                                    | 163                        |                                    | 150                        |
| Distribution of Previous Year's Surplus/(Deficit) |                                    |                            |                                    |                            |
| To/(From) Central Government                      |                                    | -118                       |                                    | -629                       |
| To/(From) Broadland DC General Fund               | -15                                | -95                        | 3                                  | -503                       |
| To/(From) Office of Police and Crime Commissioner | -16                                |                            | 4                                  |                            |
| To/(From) Norfolk County Council                  | -94                                | -24                        | 20                                 | -126                       |
|   | 80,323                             | 33,076                     | 84,186                             | 27,959                     |
| Surplus/(Deficit) for the Year                    | -269                               | -1,148                     | -27                                | 2,375                      |
| Surplus/(Deficit) Brought Forward                 | -16                                | -2,105                     | -285                               | -3,253                     |
| Surplus/(Deficit) Carried Forward                 | -285                               | -3,253                     | -312                               | -878                       |

## NOTES TO THE COLLECTION FUND

### 1. Income from Council Tax

The Council's council tax base is calculated by multiplying the number of dwellings estimated to be in each valuation band (adjusted for dwellings where discounts apply) by a proportion to obtain the equivalent number of band D dwellings.

| Band   | Total Number of Chargeable Dwellings Adjusted for Discounts | Relevant Proportion (Ninths) | Relevant Number |
|--|---|------------------------------|-----------------|
| A (Disabled)   | 6   | 5                            | 3               |
| A  | 2,706   | 6                            | 1,804           |
| B  | 11,805  | 7                            | 9,182           |
| C  | 17,800  | 8                            | 15,822          |
| D  | 9,409   | 9                            | 9,409           |
| E  | 4,700   | 11                           | 5,744           |
| F  | 1,991   | 13                           | 2,876           |
| G  | 762   | 15                           | 1,270           |
| H  | 80  | 18                           | 160             |
|  |   |                              | 46,270          |
| Less adjustment for losses on collection and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolition and exempt properties with the addition of 26 Band D equivalents (contributions in lieu of Ministry of Defence). |   |                              | (205)           |
|  |   |                              | 46,065          |

The tax requirement of the Council (including parishes) and the County Council / Police Authority is divided by the tax base to obtain the band D property tax (£1,817.05 average for 2019/20). This basic amount of council tax for a band D property is multiplied by the proportion specified for other bands to give an individual amount due. The exact council tax payable is also dependent upon local parish precept requirements. The actual amount collected will depend on collection efficiency and occupation of properties.

### 2. Income from Business Rates

Rates on business properties are set on a national basis with the rate in the pound being specified by Central Government (50.4p in 2019/20; small businesses were charged at 49.1p). The rateable value of a business is multiplied by this amount to produce the business rates due. The total non-domestic rateable value of hereditaments in the Broadland District as reported to Central Government on the NNDR1 return for 2019/20 was £77.7 million.

Broadland District Council became part of the Norfolk Business Rates pilot in 2019/20. The Pilot means that Norfolk as a whole will benefit from retaining an additional 25% of any business rates growth experienced in 2019-20 over and above the level that would have been retained under the previous 50% Business Rates Pool. The actual level of this additional growth will be confirmed after 2019-20 and will be shared between county and districts as set out in the submitted application to Government. A district to county tier split of 42.5%:32.5% was agreed for the 2019-20 precept payments, as set out in the Pilot application.

### **3. Business Rates: Provision for Appeals**

As part of the arrangements for BRRS, local authorities assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. Authorities assuming these liabilities need to recognise a provision of liabilities.

Billing authorities acting as collecting agents on behalf of the major preceptors, central Government and themselves make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

The council has made a total provision for new appeals of £352,783 shared with preceptors on the percentage splits described above. The estimate was calculated using a combination of data supplied by a specialist organisation in the field (their modelling takes into account type of proposal and type of hereditament amongst other factors before identifying similar or comparable cases on which to base its results) and the councils retained data relating to previous years. The figure in the main statement above (-£557,086) is the net in year appeals position and includes a total of £909,869 of appeals settled in 2019/20.

|                               | Total Collection Fund |                  | Broadland District Council |                  |
|-------------------------------|-----------------------|------------------|----------------------------|------------------|
|                               | 2018/19<br>£'000      | 2019/20<br>£'000 | 2018/19<br>£'000           | 2019/20<br>£'000 |
| Balance at 1 April            | 3,086                 | 5,263            | 1,234                      | 2,105            |
| Additional Provision required | 2,330                 | 353              | 932                        | 282              |
| Appeals settled in year       | -153                  | -910             | -61                        | -387             |
| Balance at 31 March           | 5,263                 | 4,706            | 2,105                      | 2,000            |

Provisions are included in the accounts for potential liabilities that are likely to be incurred, where there is some uncertainty of the amounts involved or the dates on which these liabilities may arise. Of Broadland District Council's share of the total provision above (£2m), £490,900 is estimated to be settled within 12 months and is included in the Balance Sheet under current provisions. Where there is greater uncertainty but appeals are likely to be settled in the long term (after 12 months) this total (i.e. the remainder of £1,509,100) is included in the Balance Sheet under long-term provisions.

### **4. Collection Fund Surplus and Deficit**

The deficit for Council Tax carried forward is shared with major preceptors. At 31 March 2020, the proportion due from Broadland District Council is £3,198 (a deficit of £31,587 in 2019/20) and the in-year deficit amount resulting in this figure has therefore been included in the Council's Income and Expenditure Account.

The deficit for Business Rates carried forward is shared with major preceptors. At 31 March 2020, the proportion due from Broadland District Council is £132,054 (a deficit of £1,105,835 in 2019/20). This total is the net result of the year end general business rates deficit (42.5% share - £323,260) offset by the year end surplus on renewable energy hereditaments (£191,206 – 100% retained by Broadland District Council). The in-year deficit resulting in this figure has therefore been included in the Council's Income and Expenditure Account.

## ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility

Broadland District 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. Broadland District 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, Broadland District 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, Broadland District 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 and can be downloaded [here](#).

This statement explains how Broadland District 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 2019/20 Statement of Accounts of the Council. The Annual Governance Statement is subject to detailed review and approval by the Audit 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 Broadland District 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 Broadland District Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

## **The Governance Framework**

An annual review of the Governance Framework at Broadland District 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. In light of the recent events surrounding COVID key officers also provided assurance in terms of any changes or amendments to processes or internal controls and how staff working from home has impacted on service area work.

The Code of Corporate Governance has been in place for the 2019/20 financial year. This 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.

### The Council's Vision and Ambitions:

As a Council, we are committed to making Broadland one of the best places to live and work in the country. The Council has a Business Plan 2019-2023 which confirms our vision for Broadland as a place and our ambition for Broadland District Council as an organisation.

Our vision is to shape our local area and make it one of the best places to live and work in the country.

The main aims of the Business Plan are:

- Driving growth and prosperity for all
- Delivering environmental excellence
- Improving health and wellbeing and quality of life
- Supporting our residents and businesses to stay safe
- Increasing our financial resilience and capacity, in collaboration with South Norfolk Council

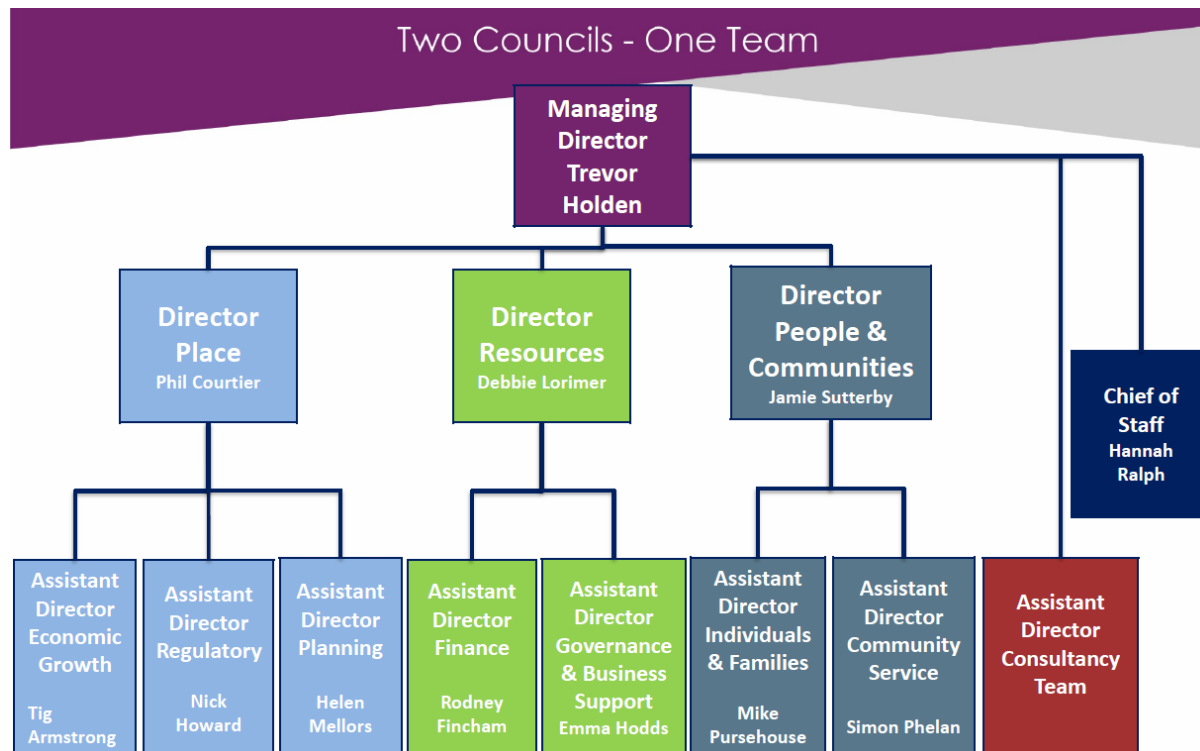
The Business Plan is a digital and interactive document which acts as a gateway for more in-depth details of the priorities and work of the Council and can be found [here](#).

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



## 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 South Norfolk Council has resulted in the establishment of one team across the two Councils. This includes a Corporate Management Leadership Team (CMLT), consisting of the Managing Director, three Directors, and nine Assistant Directors, as follows:



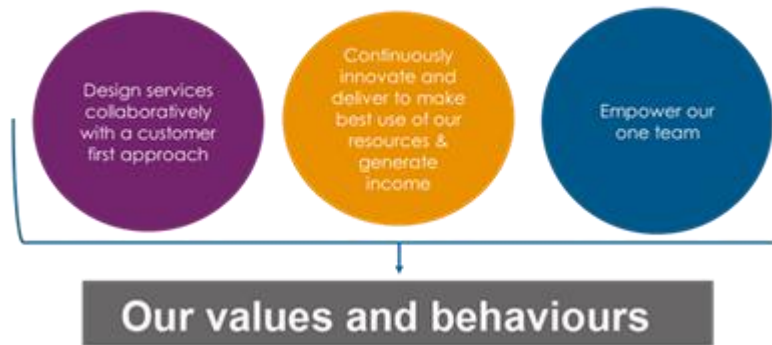
The Council has made ongoing savings through reviews of services and taking opportunities to make efficiencies; alongside this the authority has sought to grow income levels through a number of commercial initiatives.

Coaching and Leadership courses and workshops for staff at all levels of the organisation have been delivered in the financial year, particularly in light of the new one team officer structure.

A new process for identifying, organising and delivering our organisational transformation programme and was introduced during 2019/20 that will support both Councils to deliver the ambitions set out in our new joint Strategic and Delivery Plan. This approach has been titled *Spark* and is designed around the three key philosophies outlined below underpinned by our values and behaviours.



## The Spark philosophy



### 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 4 year Business Plan sets out specific objectives together with measures to evidence how successfully we are delivering on the plan and which ambitions these activities support. The measures are tracked and reported to Cabinet as part of our Performance Framework.

### 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, Protocol on Member / office relations, contract standing orders 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 supports the CMLT and has the authority to bring matters directly to the attention of the Managing Director if required. Regular specific meetings are also held to discuss matters relating to the Section 151 role.

### The Audit 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, provide an individual assurance on the adequacy of the Council's financial monitoring and reporting, including 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.

Assistant Directors 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 Raising Concerns at Work 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 Audit 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.

In relation to Members, they have undergone a rigorous training schedule since being elected in May 2019, which begins with a general induction programme and continues throughout the year on more specific topics to ensure Members can take on all aspects of their role confidentially and legally.

### 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.

As the collaboration with South Norfolk Council has progressed appropriate governance has been put in place such as Joint Committees and Joint Informal Cabinet.

## **Review of Effectiveness**

### The Role of the Council

Broadland District 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. Full Council approves the Revenue and Capital Budget and the Treasury Management Strategy annually.

### The Role of the Cabinet

The Cabinet approved the 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 delegates policy development to four Panels, which are chaired by the relevant Portfolio Holder.

## The Role of the Audit 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 Audit Committee is summarised in an Annual Report to Council.

## The Role of the Overview & Scrutiny Committee

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

- Hold the Executive to account (Call-In of decisions made but not implemented)
- Performance monitoring
- Service reviews
- Internal and external scrutiny

The work of the Overview & 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 Officers.

## The Role of the Chief Financial Officer

The Assistant Director Finance 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.

### The Role of Internal Audit

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 Audit 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 2019/20.

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 years. The most recent external 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.

### The Role of External Review Bodies

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 2019/20. 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.

## Effectiveness of Other Organisations

Broadland Growth Ltd is a Joint Venture Company (JVC) owned 50/50 with NPS Property Consultants Limited Ltd formed in March 2014.

An internal audit for Broadland District Council of Broadland Growth Limited was carried out in November 2019, with an overall reasonable assurance conclusion. The audit made thirteen recommendations that were scheduled to be put in place by the end of March 2020. Some, but not all, have been implemented. These were mainly associated with the governance of Broadland Growth Limited.

Training was organised for Directors in December 2019 which focused on the roles and responsibilities of Directors. This resulted in a number of key themes coming out for inclusion in the BGL business plan.

## **Governance Issues**

### Looking back on the issues raised in 2019/20

During 2019/20 the following significant areas of development or risk were highlighted, with the current position also now noted:

It was recognised that governance regarding closer working relationships with South Norfolk Council was a key area that needed to remain under review. . This area of work has progressed as the development of one team across two councils has moved on at pace during 2019/20. This will continue into 2020/21 as the Council continues to adjust.

It was recognised that it would be beneficial for the Council to adopt a broader approach to reviewing governance arrangements through the introduction of management assurance statements to support this AGS. This has been developed over the past year and now provides part of the evidence for the completion of the AGS.

Finally, a review of the approach to risk management at the Council was commenced by the Audit Committee with the Internal Audit Manager progressing this collaboratively across Broadland and South Norfolk Councils over the 2019/20 year.

### Managers' Assurance Statements for 2019/20

Assistant Directors (AD) across the Council completed an Assurance Statement relating to their service area. The Assurance Statements were based on 2019/20 and presented a broadened reflection compared to previous years. The statements were then signed off by the Managing Director or Director 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 AD also needed to note any issues that they felt represented a significant control item or governance issue. In addition, a statement on the impact of COVID on internal controls and staff was also provided.

Overall, governance regarding closer working relationships with South Norfolk Council emerged again 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. This will be an area of work that is progressed at pace in light of the newly established one officer team, which it is recognised requires aligned processes and procedures to ensure the envisaged efficiencies.

More specifically, many service areas highlighted the need to update documentation in relation to business continuity and delegations to reflect the new officer structure.

The responses have highlighted that there are no significant governance issues and 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 2020/21, with updates being sought from ADs.

#### COVID-19 - How the control environment has changed during the period of disruption and steps taken

New legislation was introduced as a result of COVID, Health Protection (Coronavirus) Regulations 2020, the Councils constitution was updated to reflect the requirements of the regulation.

As a result of COVID, 90% of the workforce are now working from home, staff log onto their IT equipment using two-factor authentication – once the secure connection has been made all staff then utilise the folders and systems they need in the same way as they would in the office, therefore in this regard controls remain.

The Constitution has been amended in line with the legislation to enable the Council to continue with its democratic decision making process, albeit virtually.

Any site visits that are required are still being carried out but in line with social distancing guidelines and the compliance checklist provided by central government.

With particular reference to finance controls the following has been implemented:

- Accepted approval by email (as opposed to wet signatures)
- Authorisation of business grants carried out by s151 officer (over and above normal authorised signatory limit)
- Held more monies in bank account than normal, to respond to payment requests (particularly the business grants)
- Business grant payments were made based on requests as submitted with limited pre-payment checks (as requested by Government, in order to get payments out quickly)
- A change of system to pay hardship payments, payments are personally authorised by Assistant Director twice a week to ensure quick payment

The impact of COVID has enabled the teams to review processes and practices in the working from home environment, which has realised positive impacts, such as improved times to process benefit claims.

## 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 Broadland District Council is reasonable. A total of nine out of a possible 10 assurance audits completed within the year concluded in a positive assurance grading and a substantial assurance grading was given for Private Sector Housing, Accounts Receivable and Income.

One report concluded in a limited assurance grading in the area of Homelessness and Housing Options and Private Sector Leasing. One urgent recommendation was raised in relation to ensuring that temporary accommodation rent accounts are regularly reviewed. Five important recommendations were raised relating to reviewing the allocations policy, reviewing existing applicants on the housing register, team leader review of all allocations, the signing of licences for temporary accommodation and creating SLA's for temporary accommodation providers. All recommendations raised during this review are due to be resolved by March 2021 following a full review of working practices and regular updates will be provided to the Audit Committee throughout the year to track progress.

## Risk Management

During 2019/20 the Internal Audit Manager has undertaken a review of the risk management strategy and process for Broadland and South Norfolk, there has been facilitated sessions with CMLT resulting in an agreed approach to risk management with a view to embedding this. A Risk Strategy is being finalised, and the training for staff will be provided.

## **Review and Approval of the Annual Governance Statement**

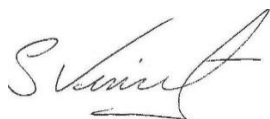
The annual review of governance is coordinated by the Assistant Director Governance and Business Support, involving senior managers across the Council and reviewed by the Corporate Management Leadership Team. This Annual Governance Statement is considered in draft by the Audit Committee and amended to reflect the Committee's considerations and the views of the external auditor. The (revised) Annual Governance Statement forms part 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 next annual review.



Trevor Holden, Managing Director



Shaun Vincent, Leader of the Council



## GLOSSARY

### ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.

### ACOP

Accounting Code of Practice - A code of accountancy good practice published by CIPFA.

### ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in deficits or surpluses that arise because either events have not coincided with the assumptions made by the actuary for the last valuation (experience gains and losses), or the assumptions themselves have changed.

### BILLING AUTHORITY

An authority which issues demands to local residents for payment of Council Tax on their residences, usually in respect of its own services and as an agent for other authorities serving the property.

### CAPITAL CHARGE

A charge to service revenue accounts to reflect the cost of Property, Plant and Equipment used in the provision of services.

### CAPITAL EXPENDITURE

Expenditure on the acquisition, construction or enhancement of an asset which is expected to yield benefits to the Council for more than one year.

### CAPITAL FINANCING

Resources used to meet the capital expenditure incurred in accordance with statutory controls.

### CAPITAL RECEIPT

A receipt arising from the disposal of an interest in a tangible asset.

### CASH EQUIVALENTS

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### CIPFA

Chartered Institute of Public Finance & Accountancy - the main public sector accounting body.

### COLLECTION FUND

A statement of transactions relating to Council Tax and NNDR (National Non-Domestic Rates).

### CONTINGENCY

A condition which 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.

### CONTINGENT LIABILITY

Either a potential obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

## DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

## DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

## FIXED ASSETS (also known as Property, Plant and Equipment)

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

## FRS

Financial Reporting Standard – one of the standards by which a body reporting their financial results in accordance with accepted British accountancy practices must abide.

## IFRS

International Financial Reporting Standard – one of the standards by which a body reporting their financial results in accordance with accepted international accountancy practices must abide.

## IMPAIRMENT

A reduction in the value of a fixed asset due to physical damage or detrimental changes in the local environment. Examples of impairment include

- Damage to a footpath due to severe erosion, or

- An event causing severe long-term pollution in the immediate area of a building.

## INFRASTRUCTURE ASSET

Fixed assets that are useful only in the location in which they have been constructed, such that expenditure is recoverable only by continued use of the asset created. Examples of infrastructure assets include cycle tracks, footpaths and street lighting columns.

## INTANGIBLE ASSETS

Fixed assets that have no physical substance - for example, computer software.

## MATERIALITY

An assessment of how much influence a figure or disclosure may have on a reader's judgement. This is not a set amount; rather, it is judged by the size of the figure in relation to related amounts within the authority's accounts, or the extent of the activity in relation to the authority's other operations.

## MINIMUM REVENUE PROVISION (MRP)

This is the minimum amount which must be charged to an authority's revenue account each year and set aside as provision for repayment of external debt.

## NON - OPERATIONAL ASSETS

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

## OPERATIONAL ASSETS

Fixed 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.

#### **PRIOR PERIOD ADJUSTMENT**

Where an authority discovers a mis-statement, error or omission considered to be material in a set of accounts published in a previous financial year, the authority is obliged to make a prior period adjustment to correct the statements. This involves publishing the corrected statements for the previous financial year, together with a corrected opening balance sheet for the start of that previous year. Prior period adjustments require an explanatory note disclosing the reason for the adjustment and all amounts which have been affected in the restated statements.

#### **PROVISION**

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

#### **PRECEPT**

Formal instructions issued to a billing authority to collect local taxation on behalf of the instructor and pay it to them. Norfolk County Council, the Office for the Police and Crime Commissioner and town and parish councils within the Broadland area issue precepts to Broadland District Council each year for the total amount of Council Tax to be collected from local residents in respect of their services.

#### **RELATED PARTY**

Corporate bodies or individuals that have the potential to control or influence the Council's decisions, or to be controlled by or influenced by the Council.

#### **RELATED PARTY TRANSACTION**

The transfer of assets or liabilities or the performance of services by, to or for a related party.

#### **REMUNERATION**

All amounts paid to or received by a person, and includes sums due by way of expenses, allowances (so far as those sums are chargeable to UK income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

#### **RESERVE**

Accumulated balances built up from revenue contributions or specific income.

#### **RESTATED**

This word in the statements or notes to the accounts indicates that some of the figures have been changed from those shown in the same statement or note published in the previous year. This is usually as a result of either:

A change to the Code, requiring the previous year's accounts to be changed in the same way to provide an accurate comparison between the years, or

The correction of a material error or retrospective reclassification involving material amounts, as described in 'Prior Period Adjustments' above.

#### **TEMPORARY LOAN**

Money borrowed on a short term basis. Funds deposited with this Council by other organisations for treasury purposes are treated as temporary loans.