

# Audit Committee

## Agenda

### Members of the Audit Committee

Cllr G K Nurden  
(Chairman)

Cllr P C Bulman  
(Vice Chairman)

Cllr A D Crotch  
Cllr S I Holland  
Cllr K A Vincent

**Substitutes**  
**Conservatives**  
Cllr N J Brennan  
Cllr D King  
Cllr M L Murrell  
Cllr N C Shaw

**Liberal Democrat**  
Vacancy

### Date

Thursday 16 July 2020

### Time

10.00 am

### Place

To be hosted remotely at  
Thorpe Lodge  
1 Yarmouth Road  
Thorpe St Andrew  
Norwich

### Contact

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**If any member wishes to clarify details relating to any matter on the agenda they are requested to contact the relevant Officer.**



@BDCDemServices

### Public Attendance

This meeting will be live streamed for public viewing via the following link:  
<https://www.youtube.com/channel/UCZciRgwo84-iPyRImsTCIng>.

If a member of the public would like to attend to ask a question, or make a statement on an agenda item, please email your request to [committee.services@broadland.gov.uk](mailto:committee.services@broadland.gov.uk) no later than 5.00pm on Monday 13 July 2020.

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Trevor Holden  
Managing Director

# Glossary

General Terms	
<b>AGS</b>	<i>Annual Governance Statement</i> – This is a statement prepared by the Council each year to summarise the governance and assurance framework, and highlight any significant weaknesses in that framework
<b>BAD DEBT PROVISION</b>	To take account of the amount of debt which the Council estimates it will not be able to collect
<b>CIPFA</b>	<i>The Chartered Institute of Public Finance and Accountancy</i> – The accountancy body for public services
<b>CREDITOR</b>	A person or organisation which the Council owes money to for a service or goods
<b>KPI</b>	Key Performance Indicator
<b>LDF</b>	<i>Local Development Framework</i> – Outlines the management of planning in the Council
<b>LEDGER</b>	A module within the finance system e.g. Sales Ledger, Purchase Ledger, General Ledger
<b>LGA</b>	<i>Local Government Association</i> – a lobbying organisation for local councils
<b>LGPS</b>	<i>Local Government Pension Scheme</i> - Pension Scheme for all public sector employees
<b>NFI</b>	<i>National Fraud Initiative</i> – A national exercise to compare data across public sector organisation to aid identifying potential frauds
<b>NHB</b>	<i>New Homes Bonus</i> – Grant paid by central Government to local councils for increasing the number of homes and their use
<b>NI</b>	<i>National Indicator</i> – A measure used to identify how the Council is performing that is determined by central Government
<b>NNDR/NDR</b>	<i>(National) Non-Domestic Rates</i> – Commonly known as Business Rates
<b>PI</b>	<i>Performance Indicator</i> – Measure used to identify how the Council is performing
<b>PSN</b>	<i>Public Services Network</i> – Provides a secure private internet for organisations across central Government and the Wider Public Sector and standardised ICT infrastructure
<b>RAD</b>	Rent Assisted Deposit scheme
<b>SLA</b>	<i>Service Level Agreement</i> – An agreement that sets out the terms of reference for when one organisation provides a service to another
<b>MTFP</b>	<i>Medium Term Financial Plan</i> – Sets out the future forecast financial position of the Council
<b>SUNDRY DEBTOR</b>	A customer who owes the Council money for a service they have received prior to payment, this excludes Council Tax or NDR. The term can also refer to the system used to record money owed to the Council e.g. the Sundry Debtors system which is a module within the financial system.

<b>Audit Terminology</b>	
<b>APB</b>	<i>Auditing Practices Board</i> – The body that sets the standards for auditing in the UK
<b>COUNT</b>	<i>Count Once, Use Numerous Times</i> – A system used for data collection and analysing, which works to avoid duplication by assuming the principle that a piece of data should be recorded once but used several times in different ways
<b>ISA</b>	<i>International Auditing Standard</i> – Provides external auditors with a required framework that dictates work to be undertaken before awarding an opinion on the statement of accounts
<b>VFM Conclusion</b>	<i>Value for Money Conclusion</i> – The Audit Commission are required to give an annual conclusion on the Council's arrangements for providing value for money in addition to the opinion given on the statement of accounts
<b>Accounting Terminology</b>	
<b>BRRS</b>	<i>Business Rates Retention Scheme</i> – Provides a direct link between business rates growth and the amount of money councils have to spend on local people and local services (the Council retains a proportion of the income collected as well as growth generated in the area)
<b>CFR</b>	<i>Capital Financing Requirement</i> – A calculated figure that establishes the amount of money the Council needs to borrow
<b>Collection Fund</b>	A separate account statement that records the transactions relating to the collection and redistribution of Council Tax and Business Rates
<b>GAAP</b>	<i>Generally Accepted Accounting Practice</i> – This provides the overall framework for accounting principles prior to IFRS adoption in local government (also "UK GAAP" – specific to the United Kingdom)
<b>IAS</b>	<i>International Accounting Standards</i> – These were the precursors for international financial reporting standards (see below)
<b>IFRS</b>	<i>International Financial Reporting Standards</i> – The underlying standards for the Council's accounting policies and treatment of balances
<b>IPSAS</b>	<i>International Public Sector Accounting Standards</i> – These set out the accounting standards for public sector bodies, and are based on the international financial reporting standards
<b>MRP</b>	<i>Minimum Revenue Provision</i> – The amount of money the Council needs to set aside each year to fund activities from revenue balances
<b>Non-current assets</b>	Assets from which benefit can be derived by the Council for more than one year (formerly known as Fixed Assets)
<b>RSG</b>	<i>Revenue Support Grant</i> – One source of Council funding from central Government
<b>SSAP</b>	<i>Statement of Standard Accounting Practice</i> – Preceded the financial reporting standards in the UK
<b>The Code</b>	<i>Code of Practice on Local Authority Accounting in the UK</i> – Main guidance on accounting treatment required for the statement of accounts
<b>Virement</b>	The process of transferring a sum of money from one part of the Council's budget to another, subject to appropriate approval
<b>WGA</b>	<i>Whole of Government Accounts</i> – An exercise undertaken to consolidate all the accounting records of Government bodies

<b>International Accounting and Financial Reporting Standards Reference Numbers</b>	
<b>IAS1</b>	<i>Presentation of Financial Statements</i> – Sets out the prescribed format for statements of accounts
<b>IAS19</b>	<i>Employee Benefits</i> – Essentially provides the basis for accounting for the pension fund
<b>IAS20</b>	<i>Accounting for Government Grants</i> – Establishes the accounting treatment for receiving Government grants
<b>IAS40</b>	<i>Investment Property</i> – How organisations should account for properties held as an investment
<b>IPSAS16</b>	<i>Investment Property</i> – How public sector organisations should account for properties held as an investment
<b>IPSAS23</b>	<i>Revenue from non-exchange transactions (taxes and transfers)</i> – This determines how monies from taxes should be treated in the accounts

## DECLARATIONS OF INTEREST AT MEETINGS

When declaring an interest at a meeting Members are asked to indicate whether their interest in the matter is pecuniary, or if the matter relates to, or affects a pecuniary interest they have, or if it is another type of interest. Members are required to identify the nature of the interest and the agenda item to which it relates. In the case of other interests, the member may speak and vote. If it is a pecuniary interest, the member must withdraw from the meeting when it is discussed. If it affects or relates to a pecuniary interest the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting. Members are also requested when appropriate to make any declarations under the Code of Practice on Planning and Judicial matters.

Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.

Does the interest directly:

1. Affect yours, or your spouse / partner's financial position?
2. Relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner?
3. Relate to a contract you, or your spouse / partner have with the Council
4. Affect land you or your spouse / partner own
5. Affect a company that you or your partner own, or have a shareholding in

If the answer is "yes" to any of the above, it is likely to be pecuniary.

Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.

Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?

If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.

Is the interest not related to any of the above? If so, it is likely to be another interest. You will need to declare the interest, but may participate in discussion and voting on the item.

Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.

**FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF**

**PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER  
IN THE FIRST INSTANCE**

# DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

What matters are being discussed at the meeting?

Do any relate to an interest I have?

A Have I declared it as a pecuniary interest?

OR

B Does it directly affect me, my partner or spouse's financial position, in particular:

- employment, employers or businesses;
- companies in which they are a director or where they have a shareholding of more than £25,000 face value or more than 1% of nominal share holding
- land or leases they own or hold
- contracts, licenses, approvals or consents

NO

YES

**The interest is pecuniary –  
disclose the interest, withdraw  
from the meeting by leaving  
the room. Do not try to  
improperly influence the  
decision**

If you have not already  
done so, notify the  
Monitoring Officer to  
update your declaration  
of interests

**The interest is related to a  
pecuniary interest.  
Disclose the interest at the  
meeting. You may make  
representations as a  
member of the public, but  
then withdraw from the**

YES

Does the matter indirectly affects or relates to a  
pecuniary interest I have declared, or a matter  
noted at B above?

NO

**The Interest is not pecuniary  
nor affects your pecuniary  
interests. Disclose the  
interest at the meeting. You  
may participate in the  
meeting and vote**

YES

**Have I declared the interest  
as an other interest on my  
declaration of interest form?  
OR**

**Does it relate to a matter  
highlighted at B that impacts  
upon my family or a close  
associate? OR**

NO

Does it affect an organisation I am  
involved with or a member of? OR

Is it a matter I have been, or have  
lobbied on?

**You are unlikely to  
have an interest.  
You do not need to  
do anything further.**

Pecuniary Interest

Related pecuniary interest

Other Interest

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 12 March 2020** at **10.00am** when there were present:

Mr G K Nurden – Chairman

Mr P E Bulman

Mr A D Crotch

Ms S I Holland

Mrs K A Vincent

In attendance were the Director of Resources, the Assistant Director of Finance (Section 151 Officer), the Internal Audit Manager and the Committee Officer (DM).

Also attending were Mr D Cook of Ernst & Young LLP and Mr M L Murrell

### 31 MINUTES

The Minutes of the meeting held on 9 January 2020 were confirmed as a correct record and signed by the Chairman.

### 32 MATTERS ARISING

In response to questions from the Chairman on matters referred to in the Minutes, Officers updated Members on the latest position regarding the following matters:

Broadland Growth Ltd briefing – a briefing had been arranged to follow the Committee's meeting that day and, if appropriate, would be offered to a wider audience of Members.

Risk Management Training – initial discussions had taken place regarding the development of training for staff and potentially Members of the Audit Committee and a wider audience of Members if appropriate. There was a need to ensure that an assessment of risk was an integral part of the culture of the organisation.

Purchase Orders – staff continued to be reminded of the need to raise purchase orders prior to making purchases and measures were being put into place to reinforce this. The situation had been complicated by staff currently having to learn two processes across two Councils. The Internal Audit Manager confirmed that this outstanding audit recommendation could be signed off once evidence of these measures was submitted. This area of activity was one which internal audit would continue to test and monitor. In response to a question, Officers confirmed that cases of repeated non-compliance would be managed on a case by case basis with particular areas of concern being raised with the Corporate Management Leadership Team and ultimately could be addressed by disciplinary action if appropriate.



Cyber-crime training – initial inquiries regarding rolling out cyber-crime training for Members had taken place.

### **33 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2020/21**

Members considered the report providing an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2020/21 to 2022/23 and the Annual Internal Audit Plan for 2020/21. The report also provided the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of Broadland District Council's framework of governance, risk management and control.

In response to a question, the Internal Audit Manager commented that, the Annual Internal Audit Plan for 2020/21 would seek to ensure that the majority of the internal audit reviews were carried out jointly across both councils allowing internal audit to provide assurance that people and processes were working together for the same goal and supporting collaboration. With regard to the reporting of findings, where appropriate the findings would be presented in a joint report but if appropriate, individual reports would be prepared.

The Internal Audit Manager then highlighted the areas of work included in the Audit Plan set out at Appendix 3 of the report. Particular areas of interest were economic development where some significant projects were being explored and an audit would provide assurance these were being well managed with appropriate governance arrangements. The audit of waste management would relate only to Broadland and would help provide assurances on the management of the contract which was due for renewal in the near future.

With regard to environmental health, this audit would include business continuity and emergency planning arrangements particularly in view of the recent events regarding Coronavirus. With regard to the recent flooding event at Thorpe Lodge, a review of the management of the emergency would take place to feed into existing continuity plans. With regard to current arrangements for home working, it was noted that current restrictions on IT capacity for home working were being examined with a view to ensuring the capacity available was used most effectively. As part of collaboration arrangements, work was ongoing to develop and enhance options for facilitating home working and remote access by staff and Members.

#### **RESOLVED**

to note and approve the Internal Audit Strategy for 2020/21, the Strategic Internal Audit Plans 2020/21 to 2022/23 and the Annual Internal Audit Plan 2020/21.

**34 EXTERNAL AUDIT PLAN YEAR ENDED 31 MARCH 2020**

Members considered the provisional Audit Plan from Ernst & Young LLP which summarised their initial assessment of the key risks driving the development of an effective audit for the Council and outlining the planned audit strategy in response to those risks. The Chairman reported that he had recently attended a presentation at Ernst Young Ltd with other Chairmen of Audit Committees and Finance Officers from the region about the current issues with the completion of public sector audits and he undertook to circulate a copy of a letter on this matter to Members/substitutes on the Audit Committee.

Mr D Cook, Audit Manager for Broadland and South Norfolk from Ernst & Young LLP then took Members through the Plan for 2019/20, highlighting the key areas of activity, drawing attention to two new area of focus: apportionment of recharged expenditure overheads between Broadland and South Norfolk and the implementation of two new auditing accounts standards.

With regard to the timeline for the work, Members noted the change in the date of reporting of the conclusions and judgement from July to October, resulting from the current national issues facing public sector audits and the pressure on all local authority auditors to undertake more robust audits of public services following major failings in the private sector with the audit of some national companies. The 31 July audit deadline was not a statutory requirement and would still allow for the publication of the Council's accounts by that date, including a statement that the accounts would not be audited until October. In response to concerns about the potential impact of the delay of the audit on issues such as government grants/funding, Members were reassured this was a national issue which the government was aware of and would continue to be monitored.

With regard to fees and charges, it was noted that the scale of fees would be impacted by additional work performed in relation to the new risk of incorrect apportionment of recharged expenditure overheads between the two councils. Any increase would be agreed with officers and Public Sector Audit Appointments Ltd (PSAA).

Audit fees were based on a number of assumptions which if not met could result in an increase in fees. Members were assured that the Council had always satisfied the assumptions and if it continued to provide the high levels of support to the audit work carried out, fees would not need to be increased for this reason.

Going forward, the public sector audit service was facing challenges because of the increasing complexity of public sector audits and the need for a higher level of audit. Fairer charging options were being explored nationally and with the PSAA.

**RESOLVED** to note and approve the Plan.

**35 ANNUAL REPORT OF THE AUDIT COMMITTEE**

Members considered the report which summarised the work of the Audit Committee during 2019/20, confirmed that it had operated in accordance with its Terms of Reference, complied with best practice and demonstrated effective challenge during its meetings. Subject to a few minor typographical changes, Members supported the Annual Report for presentation to Council.

In accordance with a suggestion arising from the Committee's self-assessment exercise (see minute 37 below) the Chairman would be seeking feedback from Members when presenting the Annual Report to Council.

**RESOLVED TO RECOMMEND COUNCIL**

to note and approve the content of the Annual Report of the Audit Committee.

**36 ANNUAL FRAUD UPDATE**

Members considered the report of the Director of Resources setting out the counter fraud activities of the Council during 2019/20. The Senior Investigations and Enforcement Officer outlined work being undertaken in relation to supporting the Department of Works and Pensions Fraud and Compliance Teams and also the National Fraud Hub formed and funded by the County Council as part of the National Fraud Initiative. It was noted that whilst there was no financial cost to the Council in supporting the work of the Fraud Hub, there was a cost in officer time. Available officer time was currently relatively limited and work was ongoing to identify where best to target resources.

With regard to internal fraud, and how this was investigated, it was noted that cases would only be investigated by the Senior Investigations and Enforcement Officer following a specific referral but that other measures were in place as part of the internal and external audit processes including policies such as whistle blowing.

Mindful of issues which had occurred nationally, and the increasingly sophisticated methods used by fraudsters, Members stressed the need more than ever to be mindful of the recommendations of the Auditors and ensure these were taken seriously and enforced.

**RESOLVED**

to note the Annual Fraud Update for 2019/20.

**37 AUDIT COMMITTEE SELF ASSESSMENT**

Members considered the report setting out the results of the Committee's self- assessment exercise undertaken in January 2020. The exercise had highlighted the following areas of partial conformance with best practice.

- Question 4 – it was felt that more could be done to highlight the role and purpose of the Committee across the authority and it was suggested that this area could be improved by enhancing the executive summary section of the Annual Report presented to Council by going into more detail about what the Committee was responsible for and how their role supported the Council.
- Question 15 – Members of the Committee had not been provided with the CIPFA Audit Committee core knowledge and skills framework. This had now been circulated to all Members of the Committee and it was confirmed that there were currently no training gaps.
- Question 18 – It was felt that more could be done to seek feedback on the Committee's performance from those interacting with the Committee or relying on its work. It was suggested that, in future, when the Annual Report of the Committee was reported to Council, feedback from Members on performance would be requested.

**RESOLVED**

to

- (1) agree that the self-assessment checklist was an accurate reflection of the self-assessment exercise undertaken by the Committee;
- (2) to note and approve the actions taken or to be taken in response to the areas of partial compliance in regards to questions 4, 15 and 18 above.

**38 WORK PROGRAMME**

The Committee noted the work programme set out in the agenda as follows:

June 2020	<ul style="list-style-type: none"><li>• Internal Audit Progress Report</li><li>• Internal Audit Follow Up Report</li><li>• Head of Internal Audit's Report and Opinion for 19/20</li><li>• Annual Governance Statement</li></ul>
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October 2020	<ul style="list-style-type: none"><li>• Draft Statement of Accounts</li><li>• External Audit Opinion</li></ul>
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*The meeting closed at 11.30am.*

*At the end of the meeting the Committee received a presentation on Broadland Growth Ltd.*

DRAFT

**DRAFT STATEMENT OF ACCOUNTS 2019/20**

**Report Author:** Rodney Fincham, Assistant Director – Finance  
t 01508 533982  
e rodney.fincham@broadland.gov.uk

**Portfolio Holder:** Finance

**Ward Affected:** All wards

**Purpose of the Report:** To present to Members the draft 2019/20 Statement of Accounts.

**Recommendation**

- 1 The Draft Accounts are noted by the Audit Committee.

**1 Background**

- 1.1 Each year the Authority is required to produce a formal Statement of Accounts document in accordance with the Accounts and Audit Regulations.
- 1.2 These Accounts must:
- follow the format laid out in the Accounting Code of Practice – which is based on International Financial Reporting Standards (IFRS);
  - be approved by the Council's s151 finance officer;
  - be subject to external audit;
  - be made available to the public for inspection;
  - be considered and approved by Members; and
  - be published.
- 1.3 Normally the Accounts need to be approved by the s151 officer by the end of May, and published by the end of July. However, due to Covid 19, the dates this year are:
- Approved by s151 Officer 31 August
  - Published 30 November

## **2 The Statement of Accounts**

2.1 The Statement of Accounts is a complex document as it is designed to provide detailed financial information which would allow the technical reader to gain a comprehensive understanding of all the key financial activities of the organisation.

2.2 The main sections of the Accounts are detailed below

### **Narrative Report**

2.3 A good place to start when reviewing the Accounts is the Narrative Report as this is intended to offer interested parties a summary of the most significant matters reported in the Accounts.

2.4 It gives a high level overview of the year's performance in terms of both revenue and capital spend, and highlights the Authority's financial position at the end of the year, and the outlook for the future. It also outlines significant factors that affect the understanding of the Accounts.

### **Statement of Responsibilities**

2.5 The Statement of Responsibilities is a formal requirement to set out the respective responsibilities of the Authority and the most senior finance officer (the Assistant Director of Finance) in regards to preparing and producing the Accounts.

2.6 The wording is based on best practice requirements, and does not tend to change from year to year.

### **Comprehensive Income and Expenditure Statement**

2.7 The CIES is fundamental to the understanding of the Council's activities in that it reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers.

### **Movement in Reserves Statement**

2.8 The Movement in Reserves Statement brings together all the recognised gains and losses of the Authority, to show how the different reserves held by the Authority have changed over the year.

### **Balance Sheet**

2.9 The balance sheet reports on the Council's financial position as at 31 March and shows the value of its assets and liabilities.

### **Cashflow Statement**

2.10 The cashflow statement shows the inflow and outflow of cash for the year for both revenue and capital, and shows how the Council's cash position has changed on a year on year basis.

## Notes to the Accounts

- 2.11 Accompanying the Accounts are a large number of disclosure notes that give further explanations of the figures. The notes are required under the Code of Practice to give added clarity and understanding for the readers of the accounts.

### Collection Fund

- 2.12 The Collection Fund is a separate account which receives all income from Council Tax and Non Domestic Rates (NDR).

### Auditor's Report

- 2.13 In accordance with the Accounts and Audit Regulations the Authority's external auditors, Ernst & Young, are required to audit the Accounts to ensure that they present fairly the financial position of the Authority.
- 2.14 Once their audit is completed, they issue a formal opinion on the Accounts and this has to be included in the Accounts.

### Annual Governance Statement

- 2.15 One of the requirements of the Accounts and Audit Regulations is that an Annual Governance Statement is produced and published in the Accounts. This statement provides details of the Council's Internal Control and governance arrangements.
- 2.16 The Annual Governance Statement is additional to the main Accounts document as it is prepared and produced separately from the accounting information.

## **3 Risk of Error**

- 3.1 There is a risk that the Accounts will be incorrect due to fraud or error. The risk of fraud is considered to be low, and the risk of error is low/medium due to the complexity of the Accounts. The following controls mitigate against this risk.
- The Council has detailed Financial and Contract Procedure rules.
  - Access to the finance system is limited to authorised staff and password protected.
  - Internal audit carries out annual reviews of key finance controls.
  - The Accounts are produced by an experienced finance team.
  - The Authority has obtained and followed the appropriate Codes of Practice and associated guidance notes.
  - Key staff in the finance team attend update courses, to ensure that they are aware of any changes to the Accounts.
  - A comprehensive timetable / checklist of what needs to be done and when is produced, and progress is monitored against this.
  - Working papers are produced to support the figures in the Accounts.
  - The Assistant Director of Finance reviews the Accounts and signs these off.



- Qualified accountants are involved in and oversee all aspects of the production of the Accounts, and all qualified accountants are required to comply with their Accounting institutes' codes of practice.
- Members have the opportunity to review the Accounts and ask questions about any of the figures.
- The Accounts are subject to external audit review.

#### **4 Corporate Implications**

- 4.1 There are no direct financial, legal or human resources implications from this report.

#### **5 Next Step**

- 5.1 The Statement of Accounts will be subject to external audit and then brought back to the Committee for formal sign off before being finalised.

#### **6 Recommendation**

- 1 The Draft Accounts are noted by the Audit Committee.

# Draft Statement of Accounts 2019/2020



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 **Broadland**  
District Council  
*Community at heart*

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## 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:

To be added later

## 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 £'000	Budget Income £'000	Net £'000	Expend £'000	Actual Income £'000	Net £'000
<b>Resources / MD</b>						
Corporate Costs	250	0	250	291	-15	275
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	6,539	-856	5,683
<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	1,397
	<b>40,214</b>	<b>-28,252</b>	<b>11,962</b>	<b>36,736</b>	<b>-26,084</b>	<b>10,652</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)	-183
Adjustments between Accounting Basis and Funding Basis	-1,348
Net Transfer to Earmarked Reserves	484
<b>(Increase) in General Fund Reserve</b>	<b>-1,047</b>

## **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 £13,201,000. This is primarily because the Revaluation Reserve increased by £4,206,000, and 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 31 March 2019 £m	Value 31 March 2020 £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	4.0
Investments	26.0	23.5
Short Term Debtors	6.1	11.4
Cash and Bank holdings	6.9	13.0
<b>Liabilities</b>		
Short Term Creditors	-13.0	-21.3
Pension Liability	-31.1	-24.3

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 £81.1m giving a net deficit of £24.3m 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 £84.2 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.

*RFincham*

Assistant Director of Finance

Date: XX July 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 £'000	Gross Income £'000	Net Expend £'000			Gross Expend £'000	Gross Income £'000	Net Expend £'000
			<b>Resources / MD</b>				
221	-141	80	Corporate Costs		675	-15	660
935	-690	245	Finance & Revenues		2,041	-237	1,804
519	-22	497	Governance & Business Support		4,011	-600	3,411
459	-2	457	Managing Director and Chief of Staff		880	-4	876
			<b>Place</b>				
5,080	-2,027	3,053	Economic Growth		1,841	-834	1,007
4,896	-3,335	1,561	Regulatory Services		2,590	-259	2,331
228	-19	209	Planning		2,195	-1,353	842
			<b>People</b>				
23,132	-21,877	1,255	Individuals & Families		20,675	-21,030	-355
4,995	-214	4,781	Waste & Recycling		5,362	-3,356	2,006
<b>40,465</b>	<b>-28,327</b>	<b>12,138</b>	<b>Cost of Services</b>		<b>40,270</b>	<b>-27,688</b>	<b>12,582</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			16
	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>-183</b>
	-508		(Surplus) or deficit on revaluation of Property, Plant & Equipment assets	10			-4,251
	5,493		Remeasurements of the net defined benefit liability	31			-8,390
	<b>4,985</b>		<b>Other Comprehensive Income &amp; Expenditure</b>				<b>-12,641</b>
	<b>5,645</b>		<b>Total Comprehensive Income &amp; Expenditure</b>				<b>-12,824</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 Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>2Balance 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 funding basis under regulations (Note 7)	2,314	-	-1,251	-	1,063	-1,063	-
Net Increase / Decrease before Transfers to 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>2,228</b>
Total Comprehensive Income and Expenditure	183	-	-	-	183	12,641	12,824
Adjustment between accounting basis and funding basis under regulations (Note 7)	1,348	-	-1,907	-	-559	559	-
Net Increase / Decrease before Transfers to Earmarked Reserves	1,531	-	-1,907	-	-376	13,200	12,824
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>-9,974</b>	<b>15,052</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 £,000	31 March 2020 £'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	3,955
Short Term Investments	16	25,965	23,499
Inventories		3	3
Short Term Debtors	17	6,161	11,435
Cash & Cash Equivalents		6,908	12,981
<b>Current Assets</b>		<b>39,418</b>	<b>51,873</b>
Short Term Creditors	18	-12,946	-21,354
Short Term Provisions	19	-437	-491
Capital Grants Receipts in Advance	20	-14	-1
<b>Current Liabilities</b>		<b>-13,397</b>	<b>-21,846</b>
Other Long Term Liabilities – Pension Fund		-31,121	-24,311
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>-26,083</b>
<b>Total Net Assets</b>		<b>2,227</b>	<b>15,052</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	6,423
Pension Fund Reserve		-31,121	-24,311
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
<b>Total Reserves</b>		<b>2,227</b>	<b>15,052</b>

*R Fincham*

Assistant Director of Finance

Date: XX July 2020

## 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 £'000	2019/20 £'000
Net (Surplus) / Deficit on Provision of Services		660	-183
Adjustment for Non cash Movements		-1,624	-3,215
Adjustment for Investment and Finance Activities		149	205
<b>Net Cash Flows from Operating Activities</b>	23	<b>-815</b>	<b>-3,193</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,

### 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.

- Norfolk 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 XX July 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.

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.

### **Going Concern**

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis.

The coronavirus restrictions across the UK, have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments or were unable to pay at all. The Government has provided some support for lost income and for the additional costs borne by authorities because of the crisis and the Council has received £1.352m in this regard.

Our most recent year-end balances, as reported in these statements are as follows.

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

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to the Council's going concern.

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

	Methodology	Original Budget £'000	New Budget £'000	Change £'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.

If the lockdown arrangements extend beyond 6 months, or there is a significant second wave of infections, the income losses and expenditure pressures are likely to increase.

We have not assumed any additional central Government grants within our assumptions, and we have yet to make any assessment of further additional costs due to the uncertainty.

We expect our 2020/21 revised outturn to show a surplus of £62,000 – taking into account all the above factors.

We expect that the Fair Funding Review for 2021/22 to be delayed, so we are assuming a flat rate of Government settlement for 2021/22. However, to be prudent we have updated our Medium Term Financial Strategy, which now shows a potential funding gap of £1.563m in 21/22. If we do need to fund this full sum from reserves our General Fund balance as at 31 March 2022 would be expected to be £13.8m which is still significantly above our minimum level of General Fund balances as set by our s151 officer of £1.2m.

## 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 Chargeable to General Fund <b>Funding</b> £'000	Adjustment for Capital Purposes £'000	Net Change for Employee Absences £'000	Net Change for Pension Adjustment £'000	Other Differences £'000	Total Adjustment £'000	Net Expend in the CIES  <b>Accounting</b> £'000
<b>2019/20</b>							
Corporate Costs	276	560		-176		384	660
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	-355
Waste and Recycling	1,852	153	0	0		154	2,006
<b>Net Cost of Services</b>	<b>10,652</b>	<b>983</b>	<b>125</b>	<b>822</b>	<b>-</b>	<b>1,930</b>	<b>12,582</b>
Other income and expenditure from the Expenditure & Funding Analysis	-12,183	-369		758	-971	-582	-12,765
<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>1,580</b>	<b>-971</b>	<b>1,348</b>	<b>-183</b>
<b>2018/19</b>							
Corporate Costs	80					0	80
Finance and Revenues	122	-5		128		123	245
Governance and Business Support	194	204		99		303	497
Managing Director and Chief of Staff	412			45		45	457
Economic Growth	3,011	-4		46		42	3,053
Regulatory Services	1,346	30		185		215	1,561
Planning	-30	113		126		239	209
Individuals and Families	1,320	-65				-65	1,255
Waste and Recycling	4,540	241				241	4,781
<b>Net Cost of Services</b>	<b>10,995</b>	<b>514</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>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 Expend			1,331	-1,331				2,808	-2,808
Transfers between reserves required by legislation			-35	35				-708	708

	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 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
<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		-3,285			3,285
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>									
<i>Amount by which local taxation income credited to the CIES is different from income calculated for the year in accordance with statutory requirements</i>									
- 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>Total Adjustments</b>	<b>-2,314</b>	<b>-</b>	<b>1,251</b>	<b>1,063</b>		<b>-1,348</b>		<b>1,907</b>	<b>-559</b>

## 8. Income and Expenditure Analysed by Nature

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

	2018/19 £'000	2019/20 £'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	-
	-55,581	-57,065
<b>Expenditure</b>		
Employees' benefits expenses	9,439	9,958
Housing Benefit expenditure	20,123	17,592
Other services expenses	10,453	12,390
Depreciation, amortisation, impairment	450	314
Interest payments	2,211	2,212
Precepts and levies	3,725	3,862
Loss on disposal of assets	-	51
Non-domestic rates expenditure (tariff and levy)	9,840	10,503
	56,241	56,882
(Surplus) or Deficit on the Provision of Services	660	-183

### **Segmental Income**

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

## 9. Transfers to / from Earmarked Reserves

	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'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

<b>2019/20</b>	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure £'000	Surplus Land & Buildings £'000	Total £'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))	4,587	-	-	-389	4,198
Reclassification	-3,574	-	-	-	-3,574
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 £'000	Vehicles, Plant & Equipment £'000	Infrastructure £'000	Surplus Land & Buildings £'000	Total £'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 2019	31 March 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 £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Total £'000
Historical Cost		2,998	517		3,515
Current Value in:					
Year ended 31 March 2020	3,652			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) £'000	Other Significant Observable Inputs (Level 2) £'000	Significant Other Un-observable Inputs (Level 3) £'000	Fair Value as at 31 March 2019 £'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 £'000	2019/20 £'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 to provide rechargeable services such as book-keeping and liaison with the company's accountants (Aston Shaw). The £10,000 capital investment forms are shown within the Investments in Associates and Joint Ventures line in the balance sheet.

The company has estimated £269,686 as a trading profit in 2019/20 (£172,554 2018/19 actual profit after tax).

As at the end of March 2020 a new development of 22 properties is in the process of being built, six 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 2019 £'000	31 March 2020 £'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 2019 £'000	31 March 2020 £'000
Balance outstanding at the start of the year:	365	381
Assets declassified as held for sale	-	-381
Assets reclassified as held for sale	-	3,955
Gains / (Losses) on revaluation	16	-
Balance outstanding at year end	381	3,955

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.

The assets reclassified as held for sale relate to a number of properties on the Rosebery Road development site; completed and retained by the Authority, not Broadland Growth Ltd., as assets held for sale until sold.

## 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 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Amortised cost	-	-	235	328	-	-	-	-
- Soft loan on shared equity properties	-	-	-	-	12,541	12,086	-	-
- Simple Deposits	-	-	1,370	1,879	-	-	5,036	9,406
- Fin assets carried at contract amount	-	-	-	-	13,421	11,409	-	-
Fair value through profit or loss	-	-	1,605	2,207	25,962	23,495	5,036	9,406

Financial Liabilities	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'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 Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and 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 2019	31 March 2020
Banks/Building Societies	13,027	13,039
Externally Managed Pooled Funds	13,422	11,409
Gross Funds Invested	26,449	24,448
Less: Investments made on behalf of third parties	-484	-949
	25,965	23,499

## 17. Short Term Debtors

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

	31 March 2019 £'000	31 March 2020 £'000
Community Infrastructure Levy	4,259	8,670
Other Entities and Individuals	2,252	2,973
	6,511	11,643
Less: Provision for Debt Impairment	-350	-208
	6,161	11,435

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 2019 £'000	31 March 2020 £'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 2019 £'000	31 March 2020 £'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	-6,418
	-12,946	-21,354

## 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 2019 £'000	31 March 2020 £'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 £'000	2019/20 £'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	-4,587
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	-6,423

## **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 £'000	2019/20 £'000
Balance at 1 April	-23,903	-31,121
Actuarial Gains / (Losses) on pensions assets and liabilities	-5,493	8,390
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	-24,311

## **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 £'000	2019/20 £'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 £'000	2019/20 £'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 £'000	2019/20 £'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 £'000	2019/20 £'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 £'000	2019/20 £'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

### 23. Cash Flow Statement – Operating Activities

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

	31 March 2019 £'000	31 March 2020 £'000
Depreciation	-418	-325
Impairment and downward valuations	-	92
Amortisation	-87	-81
(Increase) or decrease in creditors	-2,790	-7,733
Increase or (decrease) in interest debtors	-	-
Increase or (decrease) in other debtors	4,280	6,138
Increase or (decrease) in inventories	-	-
Movement in pension liability	-1,725	-1,580
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	-3,215

The cash flows for operating activities include the following items:

	2018/19 £'000	2019/20 £'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 2019	31 March 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

To be added later

## 26. Grant Income

	2018/19 £'000	2019/20 £'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 £	2019/20 £
External audit services carried out by the appointed auditor	32,022	32,032
Certification of grant claims and returns	14,500	14,500
	46,522	46,532



## **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, 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 2019	31 March 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 £'000	2019/20 £'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 £'000	2019/20 £'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	-
<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>3,285</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	-	-2,311
Actuarial gains and losses arising on changes in financial assumptions	7,003	-7,048
Other experience	91	-3,186
Return on plan assets (excluding the amount included in the net interest expense)	-1,601	4,155
Total post-employment benefits charged / (credited) to Other Comprehensive Income and Expenditure	5,493	-8,390
Total post-employment benefits charged / (credited) to the Comprehensive Income & Expenditure Statement	8,810	-4,565
<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	3,825
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	-81,118
Fair value of plan assets	60,070	56,807
Net liability arising from defined benefit obligation	-31,121	-24,311

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 £'000	2019/20 £'000
Opening balance	-81,202	-91,191
Current Service Cost	-2,221	-2,527
Past Service Costs	-437	-
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	-	2,311
Actuarial gains / (losses) arising from changes in financial assumptions	-7,003	7,048
Other experience gains / (losses)	-91	3,186
Benefits Paid	2,355	2,626
At 31 March	-91,191	-81,118

Reconciliation of fair value of the scheme assets:

	2018/19 £'000	2019/20 £'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 2016.

The principal assumptions made by the actuary are summarised below:

	31 March 2019 % per annum	31 March 2020 % per 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 amount at 31 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 - Debtors	n/a	-11,285
Total Credit Risk Exposure		-34,780

### 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. Authorised for Issue

The Statement of Accounts was authorised for issue by the Assistant Director of Finance on XX July 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 Council Tax £'000	Business Rates £'000	2019/20 Council Tax £'000	Business Rates £'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	12,237
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 No. of Chargeable Dwellings Adjusted for Discounts	Relevant Proportion (Ninths)	Relevant No.
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
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 equivalent (contributions in lieu of Ministry of Defence).			46,270 (205)
Council Tax Base 2019/20 ( = amount raised from £1 levy)			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 (£1,815.05 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 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'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.

## INDEPENDENT AUDITORS REPORT



### 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

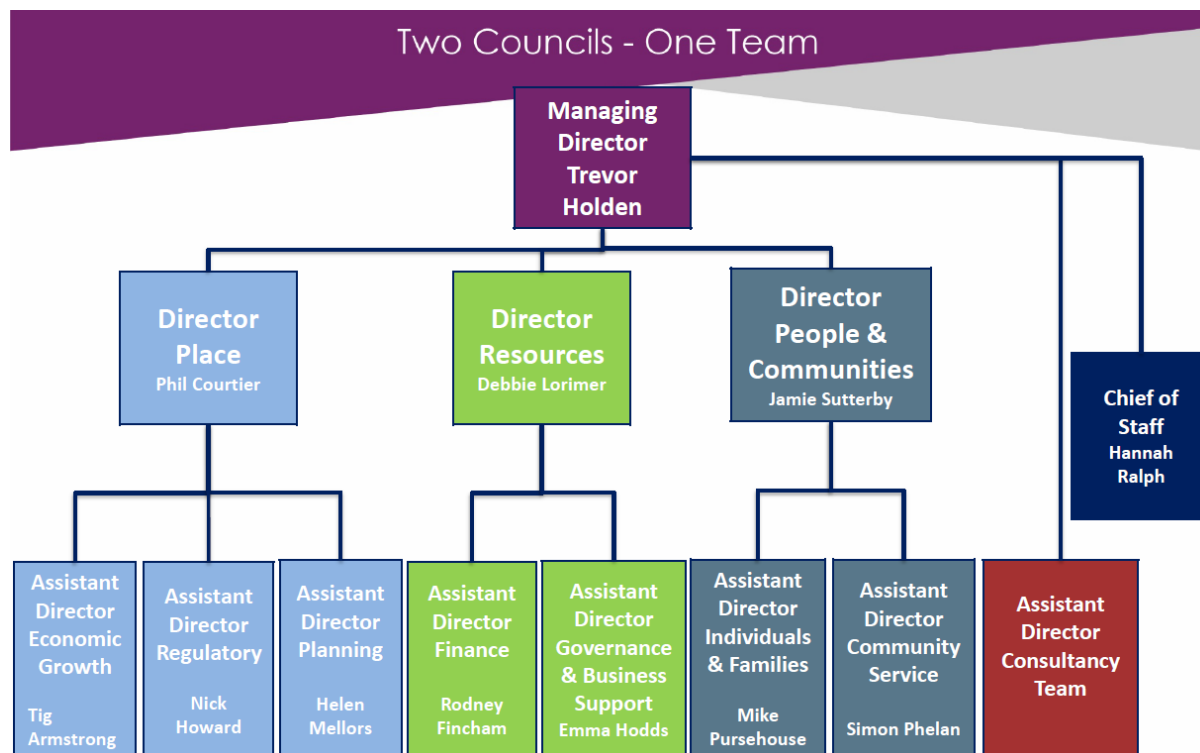
The Business Plan is a digital and interactive document which acts as a gateway for more in-depth details of the priorities and work of the Council and can be found [here](#).

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:

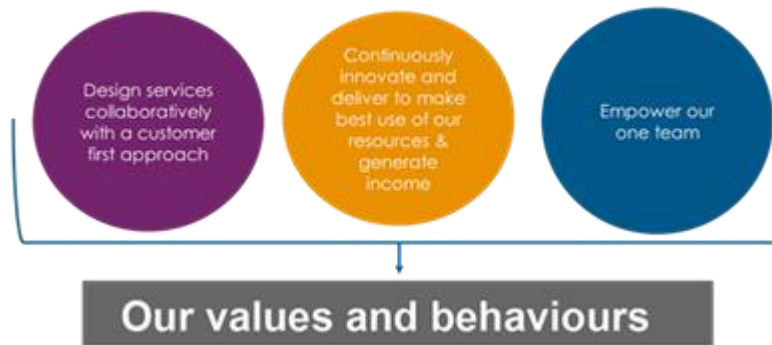


The Council has made ongoing savings through reviews of services and taking opportunities to make efficiencies; alongside this the authority has sought to grow income levels through a number of commercial initiatives.

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

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.

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Trevor Holden, Managing Director

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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.

## **INTERNAL AUDIT PROGRESS REPORT**

<b>Report Author:</b>	Faye Haywood, Internal Audit Manager, <a href="mailto:fhaywood@s-norfolk.gov.uk">fhaywood@s-norfolk.gov.uk</a> 01508 533873
<b>Portfolio Holder:</b>	Finance
<b>Ward(s) Affected:</b>	All
<b>Purpose of the Report:</b>	This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2019/20 during the period 27 February 2020 to 7 July 2020 and includes executive summaries in respect of audit reviews which have been finalised and remain in draft over this period.

### **Recommendations:**

1. That members note the progress in completing the internal audit plan of work and the outcomes of the completed audits for the 2019/20 financial year.

## **1 SUMMARY**

- 1.1 This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2019/20 during the period 27 February 2020 to 7 July 2020 and includes executive summaries in respect of audit reviews which have been completed over this period.

## **2 BACKGROUND**

- 2.1 The Audit Committee receive updates on progress made against the annual internal audit plan. This report forms part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.
- 2.2 The Public Sector Internal Audit Standards require the Chief Audit Executive to report to the Audit Committee the performance of internal audit relative to its agreed plan, including any significant risk exposures and control issues. To comply with the above the report identifies:
- Any significant changes to the approved Audit Plan;
  - Progress made in delivering the agreed audits for the year;
  - Any significant outcomes arising from those audits; and
  - Performance Measures.

## **3 CURRENT POSITION / FINDINGS**

- 3.1 The final position in relation to the delivery of the Annual Internal Audit Plan 2019/20 is shown in the report attached.

## **4 PROPOSED ACTION**

- 4.1 For the Audit Committee to review the progress made in the completion of the Annual Internal Audit Plan for 2019/20.

## **5 OTHER OPTIONS**

- 5.1 n/a

## **6 ISSUES AND RISKS**

- 6.1 **Risks** - Failure to undertake the Annual Internal Audit Plan could result in the Head of Internal Audit not being able to provide an annual opinion. Reductions in Internal Audit coverage could permit on-going weaknesses in the internal control environment at the Council not being detected and reported upon.

6.2 **Resource implications** – none

6.3 **Legal implications** – none

6.4 **Equality implications** – none

6.5 **Environmental impact** – none

6.6 **Crime and disorder** – none

## **7 CONCLUSION**

7.1 The 2019/20 Annual Internal Audit Plan has been completed as expected.

## **8 RECOMMENDATIONS**

8.1 That members note the progress in completing the internal audit plan of work and the outcomes of the completed audits for the 2019/20 financial year.

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### **Background Papers**

None

### **Appendices**

Progress Report on Internal Audit Activity

## Eastern Internal Audit Services



**Broadland District Council**

**Progress Report on Internal Audit Activity**

**Period Covered: 27 February 2020 to 7 July 2020**

**Responsible Officer: Faye Haywood –Internal Audit Manager for Broadland District Council**

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## 1. INTRODUCTION

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

## 2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 14 March 2019 the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since the last progress report presented to the Committee in March 2020 there have been no further changes to that plan.

## 3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations. Due to the impact of the Coronavirus outbreak on staff priorities, the Internal Audit Team have been unable to finalise one report; Key Financial Controls. This report has however been provided in Appendix 2 and an overall grading has been indicated.
- 3.2 In summary 138.5 days of programmed work have now been completed, equating to 100% of the amended Audit Plan for 2019/20.

## 4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

**Substantial Assurance:** Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

**Reasonable Assurance:** Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

**Limited Assurance:** Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

**No Assurance:** Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage

risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

- 4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

**Urgent (priority one):** Fundamental control issue on which action to implement should be taken within 1 month.

**Important (priority two):** Control issue on which action to implement should be taken within 3 months.

**Needs attention (priority three):** Control issue on which action to implement should be taken within 6 months.

- 4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report Internal Audit Services has issued one report in final and one in draft.

Audit	Assurance	P1	P2	P3
Key Controls (DRAFT)	Reasonable	0	5	1
Planning and Development	Reasonable	0	4	3

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

- 4.5 As can be seen in the table above as a result of these audits 13 recommendations have been raised and agreed by management.

In addition, four Operational Effectiveness Matters have been proposed to management for consideration.

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

## 5. PERFORMANCE MEASURES

- 5.1 The Internal Audit Services contract includes a suite of key performance measures against which the contractor will be reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas, the performance measures can be seen at **Appendix 3**.
- 5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:

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

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

- 5.3 The fourth quarters work has been completed and a report on the performance measures provided to the Head of Internal Audit. Performance is currently at green status with the 2019-20 Internal Audit Plan being delivered in line with expectations.

## APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
<b>Quarter 1</b>											
<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>							
<b>Quarter 2</b>											
Broadland Growth	BRD2001	10	10	10	Final report issued 1 November 2019	Reasonable	0	5	8	2	Jan-20
Risk Management	BRD2009	5	5	5	Final report issued 17 September 2019						Oct-19
Private Sector Housing inc DFGs	BRD2007	10	10	10	Final report issued 14 October 2019	Substantial	0	0	0	0	Jan-19
<b>TOTAL</b>		<b>25</b>	<b>25</b>	<b>25</b>							
<b>Quarter 3</b>											
Corporate Governance	BRD2002	6	6	6	Final report issued 7 January 2020	Reasonable	0	2	2	3	Mar-20
Accountancy Services	BRD2003	15	15	15	Final report issued 7 January 2020	Reasonable	0	1	3	0	Mar-20
Accounts Receivable	BRD2004	10	10	10	Final report issued 4 December 2019	Substantial	0	0	0	0	Jan-20
Income	BRD2005	8	8	8	Final report issued 9 January 2020	Substantial	0	0	1	0	Mar-20
Homelessness, Home Options and Private Sector Leasing	BRD2006	12	12	12	Final report issued 20 February 2020	Limited	1	5	1	2	Mar-20
<b>TOTAL</b>		<b>51</b>	<b>51</b>	<b>51</b>							
<b>Quarter 4</b>											
Key Controls and Assurance	BRD2008	15	15	15	Draft report issued 2 April 2020	Reasonable	0	5	1	0	Jul-20
Planning and Development - Joint SNC	BRD2010	20	20	20	Final report issued 25 May 2020	Reasonable	0	4	3	4	Jul-20
<b>TOTAL</b>		<b>35</b>	<b>35</b>	<b>35</b>							
<b>IT Audits</b>											
Disaster Recovery and Business Continuity	BRD2011	10	10	10	Final report issued 19 November 2019	Reasonable	0	2	4	0	Jan-20
Data Centre Management	BRD2012	10	7.5	7.5	Position Statement issued 20 February 2020						Mar-20
<b>TOTAL</b>		<b>20</b>	<b>17.5</b>	<b>17.5</b>							
<b>Follow Up</b>											
Follow Up	NA	10	10	10							
<b>TOTAL</b>		<b>10</b>	<b>10</b>	<b>10</b>							
<b>TOTAL</b>		<b>141</b>	<b>138.5</b>	<b>138.5</b>			<b>1</b>	<b>24</b>	<b>23</b>	<b>11</b>	
<b>Percentage of plan completed</b>				<b>100%</b>							

## APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

### Assurance Review of the Key Controls assurance work Arrangements

#### DRAFT Executive Summary

##### OVERALL ASSURANCE ASSESSMENT



##### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Accounts Payable	0	2	0	0
Council Tax and NNDR	0	1	1	0
Control Accounts	0	2	0	0
Total	0	5	1	0

No recommendations arose relating to payroll, housing benefits, or top up testing from asset management, treasury management, accounts receivable and cash income.

##### SCOPE

Annual review of key controls that feed into the Statement of Accounts, for those systems not subject to an audit review within year. This covered: accounts payable, payroll & HR, council tax & business rates, local council tax support & housing benefits and the assurance framework.

## RATIONALE

---

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

## KEY FINDINGS

### Key Controls Testing

There are a number of key controls within the fundamental financial systems that are required to be covered by internal audit each year, in order to support the Annual Governance Statement (AGS) and the Head of Internal Audit's Annual Report and Opinion.

Under the agreed internal audit plan for 2019/20 a number of these material systems have been reported on in detail and those key controls have been addressed in each system reviewed. Recommendations have been raised in these individual audit reports. The areas this applies to are:

- Accounts Receivable (BRD 20/04);
- Accountancy Services (control accounts, asset management, treasury management – BRD 20/03); and
- Cash Income and Receipt (BRD 20/05).

In addition, the key controls in the material systems that were not covered as part of the agreed internal audit plan for 2019/20 have been reviewed as part of this audit. The areas to which this applies are:

- Accounts Payable;
- Payroll and Human Resources;
- Housing Benefit and Local Council Tax Support; and
- Council Tax and National Non-Domestic Rates (NNDR); and
- Assurance Framework.

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

#### **Accounts Payable**

- The use of purchase orders is enforced, so that the risk of Council resources being used inappropriately and commitments to expenditure not budgeted for is reduced.
- The work to update the PO system with the definitive South Norfolk and Broadland Council's signatory list be completed, to avoid the risk of inappropriate authorisation of expenditure.

#### **Control Accounts**

- Delays in reconciliations between the general ledger and supporting systems be addressed as soon as possible, to minimise the risk that the Council's accounts are not mis-stated.
- Independent reviews need to be undertaken and evidenced of the Council's monthly holding accounts, to minimise the risk of errors within the Council's accounts.

The audit has also highlighted the following area where one 'needs attention' recommendation has been made.

#### **Council Tax**

- Written procedures be produced for checking Council Tax refunds, to avoid the risk of this process discontinuing if there are staff changes.

#### **Assurance Framework**

A review of the assurance framework within the Council was undertaken as part of the internal audit review. This focused on the structure of the assurance statements, responsibility for completion, evidence retained, the mechanism for incorporating information into the Annual Governance Statement (AGS), senior officer and member review of the AGS and subsequent review and monitoring of action plans.

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

- The AGS included in the 2018/19 Statement of Accounts refers to the fact that Heads of Service completed assurance statements which feed into the assurance framework, highlighting the governance issues that need to be addressed.
- The AGS for 2018/19 was reviewed by the Audit Committee in July 2019.

### Outstanding Previous Recommendations

There is one outstanding recommendation from the previous Key Controls audit. This relates to Accounts Payable, in particular the use of purchase orders for all purchases. Since 1<sup>st</sup> September 2018, the Council has introduced a 'no PO, no pay' policy, along with an exceptions list, and enforcement of this new policy is ongoing. During 2019/20 key controls were also tested as part of the full reviews of Accounting Services, Accounts Receivable and Income. Two recommendations were made in relation to the key controls within the Accounting Services. The results of testing these controls within the second half of the year found that these have not been implemented and are repeated within this report.

### Other points to note

The audit was undertaken at a time when Broadland District Council and South Norfolk Council were collaborating. It is therefore acknowledged that some control processes such as the maintenance of authorisation lists were in a state of flux and that the reorganisation meant staff roles and priorities were impacting on 'business as usual'.

At the time of the audit, the asset register had not been updated with the acquisition of Houghen Plantation. The Corporate Accountant informed Internal Audit that this would be done as part of the year-end processes.



# Assurance Review of the Planning and Development Management

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Planning Applications	0	3	1	3
Reconciliations between the planning system and general ledger	0	1	0	0
Planning Enforcement	0	0	1	1
S106 Agreements	0	0	1	0
Total	0	4	3	4

No recommendations have been made in respect of the areas: Policies and Procedures and Community Infrastructure levy (CIL).

### SCOPE

The objective of the audit was to review the adequacy, effectiveness and efficiency of the systems and controls within Planning and Development Management, at both Broadland District Council and South Norfolk Council.

## RATIONALE

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

## POSITIVE FINDINGS

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

### Policies and procedures

- The planning service was the first service trialled for joint working across both authorities (January 2018) with joint management arrangements being in place and the overall joint structure commencing from January 2020. The project has been split into four phases of delivery which includes all aspects of service, including planning policy and land charges. Timelines for each of the four phases, will be prepared at the commencement/scoping stage. This provided a positive start and significantly contributed to the two authorities aim to have one culture, joint senior management and one joint officer team. (BDC and SNC)
- This Joint Core Strategy (JCS) for Broadland, and South Norfolk is the Joint Core Strategy for Broadland, Norwich and South Norfolk, prepared by all three councils working together with Norfolk County Council as the Greater Norwich Development Partnership (GNDP). This ensures there is key strategy/policy in place to enable consistency with legislation and long-term vision and objectives for the area. (BDC and SNC)

### Planning applications

- Correct fees are charged and received before applications are processed. This facilitates accurate income being received as expected. (BDC and SNC)
- Consultations include all required consultees and are carried out in a timely manner. This demonstrates a transparent and clear planning application process. (BDC and SNC)
- Weekly monitoring reports are produced which show time taken to reach a decision; undetermined applications by officer; and outstanding enquiries by officer. This facilitates the timely monitoring of processing times. (BDC and SNC)

### Planning enforcement

- Enforcement actions are taken promptly in response to complaints, with evidence retained on file. Furthermore, a proactive approach to enforcement is undertaken, which involves being alerted by a number of events/contacts such as CIL commencement date and Council Tax and NNDR system changes. This enables timely and pre-emptive follow up of planning breaches. (BDC)

### Community Infrastructure Levy (CIL)

- The Council's policies on CIL, including income and expenditure, are documented and available on both Council's websites. This enables effective communication of the CIL assisting with customer understanding. (BDC and SNC)
- CIL charges are calculated in line with the published charging schedule and applicants are informed of the charge when planning permission is granted. This enables clear communication of the CIL charge in a timely manner. (BDC and SNC)
- Monitoring spreadsheets are maintained which facilitates timely tracking of all CIL agreements and when payments are due and have been received. (BDC and SNC)

### S106 Agreements

- Requirements over Section 106 Agreements are stated within planning policy documents including the Joint Core Strategy; Broadland Development Management Development Plan Document (DPD); and South Norfolk Local Plan Development Management Policies Document. These documents provide clear overall S106 requirements for both Councils. (BDC and SNC).

## ISSUES TO BE ADDRESSED

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

### Planning applications

- In line with the constitution, the Assistant Director for Planning makes formal written delegations of planning functions to the relevant officers of the council. This helps mitigate the risk that arrangements for delegations are not clear and lawful. (BDC)
- An instructional email is sent to staff informing them of the requirement to complete delegated reports and quality spot checks are undertaken of cases to review compliance. This contributes to mitigating the risk of inadequate transparency of the decision-making process leading to poor reputation of council. (BDC)
- Agreements to extend decision deadlines be made in all cases where determination of applications takes longer than 56 days. This helps to reduce the risk that all parties are not aware of delays and know when to expect a decision. (BDC)

## Reconciliations

- Monthly income reconciliations between the Northgate M3 system and the general ledger are signed and dated by both the preparer and reviewer. This helps mitigate the risk that reconciliations are inaccurate and the risk of fraud by ensuring that no employee has the ability to both perpetrate and conceal errors in their normal course of duties. (BDC)

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

## Planning Applications

- An instructional email is sent to staff informing them of the requirement to destroy paper files once the file is closed. This should be accompanied by the 'Filing documents to the Document Management System (DMS)' procedures and any training requirements identified. This helps mitigate the risk that files are lost, mislaid and cannot be easily located leading to prolonged processing times and incomplete records.(BDC)

## Planning Enforcement

- Photos of site visits be saved to the actual account reference on the planning system (Uniform for SNC or Northgate for BDC) rather than in a separate electronic folder. This helps to reduce the risk that enforcement action is not supported by evidence and carried out incorrectly. (BDC and SNC)

## S106 Agreements

- To investigate whether the 'visit' tab on the M3 planning system S106 screens can be used to record all site visits undertaken for each S106 agreement. This helps to reduce the risk that S106 obligations are not adhered to. (BDC)

## Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

## Planning Applications

- Consideration be given to whether a link to the national fees on the planning portal website be added to the SNC website, or this link is removed from the BDC website, to ensure consistency between both councils. (BDC and SNC)
- To raise with members, as an item for consideration, if the BDC and SNC cut off point for members being able to 'call-in' items to committee, is aligned, so that this is in alignment with both authorities.(BDC and SNC)
- Additional performance data, used at SNC is replicated at BDC, enabling a consistent approach to performance monitoring at both Councils. (BDC)

### **Planning Enforcement**

- Photos to be taken from all site visits so that they can be used, when circumstances dictate, in cases for proving lawful use and granting a certificate of lawfulness. (BDC and SNC)

### **Previous audit recommendations**

The audit reviewed the previous internal audit recommendations, of which none remain outstanding.

### **Other points noted**

It was identified that procedures relating to Planning Enforcement are out of date (dated 2013). However, due to procedures being reviewed and updated across the whole planning service, where necessary, as part of the alignment work between the two Councils, no recommendation has been raised.

Furthermore, both councils Planning Enforcement Strategy/Policy are in need of review and update. As it is intended to review and align both policies as part of the review of the service during 2020 (included in the 2020/21 quarter 1 business delivery plan), a recommendation has not been raised.

**Agenda Item: 7**

**Audit Committee  
16 July 2020**

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## **INTERNAL AUDIT FOLLOW UP REPORT**

**Report Author:** Faye Haywood, Internal Audit Manager,  
[fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)  
01508 533873

**Portfolio Holder:** Finance

**Ward(s) Affected:** All

**Purpose of the Report:** This report seeks to inform members as to the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 March 2020.

### **Recommendations:**

1. That members note the position in relation to the completion of agreed Internal Audit recommendations.

## **1 SUMMARY**

- 1.1 This report seeks to inform members as to the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 March 2020.

## **2 BACKGROUND**

- 2.1 This report forms part of the overall reporting requirements to assist the Council in discharging the responsibilities in relation to its Internal Audit Service.
- 2.2 The Public Sector Internal Audit Standards require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting at Broadland District Council is twice yearly.
- 2.3 To comply with the above this report includes the status of agreed actions.

## **3 CURRENT POSITION / FINDINGS**

- 3.1 The report attached shows the progress in relation to implementing agreed internal audit recommendations.

## **4 PROPOSED ACTION**

- 4.1 For the Audit Committee to review the progress made by the Council in implementing agreed Internal Audit recommendations.

## **5 OTHER OPTIONS**

- 5.1 The Audit Committee has the following option:

That members note the position in relation to the completion of agreed Internal Audit recommendations.

## **6 ISSUES AND RISKS**

- 6.1 Failure to implement recommendations or improve internal controls may lead to the risks associated materialising.
- 6.2 **Resource implications** – none
- 6.3 **Legal implications** – none
- 6.4 **Equality implications** – none

6.5 **Environmental impact** – none

6.6 **Crime and disorder** – none

## **7 CONCLUSION**

7.1 Two recommendations remain outstanding from prior financial years in 2017/18 and three for 2018/19. We would urge management to resolve these as soon as possible.

7.2 Good progress has been made in addressing recommendations raised in 2019/20 however, there are currently 17 recommendations now overdue.

## **8 RECOMMENDATIONS**

8.1 That members note the position in relation to the completion of agreed Internal Audit recommendations.

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### **Background Papers**

None



## Eastern Internal Audit Services



### BROADLAND DISTRICT COUNCIL

#### Follow Up Report on Internal Audit Recommendations

Period Covered: 18 December 2019 to 31 March 2020

Responsible Officer: Faye Haywood – Internal Audit Manager for Broadland DC

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## 1. INTRODUCTION

- 1.1 This report is being issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
- The status of agreed actions.

## 2. STATUS OF AGREED ACTIONS

- 2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken to enable the Committee to easily identify old outstanding recommendations. The table also identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.
- 2.3 In 2017/18 internal audit raised 36 recommendations, with 34 now being closed. One important and one needs attention recommendations remain outstanding. The management responses in relation to the outstanding important recommendation can be seen at **Appendix 2** of the report.

Number raised	36	
Complete	34	94%
Outstanding	2	6%

- 2.4 In 2018/19 Internal Audit raised 30 recommendations. Of these 27 are closed. A total of three recommendations are now outstanding, one important and two needs attention. The management response in relation to the outstanding important recommendation can be seen at **Appendix 3** of the report.

Number raised	30	
Complete	27	90%
Outstanding	3	10%

- 2.5 In 2019/20 internal audit has agreed 42 recommendations with management so far. A total of 17 recommendations are overdue (6 important and 11 needs attention). A total of 13 are complete and 12 recommendation are not yet due.

Number raised	42	
Complete	13	31%
Outstanding	17	40%
Not yet due	12	29%

## APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 18 December 2019 to 31 March 2020			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
<b>2017/18 Internal Audit Reviews</b>															
BRD1806	Accounts Receivable	Substantial						1				1			
BRD1809	Key Controls and Assurance	Reasonable					1					1			
<b>2018/19 Internal Audit Reviews</b>															
BRD1901	Procurement	Reasonable		1			1					1			
BRD1902	Cyber Crime	Reasonable		1								0			
BRD1903	GDPR	Reasonable						1				1			
BRD1906	Accounts Payable	Reasonable						1				1			
<b>2019/20 Internal Audit Reviews</b>															
BRD2001	Broadland Growth	Reasonable		1						4	6	10			
BRD2011	Disaster Recovery	Reasonable			2					1	2	3			
BRD2002	Corporate Governance	Reasonable		1	1						1	1		1	
BRD2003	Accountancy Services	Reasonable								1	1	2			2
BRD2005	Income	Substantial									1	1			
BRD2010	Planning and Development	Reasonable		3	2							0		1	1
BRD2006	Homelessness Housing Options	Limited										0	1	5	1
<b>TOTALS</b>			<b>0</b>	<b>7</b>	<b>5</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>6</b>	<b>11</b>	<b>22</b>	<b>1</b>	<b>7</b>	<b>4</b>

## APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1809 Key Controls assurance work	Recommendation 1: Purchase orders are to be used for all purchases within the Council apart from suppliers on an approved exceptions list. In addition, all purchase orders to be raised prior to the purchase and independently authorised by a manager.	2	Agreed	Senior Finance Officer	31/07/2018	31/09/2020	Outstanding	<p>The AD for Finance has developed a 10 point PO Action plan to address this issue, and work has started on this.</p> <p>However, progress on this has been delayed due to the impact of Covid 19.</p> <p>Now that a new 'normal' operating environment has been established this will now be picked up again.</p>

## APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2018/19

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1901 Procurement	Recommendation 4: As part of a quarterly update of the contracts register, a review of higher value and aggregate invoices to be completed in order to identify whether formal contracts should have been procured. The outcomes of the review to be reported to the CLT.	2	Agreed	Director of Resources	31/08/2018	31/07/2020	Outstanding	The contracts register has been updated and is will be considered by CMLT by July 20.

#### APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD2001 Broadland Growth	Recommendation 3: The company formally adopt key policies such as business continuity and disaster recovery, Counter Fraud, Corruption and Bribery, which are aligned with the Council's / NPS own policies.	2	Agreed	Assistant Director of Finance	31/03/2020	30/09/2020	Outstanding	<p>This recommendation is in progress</p> <p>The company is reviewing its governance arrangements and the adoption of key policies will be undertaken as part of this.</p> <p>There has been some delay due to the impact of Covid 19.</p> <p>(Nb: It is the Company Board of Directors who are actually responsible for implementing this)</p>
BRD2001 Broadland Growth	Recommendation 4: Business resilience arrangements are reviewed with regards to the Council's client management role to ensure there is adequate contingency in place in the event that the client manager is absent for material periods of time. This review should involve documenting the services/functions undertaken by the council's client manager and comparing these against the services covered in the supply of services contract, so that all areas that require resilience are identified.	2	Agreed	Assistant Director of Planning	31/03/2020	31/07/2020	Outstanding	<p>Not undertaken as Joint Client is now carrying out a different job which does not include the BGL client role. A draft JD and person spec is being taken to the June BGL Board meeting for a Development Manager. This will be considered by Directors at the Board meeting.</p>

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD2001 Broadland Growth	Recommendation 5: The business plan is reviewed to ensure it consistently refers to the correct period it covers; and the objectives and aims are updated to ensure they are consistent throughout the business plan and not duplicated. The business plan should also be updated to include reference to the Plumstead development and accompanying information including number of dwellings, date on site and duration of build. Financial information is included covering projected benefits to the council; forecast profit and loss account; and cash flow. A one year business plan is also included with more short term aims/objectives, e.g. the completion of the Plumstead development. Once complete the business plan should be approved by council and board.	2	Agreed	Assistant Director of Economic Growth	31/12/2019	31/07/2020	Outstanding	Business plan still to be drafted and to be discussed at BGL Board meeting in June, following away day in January. Delayed due to COVID-19
BRD2001 Broadland Growth	Recommendation 1: A company risk register be produced to capture all risks in relation to the company's objectives, as outlined in the business plan. This should clearly detail what the risk appetite of the company is.	2	Agreed	Assistant Director of Economic Growth	27/12/2019	31/07/2020	Outstanding	The Company risk register been updated is due to the next Board meeting in July for sign off by Directors.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD2011 Disaster Recovery	Recommendation 2. The Council to define a formal DR testing strategy and plan using a risk-based approach to identify key systems and infrastructure to be included. We suggest that a new exercise to test the ability to source, install and run a temporary backup generator in a timely manner be planned as soon as possible as this may be key to supporting a timely recovery of systems. Such testing to include various scenarios such as a regional power outage that could result in a run on generator supply and possible impacts on telephony, mobile and UPS service. It is also suggested that a test of the ability to support Thorpe Lodge telephony services from Carrowbreck also be considered	2	Agreed	Assistant Director of Business Support	31/03/2020	30/11/2020	Outstanding	We are in the process of implementing new infrastructure that will redefine and reshape the storage of our data and systems in such a manner that almost real time mirroring will take place to allow for live transitions between sites. Data and systems will be replicated between at least 2 sites with geographical separation, and thus will allow all business data to be accessible instantly covering all needs and expectations of the business. The DR plan and testing strategy will be developed following implementation of the new solution.
BRD2003 Accountancy Services	Monthly reconciliations be checked by a separate officer to the person completing them, and this be evidenced on the monthly reconciliation schedules.	2	Agreed	Assistant Director Finance	28/02/2020	30/09/2020	Outstanding	<p>This recommendation is in progress</p> <p>Due to the volume of reconciliations that the Finance Team carry out, arrangements are being put in place to share the responsibility for the review and sign off of monthly reconciliations which will also add resilience.</p> <p>There has been some delay due to the impact of Covid 19.</p>



## **ANNUAL REPORT AND OPINION 2019/20**

<b>Report Author(s):</b>	Head of Internal Audit
<b>Portfolio Holder:</b>	Finance
<b>Ward(s) Affected:</b>	All
<b>Purpose of the Report:</b>	This report concludes on the Internal Audit Activity undertaken during 2019/20, it provides an Annual Opinion concerning the organisation's framework of governance, risk management and control and concludes on the Effectiveness of Internal Audit and provides key information for the Annual Governance Statement.

### **Recommendations:**

- a) Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.
- b) Note that a **reasonable** audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2020.
- c) Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2019/20.
- d) Note the conclusions of the Review of the Effectiveness of Internal Audit.

## **1 SUMMARY**

- 1.1 This report concludes on the Internal Audit Activity undertaken during 2019/20, it provides an Annual Opinion concerning the organisation's framework of governance, risk management and control and concludes on the Effectiveness of Internal Audit and provides key information for the Annual Governance Statement.

## **2 BACKGROUND**

- 2.1 In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013; an annual opinion should be generated which concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- A summary of the work that supports the opinion should be submitted;
  - Reliance placed on other assurance providers should be recognised;
  - Any qualifications to that opinion, together with the reason for qualification must be provided;
  - There should be disclosure of any impairments or restriction to the scope of the opinion;
  - There should be a comparison of actual audit work undertaken with planned work;
  - The performance of internal audit against its performance measures and targets should be summarised; and,
  - Any other issues considered relevant to the Annual Governance Statement should be recorded.
- 2.2 This report also contains conclusions on the Review of the Effectiveness of Internal Audit, which includes;
- The degree of conformance with the PSIAS and the results of any quality assurance and improvement programme;
  - The outcomes of the performance measures for the Contractor; and,
  - The degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

## **3 CURRENT POSITION / FINDINGS**

- 3.1 The Annual Report and Opinion 2019/20 and the Review of the Effectiveness of Internal Audit are shown in the report attached.

## **4 PROPOSED ACTION**

- 4.1 For the Audit Committee to review the Annual Report and Opinion for 2019/20, and the Review of the Effectiveness of Internal Audit.

## **5 OTHER OPTIONS**

5.1 n/a

## **6 ISSUES AND RISKS**

6.1 **Resource implications** – none

6.2 **Legal implications** – none

6.3 **Equality implications** – none

6.4 **Environmental impact** – none

6.5 **Crime and disorder** – none

**Risks** – These findings indicate that reliance can be placed on the opinions expressed by the Head of Internal Audit on the Governance, Risk Management and Control framework at Broadland, which can then be used to inform the Council's Annual Governance Statement.

## **7 CONCLUSION**

7.1 The overall opinion is that the framework of governance, risk management and control at Broadland District Council for the year ended 31 March 2020 is deemed to be reasonable, representing a stable control environment.

It is also encouraging to note that of the 10 assurance audits completed, nine resulted in a positive assurance.

Private Sector Housing, Accounts Receivable and Income received substantial assurance. One audit in the area of Homelessness, Housing Options and Private Sector Leasing was given a Limited assurance grading.

7.2 The outcomes of the Effectiveness Review confirm that Internal Audit:

- Is compliant with the Public Sector Internal Audit Standards;
- Is continually monitoring performance and looking for ways to improve; and;
- Is substantially compliant with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.

These findings therefore indicate that reliance can be placed on the opinions expressed by the Head of Internal Audit for Broadland, which can then be used to inform the Council's Annual Governance Statement.

## **8 RECOMMENDATIONS**

- a) Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.

- b) Note that a **reasonable** audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2020.
  - c) Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2019/20.
  - d) Note the conclusions of the Review of the Effectiveness of Internal Audit.
- 

### **Background Papers**

None

## Eastern Internal Audit Services



### BROADLAND DISTRICT COUNCIL

#### Annual Report and Opinion 2019/20

Responsible Officer: Head of Internal Audit for Broadland DC

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## 1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 Those standards – the Public Sector Internal Audit Standards (PSIAS) - require the Head of Internal Audit to provide a written report to those charged with governance (known in this context as the Audit Committee) to support the AGS. This report must set out:
- The opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control during 2019/20, together with reasons if the opinion is unfavourable;
  - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
  - Any issues that are deemed particularly relevant to the AGS.
  - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA’s Statement on the Role of the Head of Internal Audit.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s AGS, but there are also a number of other important sources to which the Audit Committee and statutory officers of the Council should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 3**.

## 2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

### 2.1 Roles and responsibilities

- The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Leader of the Council and the Managing Director that records and publishes the Council’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

The Annual Opinion is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with Corporate Management Leadership Team and key stakeholders and then approved by the Audit Committee at its meeting on 14 March 2019. Any justifiable amendments that are requested during the year are discussed and agreed with senior management, and reported through to Committee. This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be taken into account during the preparation of the AGS.

The Audit Committee should consider this opinion, together with any assurances from management, its own knowledge of the Council and any assurances received throughout the year from other review bodies such as the external auditor.

## 2.2 The opinion itself

The overall opinion in relation to the framework of governance, risk management and controls at Broadland District Council is **reasonable**.

It is encouraging to note that nine of 10 assurance audits completed within the year concluded in a positive assurance grading. A substantial assurance grading was given for Private Sector Housing, Accounts Receivable and Income. One report however concluded in a limited assurance grading in the area of Homelessness and Housing Options and Private Sector Leasing. One urgent and five important recommendations were raised. We recommend that these are referenced in the Council's AGS as per section 3.5 of this report.

In providing the opinion the Council's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified have been taken into account.

The opinion has been discussed with the Corporate Management and Leadership Team prior to publication.

## 3. **AUDIT WORK UNDERTAKEN DURING THE YEAR**

3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition, **Appendix 2** is attached which shows the assurances provided over previous financial years to provide an overall picture of the control environment.

3.2 Internal audit work is divided into 4 broad categories;

- Annual opinion audits;
- Fundamental financial systems that underpin the Council's financial processing and reporting;
- Service area audits identified as worthy of review by the risk assessment processes within internal audit;
- Significant computer systems which provide the capability to administer and control the Council's main activities.

### 3.3 **Summary of the internal audit work**

The work undertaken by Eastern Internal Audit Services (TIAA Ltd) in 2019/20 has covered a wide range of services. A total of 10 out of 12 of the originally agreed audits from the 2019/20 plan took place, one review, Network and Infrastructure was replaced with a position statement on Data Centre Management. For the Risk Management review, a risk maturity assessment was undertaken by the Internal Audit Manager indicating a maturity level rather than an assurance grading.

Audit description	Nature of the change
Network Infrastructure Management changed to Data Centre Management	At the request of management, it was considered that a better use of internal audit resources would be to carry out a position statement review into the management of the data centre at both Councils; identifying areas for improvement in relation to IT equipment/resource management at each office. The 10-day review was reduced by 2.5 days.

Rationale and reasoning for changes to the 2019/20 audit plan have been presented to the Committee in the Internal Audit Progress Report throughout the year. Overall, the 2019/20 plan has been reduced by 2.5 days to take account of the needs of the business and to ensure the Internal Audit Service was able to add value where required.

Due to the impact that the Coronavirus pandemic has had on officer priorities, it has not been possible to finalise one draft report issued to management in time for the Committee, for Key controls and Assurance. The Executive Summary has however been provided to the Committee within the latest progress report and an overall grading indicated.

The Executive Summary of all reports have been presented to the Audit Committee, ensuring open and transparent reporting and enabling the Committee to review key service area controls and the conclusions reached.

#### 3.4 **Follow up of management action**

In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end is that of the 42 recommendations raised so far by TIAA Ltd in 2019/20, 13 have been implemented and 12 are within deadline. A total of 17 recommendations remain outstanding, (six important and 11 needs attention). A total of 6 recommendations from the draft Key Controls and Assurance report are due to be agreed by management and are not included in the above total.

Three recommendations remain outstanding from 2018/19 (one important, two needs attention). The important recommendation relates to a review of the contracts register from the Procurement report.

One important recommendation relating to PO compliance and one needs attention recommendation from the accounts receivable report remain outstanding from 2017/18.

#### 3.5 **Issues for inclusion in the Annual Governance Statement**

As stated in the opinion itself; It is encouraging to note nine out of a possible 10 assurance audits completed within the year concluded in a positive assurance grading. A substantial assurance grading was given in areas of Private Sector Housing, Accounts Receivable and Income.

However, one report concluded in a limited assurance grading in the area of Homelessness and Housing Options and Private Sector Leasing. One urgent, five important and one needs attention recommendations were raised.



We therefore highlight the significant risks from this review and suggest that they are referenced in the Council's AGS. The following urgent and important recommendations are within deadline and are due to be resolved by September 2020 in line with agreed deadlines.

- An urgent recommendation was raised in relation to ensuring that rent accounts for temporary accommodation are regularly reviewed, with action taken where required, to reduce the risk that payments are not being made at the appropriate intervals, debts accumulate that are not recoverable.
- An important recommendation was raised for the Council to review its Allocation Policy, to reduce the risk that it is not in line with the collaborative working practices and with current legislation.
- An important recommendation was raised to review the Council's Housing Register to ensure that it only contains applicants that still require assistance, are eligible and that they have been assigned the appropriate priority.
- An important recommendation was raised to ensure that all proposed allocations are subject to review by a Team Leader and a formal record of the independent check to be maintained. This will help to minimise the risk of inappropriate allocations after the proposed tenant has been notified.
- An important recommendation was raised requiring all parties to sign the licence for the temporary accommodation they have been awarded, and the licence to record the actual charge of the accommodation awarded. This will reduce the risk that an incorrect decision is made, the tenant is not notified, and any disagreements are not easily resolved, resulting in the Council paying the charges.
- An important recommendation was raised in relation to adopting a formalised approach for temporary accommodation providers, through SLAs (Service Level Agreements), to require that evidence is provided to the council that the accommodation provided meets the required standard, to minimise the risk of safeguarding issues arising and the council being able to fulfil its safeguarding responsibility.

In 2019/20 the Internal Audit Manager concluded that the risk maturity level of the Council is currently at a level of 'risk aware' during assessment. This maturity level is at the lower end of the maturity scale. A series of recommendations have been suggested to strengthen the risk management framework, including the creation of a strategic risk register, revision of the risk management policy and for the Audit Committee to receive regular assurance on the framework in line with its terms of reference. We therefore recommend that the suggested improvements are referenced in the Council's AGS until completion can be demonstrated.

The governance, risk and control framework has been assessed as reasonable for 2019/20. Whilst risks do remain unresolved at year end, we are satisfied that we were able to observe reasonable assurance on the majority of the framework.

#### 4. THIRD PARTY ASSURANCES

- 4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

#### 5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

##### 5.1 Quality Assurance and Improvement Programme (QAIP)

###### 5.1.1 Internal Assessment

A checklist for conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note has been completed for 2019/20. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme.

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

On conclusion of completion of the checklist conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

The detailed internal assessment checklist will be forwarded to the Director of Resources for independent scrutiny and verification.

###### 5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017.

The external assessment was undertaken by the Institute of Internal Auditors and it has concluded that ***“the internal audit service conforms to the professional standards and the work has been performed in accordance with the Internal Professional Practices Framework”***. Thus, confirming conformance to the required standards.

##### 5.2 Performance Indicator outcomes

- 5.2.1 The Internal Audit Service is benchmarked against several performance indicators as agreed by the Audit Committee. Actual performance against these targets is outlined within the table below and overleaf:

- 5.2.2 It is encouraging to note most of the performance measures have been achieved, with three of these exceeding targets. One quarterly performance report was received one day after the deadline; however, this represents an isolated incident. Client feedback has been provided, which has been positive, recognising the professional service provided and the value that internal audit has brought to the Council. The contractor has also provided the Council with a higher percentage of qualified/experienced staff to undertake the audit reviews, supported by new auditors to ensure continuity and resilience on the contract.

It is encouraging to note that all 10 internal audit reviews were at issued in draft to management by 2 April 2020, thus ensuring audits are completed within financial year.

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	Adequate	Achieved
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved
<u>Internal Audit Process</u>				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	100%	Achieved – 9 assurance reports.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	75%	Not achieved – One report received 1 working day after deadline
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	n/a	No issues to address.
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Excellent	Exceeded, 4 responses received.
9. Percentage of recommendations accepted by management		90%	100%	Exceeds
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	100%	Exceeds
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

### **5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA**

5.3.1 This Statement sets out the 5 principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within.

The detailed checklist has been forwarded to the Director of Resources for independent scrutiny and verification.

## APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2019/20

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
<b>Annual Opinion Audits</b>							
Broadland Growth	Reasonable	13	3	0	4	6	0
Risk Management	Maturity Assessment						
Private Sector Housing inc DFGs	Substantial	0	0	0	0	0	0
Corporate Governance	Reasonable	4	2	0	0	1	1
Accountancy Services	Reasonable	4	0	0	1	1	2
Accounts Receivable	Substantial	0	0	0	0	0	0
Income	Substantial	1	0	0	0	1	0
Homelessness, Home Options and Private Sector Leasing	Limited	7	0	0	0	0	7
Key Controls and Assurance (DRAFT)	Reasonable	6	0	0	0	0	6
Planning and Development	Reasonable	7	5	0	0	0	2
<b>IT audits</b>							
Disaster Recovery	Reasonable	6	3	0	1	2	0
Data Centre Management	Position Statement						
<b>Total</b>		<b>48</b>	<b>13</b>	<b>0</b>	<b>6</b>	<b>11</b>	<b>18</b>

<b>Assurance level definitions</b>		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	3
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	6
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.	1
No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.

## APPENDIX 2 ASSURANCE CHART

	Current Contract				
	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Annual Opinion Audits</b>					
Corporate Governance		n/a		Reasonable	Reasonable
Risk Management					Maturity Assessment
Key Controls & Assurance	Substantial	Reasonable	Reasonable	Reasonable	Reasonable (DRAFT)
<b>Fundamental Financial Systems</b>					
Accounts Receivable	Reasonable		Substantial		Substantial
Income / Remittances	Substantial		Substantial		Substantial
Accountancy Services	Reasonable		Substantial		Reasonable
Housing & Council Tax Benefits		Substantial		Reasonable	
Council Tax / NNDR		Reasonable		Substantial	
Accounts Payable		Reasonable		Reasonable	
Payroll / HR		Reasonable		Reasonable	
<b>Service Area reviews</b>					
Procurement		n/a		Reasonable	
Broadland Growth	Limited		Reasonable		Reasonable
Localism and Communities					
Council Offices, Facilities & Reception					
Performance Management, Business Planning & Risk Management		Substantial			
Environmental Health - Pest Control & Stray Dogs					
Environmental Health - Private Water Supplies, Assisted Burials and Environmental Protection				Reasonable	
Waste Management		Reasonable			

	Current Contract				
	2015/16	2016/17	2017/18	2018/19	2019/20
Housing Strategy, Homelessness, Home Options and Affordable Housing		Reasonable			Limited
Private Sector Housing, includes Disabled Facilities Grants and loans		Substantial			Substantial
Private Sector Leasing	Reasonable				
Eco Town Capital Project					
Elections and Electoral Registration	Substantial				
Data Protection, Legal, FoI					
Environmental Health - Licensing, Food Safety and Health & Safety			Substantial		
Planning			Reasonable		Reasonable
Member Services, Training, Allowances and Expenses					
Broadland Council Training Services	Reasonable				
Economic Development		Reasonable			
Property Development incs industrial units					
GP Referral Scheme			Reasonable		
<b>IT Audits</b>					
Revenues and Benefits Application - Academy					
Cyber Crime				Reasonable	
Network Infrastructure					
Firewalls					
Data Back Up					Position Statement
Network Security					
Virtualisation	Reasonable				
Epayments	Reasonable				



	Current Contract				
	2015/16	2016/17	2017/18	2018/19	2019/20
Efinancials	Reasonable				
Mobile Devices		Substantial			
Exchange & Ancillary Services		Reasonable			
Environmental Health Application		Reasonable			
Disaster Recovery			Reasonable		Reasonable
Social Media			Substantial		
Planning Application			Limited		

## **APPENDIX 3 – LIMITATIONS AND RESPONSIBILITIES**

### **Limitations inherent to the Internal Auditor's work**

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Audit Committee, subject to the limitations outlined below.

### **Opinions**

The opinions expressed are based solely on the work undertaken in delivering the approved 2019/20 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

### **Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### **Future Periods**

Internal Audit's assessment of controls relating to Council is for the year ended 31 March 2020. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

### **Responsibilities of Management and Internal Auditors**

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Head of Internal Audit, has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA's examinations as the Council's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

## **Revised INTERNAL AUDIT PLANS 2020/21**

<b>Report Author:</b>	Faye Haywood, Internal Audit Manager for Broadland District Council tel: 01508 533873 e-mail: <a href="mailto:fhaywood@s-norfolk.gov.uk">fhaywood@s-norfolk.gov.uk</a>
<b>Portfolio Holder:</b>	Finance
<b>Wards Affected:</b>	All
<b>Purpose of the Report:</b>	This report provides an overview of the rationale for the revision of the Strategic Internal Audit Plan for 2020/21 to 2022/23 and the Annual Internal Audit Plan for 2020/21.

### **Recommendations:**

1. To note and approve:
  - The approach to providing assurance for 2020/21 due to the Coronavirus Pandemic;
  - The Revised Strategic Internal Audit Plans 2020/21 to 2022/23; and
  - The Revised Annual Internal Audit Plan 2020/21.

## **1 SUMMARY**

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

## **2 BACKGROUND**

- 2.1 The 2020/21 Internal Audit Plan was approved by the Broadland Audit Committee on 12 March 2020. In line with the Public Sector Internal Audit Standards, the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation. It is therefore necessary to revise the agreed 2020/21 Internal Audit Plan and seek approval from the Audit Committee as the Coronavirus Pandemic has had a significant impact on the Council's risk profile.

## **3 CURRENT POSITION / FINDINGS**

- 3.1 The attached report contains:
- The revised Strategic Internal Audit Plan, which details the plan of work for the next three financial years;
  - The revised Annual Internal Audit Plan, which details the timing and the purpose of each audit agreed for inclusion in 2020/21.

## **4 PROPOSED ACTION**

- 4.1 For the Audit Committee to review and approve the revised Internal Audit Strategy and planned scope of work for the 2020/21 financial year for Internal Audit Services.

## **5 ISSUES AND RISKS**

- 5.1 **Resource implications** – the Internal Audit Service is provided by way of a Partnership Agreement with South Norfolk Council, whereby South Norfolk Council provide the role of the Contract Manager to Broadland District Council, and the service provision i.e. delivery of the audits, is provided through a contract with TIAA Ltd.
- 5.2 **Legal implications** – there are no legal implications arising from this report.
- 5.3 **Equality implications** – there are no equality implications arising from this report.
- 5.4 **Environmental impact** – there are no impacts on the environment arising from this report.
- 5.5 **Crime and disorder** – there are no impacts upon crime and disorder arising

from this report.

- 5.6 **Risks** – the Risk Based Internal Audit approach to planning will ensure that assurance is provided to the Council over its key risks.

## **6 CONCLUSION**

- 6.1 The attached report provides the Council with the intended approach to providing the Council with assurance over key risks that have materialised due to the Coronavirus pandemic. This approach ensures that enough coverage is provided for the 2020/21 annual internal audit opinion to be given whilst ensuring that the planned work does not adversely impact upon recovery efforts.

## **7 RECOMMENDATIONS**

- 7.1 The Audit Committee is requested to note and approve:
- The revised Strategic Internal Audit Plans 2020/21 to 2022/23; and
  - The revised Annual Internal Audit Plan 2020/21.

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### **Background Papers**

None

## Eastern Internal Audit Services



### BROADLAND DISTRICT COUNCIL

#### Revised Strategic and Annual Internal Audit Plans 2020/21

Responsible Officer: Head of Internal Audit

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## **1. INTRODUCTION**

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The 2020/21 Internal Audit Plan was approved by the Broadland Audit Committee on 12 March 2020. In line with the Public Sector Internal Audit Standards, the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation. It is therefore necessary to revise the agreed 2020/21 Internal Audit Plan and seek approval from the Audit Committee.
- 1.3 The Coronavirus Pandemic has impacted on the Council in several ways, some of the significant impacts include:
  - Staff being re-deployed to front line services to ensure residents basic needs are met such as food and medicines whilst remaining mindful of safeguarding concerns.
  - The pausing of key Council projects whilst workforce and contractors are in lockdown impacting on deadlines and budgets.
  - Increased pressure on HR to monitor and manage large numbers of staff re-deployed, sickness and changes to working arrangements.
  - The issuing of business grants at short notice without pre-defined procedures or assurance over adequacy of data used or pre application checks for the prevention of fraud.
  - Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.
  - Additional requirements from central government on the Council to temporarily house rough sleepers.
- 1.5 In response to the significant pressure placed on the Council to react effectively to the Pandemic, Internal Audit activity was paused in April 2020. In addition, the Internal Audit contractors TIAA took the decision to Furlough most of their workforce until 1 July 2020.
- 1.6 The Internal Audit Plans for both Broadland and South Norfolk Council's for 2020/21 will therefore be reconsidered to reflect to the changing risk profile of both Council's and to ensure that Internal Audit and officer resources are able to support the assurance work required to formulate an opinion on the governance, risk and control framework for 2020/21.
- 1.7 This report outlines our approach to Internal Audit for 2020/21 in response to the impact that the Coronavirus Pandemic has had on the Council.

## **2. INTERNAL AUDIT STRATEGY**

- 2.1 Due to the impact of the Coronavirus Pandemic the risk profile of the Council has changed significantly from the one used to formulate the 2020/21 Internal Audit Plan earlier this year. The risk registers and Corporate Plan used to identify areas where assurance would need to be provided will in some cases no longer be appropriate.
- 2.2. We therefore determine that the most effective way to provide assurance over the current governance risk and control framework for the Council in 2020/21 considering any significant changes, is to cover key themes. The revised plan aims to ensure that we can form an opinion on the governance, risk management and control framework whilst ensuring that we do not place increased pressure on officers to support Internal Audit work during the recovery phase.

- 2.3 The 2020/21 Internal Audit Plan will now be split into five key themes providing assurance over key controls, changes to the control framework, current risks, and the Council's preparedness for recovery and ongoing disruptions.
- 2.4 The five key themes are as follows:

Theme	Audit
Theme 1: Assurance Mapping	A questionnaire style enquiry will be carried out to gather information and determine any changes to the control environment and document any available assurance that these controls are working effectively. One areas of focus for this enquiry will be to evaluate the strength of controls for the prevention of Fraud and support staff with remote working.
Theme 2: Key Controls	In order to enable us to provide an opinion over the key financial and governance controls of the Council, our annual testing regime will be enhanced, and the assurance mapping exercise mentioned above will be used where appropriate to develop testing for new controls. This will provide independent assurance to Senior Management and each Committee that governance and financial risks have been appropriately mitigated during the Pandemic period.
Theme 3: Response and Recovery	We will provide assurance that the Council has where possible reacted sufficiently to the pandemic and considered its response to recovery. This review will be carried out across the Consortium comparing the approaches taken by each of our members in areas such as: Supporting the local economy, staff reintegration, financial modelling, business plan revision and preparedness for ongoing disruptions. If appropriate we will suggest areas for lessons learnt in relation to the Council's response to the Pandemic.
Theme 4: Partnerships	This work will be carried out in the style of a position statement and will evaluate the impact of the Pandemic on the Council's ability to deliver key projects and services through third party contracts during and in the recovery phase of the pandemic.
Theme 5: Essential Assurance	This work will ensure that areas from the originally agreed 2020/21 Internal Audit Plan that are integral to forming an opinion on the governance, risk management and control framework for 2020/21 are still carried out. This will include areas where limited assurance or no assurance has been given in previous years and where control weaknesses remain or have increased due to the Coronavirus Pandemic.

- 2.5 Internal Audit reviews that were included in the originally agreed plans for 2020/21 will be deferred to 2021/22.



- 2.6 A risk assessment will be undertaken to establish whether each area is still required early in 2021 when the risk based internal audit plan for the year ahead is developed.

### **3. REVISED STRATEGIC INTERNAL AUDIT PLAN**

- 3.1 **Appendix 1** shows the internal audit reviews that have been deferred from the original 2020/21 Internal Audit plan and have now been deferred to the 2021/22 plan. The Strategic Internal Audit plan indicates the Council's assurance requirements for the next three years based on the current risk register and corporate plan.
- 3.2 Each area will be subject to a risk assessment during planning in early 2021 to determine if it is still required for 2021/22 based on the Council's requirements, at that time. We expect that the plan for the next three years will change considerably in response to the Coronavirus Pandemic.

### **4. REVISED ANNUAL INTERNAL AUDIT PLAN 2020/21**

- 4.1 **Appendix 3** shows the revised Internal Audit Plan for 2020/21. The plan incorporates the five key themes mentioned in section 2, covering the key risks identified in relation to the impact the Coronavirus Pandemic has had on the Council. The revised plan aims to ensure that we can form an opinion on the governance, risk management and control framework whilst ensuring that we do not place increased pressure on officers to support Internal Audit work during the recovery phase.
- 4.2 The revised Internal Audit plan includes; the theme, Internal Audit area, key risk, number of days, quarter in which it will be undertaken, and a summary of the work proposed and whether it is a joint review with South Norfolk Council.

Theme 1 - Assurance Mapping and Theme 3 – Recovery, will be undertaken at all Council's within the Consortium within the same period. This will allow Internal Audit to compare each Council's response to the Pandemic, drawing out good practice where relevant and including it in our conclusions for consideration.

- 4.3 The revised Annual Internal Audit Plans for 2020/21 now totals 12 reviews over 129 days which will be provided by Internal Audit.
- 4.4 As a result of the proposed revisions the original 2020/21 Internal Audit Plan has been reduced by 15 days overall representing a decrease in the agreed Internal Audit budget for 2020/21. It is important to note that the decrease is in response to unprecedented circumstances and represents the minimum assurance required to form a caveated opinion on the governance, risk management and control framework for 2020/21. We will aim to revert to our usual level of assurance coverage in the 2021/22 Internal Audit Plan.

### **5. RECOMMENDATIONS**

- 5.1 Audit Committee to review the suggested revisions to the 2020/21 Internal Audit Plan to ensure that it provides the coverage required to meet the assurance needs of the Council and the requirements to enable the Internal Audit Opinion to be provided.

## **6. CONCLUSION**

- 6.1 We are committed to remaining responsive to the needs of the Council throughout the year amending our approach as and when required.
- 6.2 The Internal Audit contractor TIAA will continue to be subject to the performance measures outlined within the contract and progress against the revised 2020/21 Internal Audit Plans will be reported to each Committee at the agreed intervals.

## APPENDIX 1 – STRATEGIC INTERNAL AUDIT PLAN BROADLAND

Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23	Joint Review
Theme 1 - Assurance Mapping	New area	Establish changes to key controls in response to Coronavirus Pandemic.	8			√
Theme 2 - Key Controls and Assurance	2018/19 - Reasonable 2019/20 - Reasonable	Critical to annual internal audit opinion	10	15	10	
Theme 2 - Corporate Governance	2019/20 - Reasonable	Critical to annual internal audit opinion	4		6	√
Performance Management, Business Planning - Deferred to 2021/22	2016/17 - Substantial	High		6		√
Theme 4 - Procurement and Contract Management	2016/17 - Position Statement 2018/19 Reasonable	Position statement - Theme 4 Partnership Impact of Coronavirus	10		10	√
Theme 3 Coronavirus Pandemic Recovery	New area for review	Council's ability to recover from impact of the Coronavirus Pandemic	15			
Project Management - Deferred to 2021/22	New area	S6 High		5		√
Risk Management	Risk Maturity Assessment	High			6	√
Broadland Growth	2019/20 Reasonable	High			10	
Corporate Health and Safety - Deferred to 2021/22	New area	Medium		5		√

Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23	Joint Review
<b>Fundamental Financial Systems</b>						
Accountancy Services - includes control accounts, banking, bank reconciliation, asset register, budgetary control and treasury management	2017/18 - Substantial 2019/20 - Reasonable	High		15		
Accounts Payable (insurance)	2016/17 - Reasonable 2018/19 - Reasonable	High	12		12	
Accounts Receivable	2017/18 - Substantial 2019/20 - Substantial	High		10		
Income / Remittances	2017/18 - Substantial 2019/20 - Substantial	High		8		
Payroll and Human Resources	2016/17 - Reasonable 2018/19 Reasonable	High	10		10	√
Council Tax and NNDR	2016/17 - Reasonable 2018/19 Substantial	High	15		15	
Housing Benefit and Local Council Tax Support	2016/17 - Substantial 2018/19 Reasonable	High	15		15	

Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23	Joint Review
<b>Service Area Audits</b>						
Theme 5 Essential Assurance Economic Development	2015/16 - Reasonable 2016/17 - Reasonable 2017/18 - Reasonable	Medium	10			
Collaboration Feasibility	New area	High		8		√
Democratic Services, Training, Allowances & expenses	2013/14 - Reasonable 2016/17 - Position Statement	Low		8		√
Legal services	New area	Medium		8		√
Elections and Electoral Registration	2015/16 - Substantial	Medium		8		√
Environmental Health - includes emergency planning, community safety, food safety, environmental protection, pest control, dog warden, licensing and pollution control - Deferred to 2021/22	2017/18 - Substantial (licensing, H&S, Food & Safety) 2018/19 Reasonable	Medium		8		√
Waste Management - includes contract monitoring, income collection & monitoring, refuse collection, street cleansing, recycling, clinical waste, abandoned vehicles and grounds maintenance - Deferred to 2021/22	2016/17 - Reasonable	Medium		8		
Community Safety including Early Help Hub	New area	Medium			10	√
Community Leisure	New area	Medium			4	√
Homelessness, Home Options and Private Sector Leasing	2016/17 - Reasonable 2019/20 - Limited	Medium			12	√
Housing Strategy and Affordable Housing	2016/17 - Reasonable	Medium			10	√
Private Sector Housing - includes DFGs, grants and loans	2016/17 - Substantial 2019/20 - Substantial	Medium				√
Planning and development management	2017/18 - Reasonable 2019/20 - Reasonable	Medium			15	√

<b>Audit Area</b>	<b>Last review &amp; assurance</b>	<b>Associated Risk</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Joint Review</b>
<b>ICT Audits</b>						
Cyber Crime	2018/19 Reasonable	High			10	√
Remote Access	New area	Medium	7.5			√
Disaster Recovery	2018/19 - Reasonable 2019/20 - Reasonable	High			10	√
Network Security and Infrastructure	2014/15 Reasonable	Medium				√
Service Desk	New area	Medium	7.5			√
Exchange and Ancillary Services	2016/17 - Reasonable	Medium				√
Data Centre - - Deferred to 2021/22	2019/20 Position Statement	Medium		5		√
IT audit reviews to be determined				15		
<b>Follow Up of audit recommendations</b>						
Follow up of agreed audit recommendations			5	10	10	
<b>Total number of days</b>			<b>129</b>	<b>142</b>	<b>175</b>	

## APPENDIX 2 ANNUAL INTERNAL AUDIT PLAN 2020/21 BROADLAND

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>Theme 1 - Assurance Mapping</b>								
Assurance Mapping Exercise	Some of the Council's Key and service area controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	8		8			v	We will conduct a questionnaire style enquiry to document and risk assess any changes in controls that have taken place in response to the Pandemic. We will gather information on any available assurances that these controls are working effectively and will focus on the strength of controls for the prevention of Fraud and supporting staff to work remotely. This will allow us to ensure that testing is focused in these areas and independent assurance is provided over the adequacy of the internal control framework for the annual opinion.
<b>Theme 2 - Key Controls</b>								
Corporate Governance	The processes for decision making may have changed in some areas in response to the Pandemic.	4			4		v	This review is carried out annually to support the Head of Internal Audit Opinion. Supported by the above assurance mapping exercise, we will provide assurance that any changes to the systems in place to control and manage the Council such as the utilisation of virtual meetings have been made in line with the constitution.
Key Controls & Assurance	Some of the Council's Key Controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	10			10			This annual review is essential to support the Head of Internal Audit Opinion. Supported by the above assurance mapping exercise, our review will be extended to cover all key controls in depth, identifying areas for additional testing where risks have been identified. Accountancy Services, HR & Payroll, Accounts Payable, Accounts Receivable and Income will all be subject to testing.

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
Theme 2 - Fundamental Financial Systems								
Accounts Payable	Some of the Council's Key Controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	12			12			These key financial systems feed into the Head of Internal Audit Opinion and Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls. Where reviews are undertaken in earlier quarters, top up testing will be completed if required in the key controls audit to provide adequate coverage.
Payroll and Human Resources		10			10		v	
Council Tax and NNDR		15			15			
Housing Benefit and Local Council Tax Support		15			15			
Theme 3 - Recovery								
Coronavirus Pandemic - Council's Response and Recovery Plan	<p>Services disrupted to focus on statutory and to ensure residents basic needs are met. The increased costs of these changes.</p> <p>The Council's Corporate Plan, Medium Term Financial Plan, planned projects may need to be revised to ensure effective recovery from the Coronavirus Pandemic.</p> <p>Staff working arrangements and the Council's technological capacity may have to support continued disruptions.</p>	15				15	v	We will provide assurance that the Council has where possible considered its response to recovery following the Pandemic. This review will be carried out across the Consortium comparing the approaches taken by each of our members in areas such as: Supporting the local economy, reverting of resources to statutory services, staff reintegration, financial modelling, business plan revision and preparedness for ongoing disruptions. If appropriate we will suggest areas for lessons learnt in the Councils response to the Pandemic.



Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>Theme 4 - Partnerships</b>								
Procurement Contract Management	The pausing of key Council projects whilst workforce and contractors are in lockdown impacting on deadlines, budgets and ability to monitor contracts.	10				10	v	Our review will evaluate the Council's ability to monitor contracts in place during the Pandemic and during recovery. We will seek to provide assurance that the Council has reviewed the impact that the pandemic may have had on third parties ability to deliver services for the Council and key projects.
<b>Theme 5 Essential Assurance</b>								
Economic Development	The feasibility of key Council projects impacted whilst the workforce and contractors are in lockdown impacting on deadlines, budgets and ability to monitor contracts.	10			10		v	Economic Development was last reviewed in 2017/18 at Broadland and given a reasonable assurance grading. Broadland is managing a significant project with Norfolk County Council to improve and enhance the Bure Valley Path and Railway and is delivering projects in relation to the Food Innovation Centre. Our review will provide assurance that these projects are being well managed and governance arrangements for reporting are appropriate. This review will be carried out as a joint piece of work examining whether a joint methodology has been adopted for economic development projects across both Councils.
Service Desk	Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.	7.5				7.5	v	This area has not been reviewed at Broadland before. The IT team will be working on developing a consistent service and joint platform this year. Our review will provide assurance that this has been successful, focusing on the adherence with an SLA and performance of the service. We will provide assurance that the team is able to support the business as additional pressure has been placed upon them due to the Coronavirus Pandemic.
Remote Access	Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.	7.5				7.5	v	A review of remote access has not been carried out at Broadland before. Both Council's are investing in infrastructure that will enable each Council to work seamlessly at each site and from home if required in line with newly encouraged working practices. An audit of the infrastructure and management of remote access will be carried out to provide assurance that IT systems are able to support the additional pressure placed on them from the Coronavirus Pandemic.
<b>Follow Up</b>								
Follow up of agreed audit recommendations	Risks identified in previous internal audit reviews remain unless mitigated through the completion of recommendations.	5	1.25	1.25	1.25	1.25		Follow up of recommendations. Evidence will be obtained from management to support completion of recommendations.
<b>Total</b>		<b>129</b>	<b>1.25</b>	<b>9.25</b>	<b>77.25</b>	<b>41.25</b>		

## **RISK MANAGEMENT POLICY**

<b>Report Author(s):</b>	Faye Haywood, Internal Audit Manager BRD
<b>Portfolio Holder:</b>	Finance and Governance
<b>Ward(s) Affected:</b>	All
<b>Purpose of the Report:</b>	At Appendix 1, this report includes the draft risk management policy for the Committee's consideration, input and approval prior to full Council approval.

### **Recommendations:**

- a) Consider and approve the suggested draft Risk Management Policy before recommending to Full Council for approval.

## **1 SUMMARY**

- 1.1 On 19 October 2019, the Internal Audit team presented the Audit Committee with the results of the risk maturity assessment that had been undertaken to establish the adequacy of the risk management framework at BDC. A recommendation was raised and supported by the Committee for the Risk Management Policy to be updated revised in line with best practice. The updated and revised Risk Management Policy can now be found at **Appendix 1**.

## **2 BACKGROUND**

- 2.1 A risk management policy is a fundamental element of the risk management framework and contains the process and governance arrangements that all staff are expected to follow. Both Broadland and South Norfolk have existing Risk Management Strategy documents in place however they have not been reviewed recently and require revision.
- 2.2 The Risk Maturity assessment carried out at both Councils by Internal Audit in 2019 highlighted that both Council's approach to risk management should be revisited to take best practice into consideration and to enhance effectiveness.
- 2.3 This Risk Management Policy has therefore been drafted to incorporate the recommendations raised by the Risk Maturity assessment and includes the following key features:
- The policy now outlines the Risk Management framework.
  - A process for the management of risk is outlined.
  - Roles and responsibilities and governance arrangements for the reporting of risk are outlined.
  - The risk appetite statement and accompanying scoring system is provided.
  - Guidance is provided on the scoring of risk in line with the risk appetite.
- 2.4 The draft policy has been approved by the Corporate Management and Leadership Team and drafted with the Transformation, Strategy and Programmes Team who are responsible for facilitating the risk management framework and reporting of risk.

## **3 PROPOSED ACTION**

- 3.1 For the Audit Committee to review and approve the proposed draft Risk Management policy and recommend for Full Council approval.

## **4 OTHER OPTIONS**

- 4.1 n/a

## **5 ISSUES AND RISKS**

5.1 **Resource implications** – none

5.2 **Legal implications** – none

5.3 **Equality implications** – none

5.4 **Environmental impact** – none

5.5 **Crime and disorder** – none

**Risks** – A risk management policy is a fundamental element of the risk management framework and contains the process and governance arrangements that all staff are expected to follow. Without an effective policy in place, the Council is at risk of being unable to demonstrate that it has designed a process for effectively managing risks that threaten the achievement of its objectives.

## **6 RECOMMENDATIONS**

- a) Consider and approve the suggested draft Risk Management Policy before recommending to Full Council for approval.

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### **Background Papers**

None

### **Appendices**

Appendix 1 – Draft Risk Management Policy

## Risk Management Policy

### Contents

1. Introduction
2. Purpose of the Policy
3. Accountabilities, responsibilities and framework
4. Risk Registers
5. Risk Management Life Cycle
6. Risk Identification
7. Risk Definition and Description
8. Risk Ownership
9. Risk Assessment
10. Target Risk Assessment
11. Risk Appetite
12. Risk Mitigation and Management
13. Opportunity Risk
14. Reviewing and Reporting
15. Risk Appetite
16. Staff Training and Development
17. Links with Other Processes
18. Appendices

Issue Date	1 April 2020	Version 1
Review Date	1 April 2022	
Author: Internal Audit		
UNISON Sign Off		
Management Sign Off		

## 1. Introduction

- 1.1 Everything we do as a Council involves a degree of risk whether it is innovative projects, purchasing a new system or equipment, determining priorities, or making decisions about the future. It is therefore an essential part of good governance that we manage these risks effectively.
- 1.2 Risk is considered as part of the business planning processes to ensure that proposed objectives are ambitious and achievable and continuously monitored thereafter to ensure they are being effectively managed.
- 1.3 This risk management policy explains how the Council will ensure that it is managing risk effectively to increase the likelihood that business objectives will be achieved.
- 1.4 Effective risk management helps us to:
  - Successfully achieve corporate priorities and objectives by capitalising on opportunities and minimising threats;
  - Strengthen corporate governance and the internal control framework;
  - Improve partnership arrangements;
  - Embeds risk management into corporate processes including financial and strategic planning.
- 1.5 Risk is defined as **‘the effect of uncertainty on objectives’**.
- 1.6 Risk is an event, which if it crystallises, could adversely impact on the work of the Council. It may be a one-off event, repeated events or progressive continuum.
- 1.7 Risk Management is defined therefore as **‘the culture, policies and processes directed towards realising opportunities whilst managing threats’**. Its purpose is not to eliminate risk, but to understand it so as to take advantage of the upside and minimise the downside.
- 1.8 The internal control framework must therefore include arrangements for identifying, assessing and managing risks. Risk management is also closely linked to business planning and performance processes.
- 1.9 **Scope** - This policy applies to all employees, including those on temporary contracts and fixed term appointments and agency workers, members and anyone that works with the Council's to achieve objectives.
- 1.10 Throughout the term ‘Audit Committee’ is used to refer to the Broadland Audit Committee.

## **2. Purpose of the Policy**

2.1 The aim of this document is to:

- Introduce and promote an Enterprise Risk Management style Framework;
- Develop a 'whole risk' approach to threats facing the Council; and
- Introduce appropriate processes to assist managers in the identification and management of risk in their areas of responsibility.

2.2 The key objective of this guide is to:

- Develop a robust approach to identification and understanding of risk facing the Council;
- Establish practices and procedures to manage risk and maximise opportunities;
- Identify resources required to manage, control and evaluate risks.

## **3. Accountabilities, responsibilities and framework**

3.1 Cabinet has ultimate responsibility for:

- Setting the culture for risk management at the Council.
- Approving this Policy
- For developing and approving Risk Appetite

3.2 Detailed oversight of the risk management process is delegated to the Audit Committee. Cabinet will seek assurance from the Audit Committee on the adequacy and effectiveness of the risk management process.

3.3 The Audit Committee is responsible for scrutinising the scope and effectiveness of the risk management systems in place. Overseeing the implementation of the risk management policy on behalf of Cabinet. Audit Committee uses a range of assurances to satisfy itself that a proper system of risk management and internal control is maintained.

3.4 The Managing Director is responsible for ensuring proper systems of financial control, risk management, legal and regulatory compliance are established and maintained, and that regular reports on these are provided to Cabinet.

3.5 The Corporate Management Leadership Team (CMLT) are responsible for:

- Identifying and evaluating the significant risk faced by the Council in achieving objectives;
- Reviewing risk responses from management and ensuring that they receive reports on risks above agreed limits;



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- Providing adequate information in a timely manner to Cabinet on the status of risks and controls.
- 3.6 The Transformation, Strategy and Programmes Team are responsible for the development of the risk management policy, the implementation of the strategic risk management process and strategic risk management reporting.
- 3.7 The Head of Internal Audit is responsible for the development of the risk-based Internal Audit Programme and ensuring that Audit Committee has the required assurance on the management of risk and the effectiveness of internal control.
- 3.8 Managers are responsible for identifying and evaluating risks that threaten the achievement of objectives, for building a risk aware culture within their department, ensuring staff complete training where appropriate and understand how to identify and manage risk. Managers are responsible for reporting and escalating risks in line with this Policy and are responsible for the implementation of mitigating actions in respect of each risk.
- 3.9 **Appendix A** sets out the Council's structure for risk management.

#### 4. Risk Registers

- 4.1 The achievement of the Strategic Plan and subsequent in year Delivery Plans will carry several risks. The risks that could prevent the Council from achieving its objectives are described as strategic risks and are recorded in the Strategic Risk Register.
- 4.2 Strategic risks are those risks which could have organisational-wide impacts and are cross cutting or strategic in nature. Risks that could impact the work of the Council but would not have a strategic impact are described as operational risks and are recorded within directorate or project risks registers.
- 4.3 To facilitate the management of risk throughout the organisation the Council maintains a system of risk registers.
- **The Strategic Risk Register (SRR)** records the strategic risks facing the Council. These are risks that could prevent the Council from achieving its Strategic Plan and objectives. The risks on the SRR are identified through CMLT's assessment of the risks to the Council's Strategic Plan. These risks are reviewed by Cabinet and Audit Committee. Operational risks that are considered to have a strategic impact outside of appetite should be escalated on the SRR. The SRR is maintained by the Strategy and Programmes Team on behalf of the CMLT and is presented in its entirety to Cabinet and to Audit Committee three times a year.
- **Directorate Risk Registers (DRR)** provides a record of the significant operational risks facing each directorate. Each Director and Assistant Director takes responsibility for risks in their own area of work. Any risks deemed significant should be recorded in the



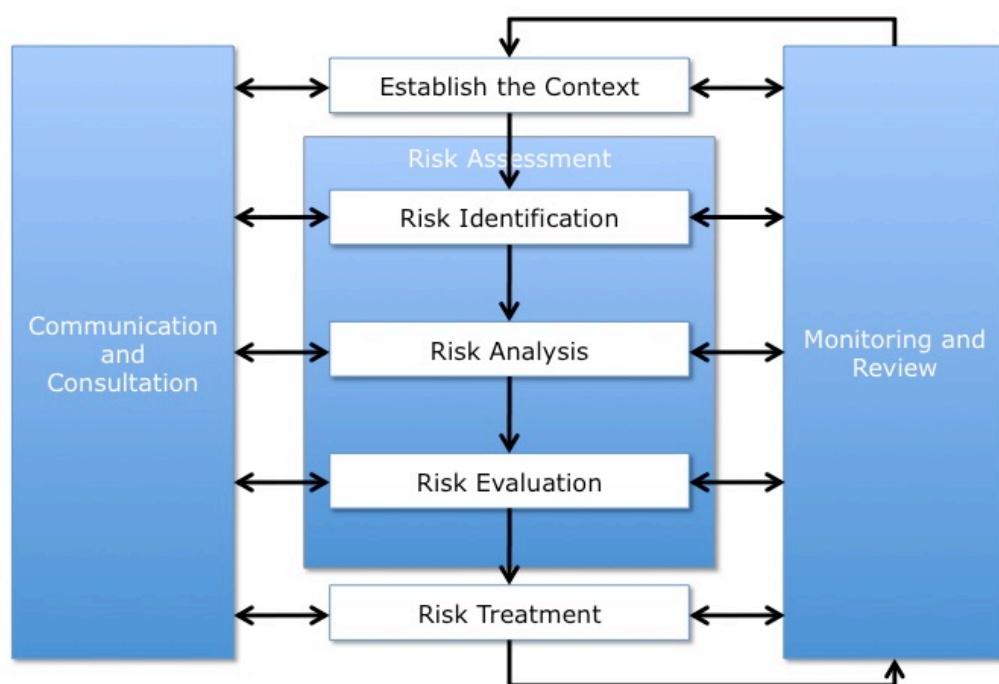
risk register and monitored to ascertain if the impact/likelihood is increasing or decreasing. Managers at all levels are encouraged to add significant risks to the Directorate Register using the [Risk Identification Guidance](#) and following the prescribed template on the risk management intranet pages to determine the most appropriate course of action. Action could either include; closely monitoring the risk or escalating the risk to the SRR if the likelihood/impact is scored outside of the appetite as agreed by the relevant Assistant Director.

- **Project Risk Registers** provide a record of the risks that have been identified from individual projects. Project risks are escalated to either Directorate risk registers via the relevant Assistant Director or to the SRR if outside of the agreed risk appetite. Project leads are responsible for maintaining the project risk registers.

4.4 **Appendix C** provides an overview of how risks are escalated to the strategic risk register.

## 5. Risk Management Lifecycle

5.1 The lifecycle of managing risk at the Council ensures that risk registers at all levels remain live and comprises the following key elements:



## 6. Risk Identification

- 6.1 In order to manage risk, the Council needs to understand what risks it faces and be able to evaluate them. Identifying risks is the first step in building the risk profile. Care should be taken to avoid identifying risks that do not impact on the Council's aims and objectives. Incidents that have already materialised should be distinguished from risk.
- 6.2 Risks can originate from inside or outside of the Council. Tools and techniques such as; PESTLE, SWOT, brainstorming and workshops can be used to ensure that a full range of risks are considered.

## 7. Risk Definition and Description

- 7.1 Risks should be described in terms of the cause and consequence so that stakeholders can understand why they are of importance to the Council.

## 8. Risk Ownership

- 8.1 All risks once identified, should be assigned to an owner who has responsibility for ensuring that the risk is managed and monitored over time. A risk owner, in line with their accountability for managing the risk, should have sufficient authority to ensure that the risk is effectively managed. All risks on the SRR should be assigned to a member of CMLT as the owner.

## 9. Risk Assessment

- 9.1 Risk assessment is concerned with the measurement of identified risk. Risk is measured on two distinct scales:
- The likelihood of the risk event occurring (on a 1 to 5 scale), and
  - The impact of that risk event occurring (on a 1 to 5 scale).
- 9.2 The scores for each are then multiplied together to give a risk rating (on a 1-25 scale), which will form the basis for allocating resources for implementing risk control and mitigation activities.
- 9.3 Risk assessment and risk scores should be graded by using the risk scoring matrix provided at **section 11 page 8 of this policy in line with guidance given around Risk Appetite.**
- 9.4 The risk assessment should take into consideration the effectiveness of existing controls that are already in place that will have an impact on the likelihood and impact of the risk occurring.

- 9.5 Once risks have been assessed, the risk priorities for the Council will emerge. The greater potential exposure to the risk, the higher the priority required for addressing it. The highest priority risks (those that have the potential to have a strategic impact), should be given attention at the highest level . i.e. CMLT and Cabinet.

## 10. Target Risk Assessment

- 10.1 If the identified risk requires mitigation due to it being outside of the appetite of the Council, actions will be identified that reduce the likelihood or impact of the risk. A second risk assessment should then take place to evaluate the risk exposure as if all the actions have been completed, reflecting how the planned actions would have reduced the overall risk rating.
- 10.2 The template for the register and assessment is provided on the Risk Management intranet pages.

## 11. Risk Appetite

- 11.1 Risk appetite is defined as: ‘the amount of risk an organisation is prepared to accept in pursuit of its objectives’. The principle recognises that risk cannot be reduced to zero and that mitigation will have both resource and cost implications.
- 11.2 When considering threats, the concept of risk appetite embraces the level of exposure which is considered tolerable and justifiable should it be realised. It is about comparing the cost (financial or otherwise) of containing the risk with the cost of the exposure should the exposure become a reality and finding an acceptable balance.
- 11.3 When considering opportunities, the concept embraces consideration of how much the organisation is prepared to actively put at risk in order to obtain the benefits of the opportunity.
- 11.4 The risk appetite of the Council is outlined by a risk appetite statement which is as follows:

***South Norfolk and Broadland are both dynamic, innovative and commercially-minded Council's that empower staff to make well-rounded decisions and take proportionate risks within our boundaries based on intelligence, reason and insight, seizing opportunities to enhance the wellbeing of our communities, economy and staff, reimagining the role of local government.***

- 11.5 The statement outlines both Council's approach to risk appetite and is accompanied by a risk scoring matrix which indicates whether the combined risk likelihood and impact score is above the appetite of the Council.
- 11.6 The appropriate approach for managing the risk is then highlighted depending on the combined score.

Risk Scoring Matrix		1	2	3	4	5
		Insignificant	Minor	Moderate	Significant	Severe
5	Expected	Medium 5	Medium 10	High 15	Very High 20	Very High 25
4	Highly Likely	Low 4	Medium 8	High 12	High 16	Very High 20
3	Likely	Low 3	Medium 6	Medium 9	High 12	High 15
2	Not Likely	Very Low 2	Low 4	Medium 6	Medium 8	Medium High 10
1	Rare	Very Low 1	Very Low 2	Low 3	Low 4	Medium 5
<b>Very High 20-25</b>		Risks scored here represent a severe threat to the delivery of the Council's objectives and service delivery and are outside of the risk appetite of the Council. Risks scored at this level should be treated as a priority and should either be reduced to a score within tolerance or removed. Reporting on progress will be required at Cabinet/Audit Committee and at CMLT until risk level is reduced to tolerance.				
<b>High/Medium High 10-16</b>		Risks scored here represent a significant threat to the delivery of the Council's objectives and service delivery and are outside the risk appetite. Action is required to reduce the rating to a score within tolerance. Reporting on progress is required at Cabinet/Audit Committee and CMLT until risk level is reduced to tolerance.				
<b>Medium 5-10</b>		Risks scored here represent a moderate threat to the delivery of the Council's objectives and service delivery and are within the risk appetite of the Council with some proportionate mitigation and regular monitoring required. These risks can be managed at operational/service level but regular management review of assurance on control effectiveness should occur. Routine reviews should also be carried out to ensure there is no change.				
<b>Low 3-4</b>		Risks here represent a minor threat to the delivery of the Council's objectives and service delivery and are within the risk appetite. Review required to ensure risk score does not change/increase, however these risks can be managed operational/service level.				
<b>Very Low 1-2</b>		Risks scored here represent an insignificant threat to the delivery of the Council's objectives/service delivery and are within the risk appetite. No further action is required.				

- 11.7 As demonstrated by the table shown above, any risk with a combined score of 10-25 is outside the risk appetite and action must be taken to reduce the score down to an acceptable level to protect the achievement of the Council's strategic aims and objectives.
- 11.8 In order to assist staff in the risk assessment and scoring of each risk, scoring criteria has been identified for a series of key categories. This may not be applicable in all

instances but can be used as a guide. Please see likelihood and impact scoring criteria at **Appendix B**.

## **12. Risk Mitigation and Management**

12.1 Identifying gaps in existing controls and identification of the actions that are needed to improve the mitigation of risks in line with both Council's risk appetite will involve employing either one or a mix of the following:

- Acceptance – Where the level of the risk falls below the Council's risk appetite and a conscious decision is made to accept that risk and to take no further action other than ongoing monitoring and periodic review. Sometimes referred to as tolerate.
- Avoidance – Where the actions causing the risk are avoided; for example, withdrawing from a particular activity, project or service.
- Reduction – Take action to reduce the level of risk by reducing either the impact or the likelihood of the risk event occurring.
- Transferring – Transferring most or some of the risk to a third party. The main types are insurance and outsourcing.
- Sharing – Risk sharing is the distribution of risk to multiple organisations for example during a project with a number of stakeholders involved.

12.2 In choosing between these responses, factors to consider include cost, feasibility, probability and the potential impact. Every control has an associated cost and it is important that the control action offers value for money in relation to the risk that it is controlling.

## **13. Opportunity Risk**

13.1 Opportunity risk is defined as a 'failure to identify or exploit an opportunity which is unable to be pursued later without an additional cost'. Managing opportunity risk involves creating a climate for innovation in which an awareness of the constraints doesn't prevent people coming up with ideas and putting them forward.

13.2 Risk and opportunity go hand in hand. The opportunity for advancement cannot be achieved without taking risk and risk is essential to progress and innovation. Excessive caution can be as damaging as unnecessary risk taking.

## **14. Reviewing and Reporting**

14.1 Regular monitoring and review are essential to gain assurance over the risk management framework and to ascertain whether:

- Risks are still relevant
- Emergent risks have been identified



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- Likelihood and impact of risks has changed
  - Controls are still effective.
- 142 Cabinet will review the Strategic Risk Register three times a year. The papers provided to Cabinet will include a summary on the effectiveness of the risk management framework and any specific comments on the strategic risks identified.
- 143 Audit Committee will support Cabinet by reviewing and advising on the operation and effectiveness of arrangements in place across the Council that support the achievement of objectives. Audit Committee will review both the Strategic risk register and risk management arrangements three times a year. They will also periodically receive results of independent assurance on the adequacy of the risk management framework and control framework.
- 144 In particular, Audit Committee will scrutinise the adequacy of:
- All risk and control related assurance statements, together with any accompanying internal audit statement, external audit opinion or other appropriate independent assurances.
  - The underlying assurance processes that indicate the degree of the achievement of the Council's objectives, the effectiveness of the management of strategic risks and the appropriateness of the above disclosure statements.
- 145 The Corporate Leadership Management Team will receive reports on the progress of the risk management framework prior to Cabinet and the make-up and movement in the strategic risk register three times a year.
- 146 Risks and risk registers at a directorate/service level and project level are reviewed as part of the routine cycle of team meetings or as required.
- 147 All staff are required to consider and monitor risks as part of their job role. If a risk is identified that is above risk appetite of the Council and requires escalating to the strategic risk register, the procedure at Appendix C should be followed. These risks should be monitored and reported until they are reduced to an acceptable level or the risk no longer poses a threat to the achievement of Council objectives.

## **15. Staff Training and Development**

- 15.1 To support colleague's in the move towards a mature enterprise wide risk management process, the following training will be available:
- An e-learning self-facilitated learning module developed to provide guidance on the fundamental principles of risk, covering the policy and procedures specific to the Council.
  - A rolling programme of small team specific workshops on the fundamental principles of risk management



- One to one training and support offered to officers by the Strategy and Programmes Team and or Internal Audit.
- **Risk Identification Guidance** is also available on the intranet under risk management pages.

## **16. Links with other processes**

- 16.1 The risk management process is carried out during the setting of strategic delivery plans and is considered during Internal Audit's approach to risk based planning. The Strategic Risk Register is considered during the completion of assurance statements informing the Council Annual Governance Statement.

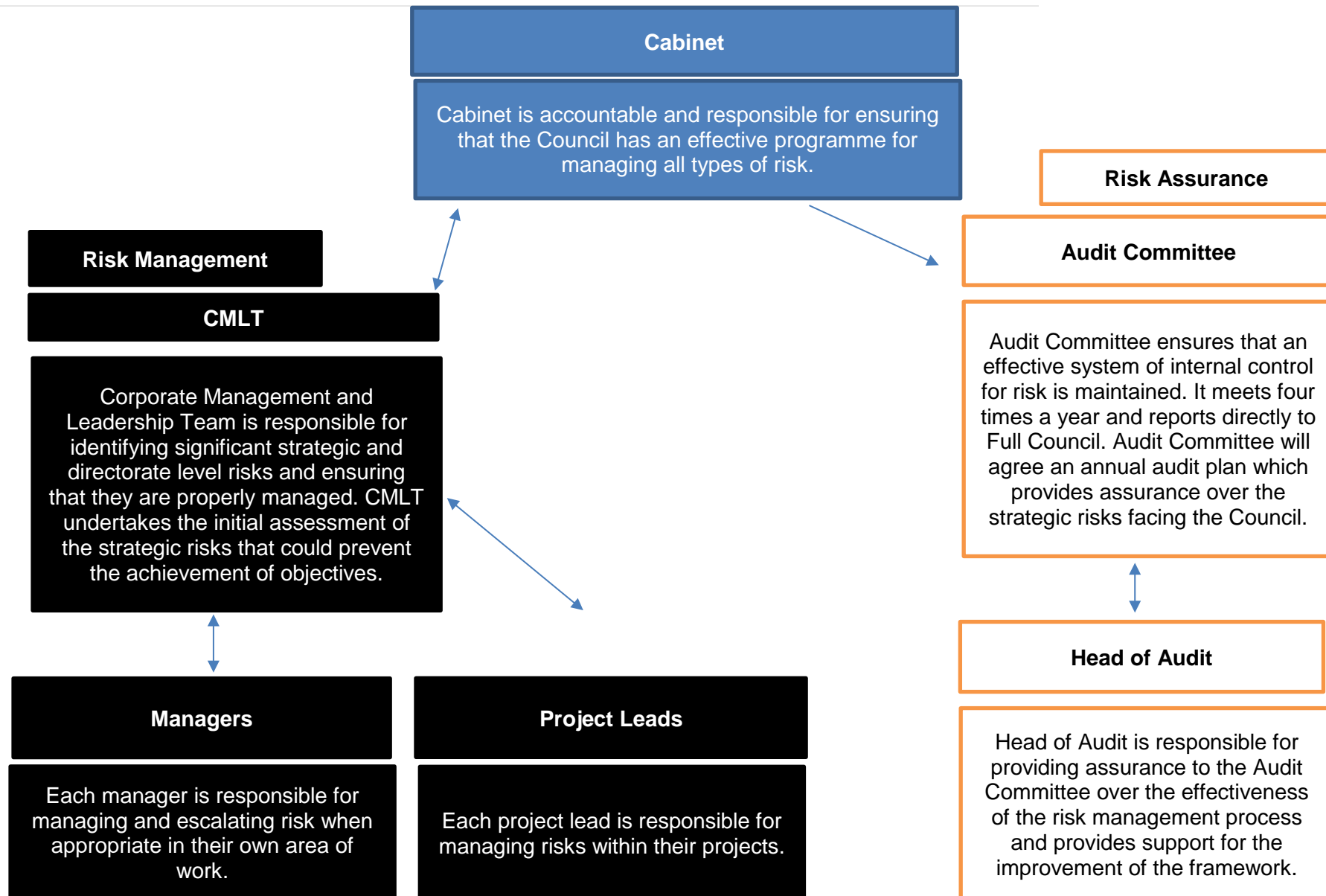
## **17. Appendices**

**Appendix A** – Council's Structure for Risk Management

**Appendix B** – Risk Scoring Criteria – Likelihood and Impact

**Appendix C** - Escalation to the Strategic Risk Register

## Appendix A – The Council's Structure for Risk Management





## Appendix B – Risk Scoring Criteria Likelihood and Impact

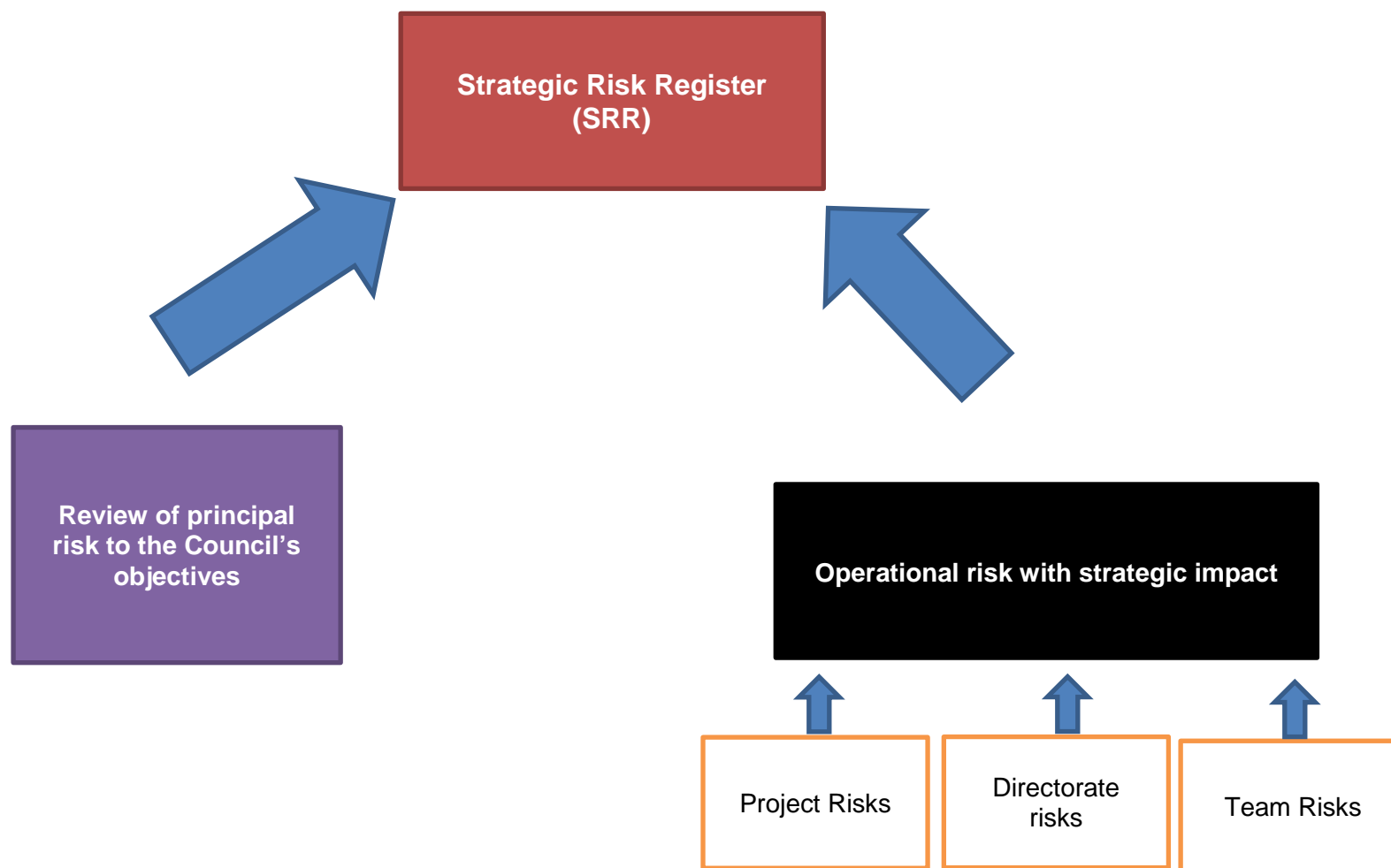
### Likelihood

<b>Likelihood</b>		<b>Description</b>	<b>Timing</b>
<b>5</b>	<i>Expected</i>	<i>Risk event or circumstance is relatively certain to occur</i>	<i>More than once per year</i>
<b>4</b>	<i>Highly Likely</i>	<i>Risk event or circumstance is highly likely to occur</i>	<i>Once per year</i>
<b>3</b>	<i>Likely</i>	<i>The risk event or circumstance is more likely to occur than not</i>	<i>At least once between 1-5 years</i>
<b>2</b>	<i>Not likely</i>	<i>The risk event or circumstance is possible</i>	<i>At least once between 5-10 years</i>
<b>1</b>	<i>Rare</i>	<i>This will probably never happen</i>	<i>Probably within 10-15 years</i>

## Impact

Impact Type	Insignificant	Minor	Moderate	Significant	Severe
Financial loss	£0k - <£10k	£10k - <£25k	£25k - <100k	£100k - £500k	Over £500k
Service provision	Inconsequential disruption to a service.	Minimal disruption to Council activities/service.	Significant disruption to service delivery.	Significant disruption to large parts of the Council or suspension of service.	Service suspended long term.
Projects	Minor delay	Minor milestones missed	Significant milestones missed or delayed	Major milestones missed	Project will not achieve objectives and misses majority of milestones
Objectives	No effect	Some team objectives not met	Team objectives not met	Portfolio objectives not met	Strategic objectives not met
Health and Safety	Isolated incident/ injury/illness. No lost time to injury days.	Minor injury or illness requiring medical treatment.	Threat of violence, serious injury or illness requiring medical attention.	Significant/extensive/multiple injury or illness, permanent or partial disability.	Fatality. Multiple major injuries/illness. Permanent total disability.
Staff Engagement	Isolated events of dissatisfaction	Some hostile relationships/minor non-co-operation	Hostile relationships. Major non-cooperation across the organisation	Industrial Action	Mass staff walkout/leaving
Reputational	Minor unfavourable social media coverage/attention	No media coverage. Minor letters of complaint	Adverse local media/social media coverage relating to conduct of leader or members or Council	Adverse national media exposure	Prolonged adverse national exposure
Statutory/Legal	Isolated non-compliance. Informal recommendation not followed up.	Non-compliance Warning received	Breach. Improvement Notice	Enforcement Action	Prosecution Fine Successful Judicial Review

## Appendix C – Escalation to the Strategic Risk Register



## **ANNUAL GOVERNANCE STATEMENT 2019/20**

**Report Author:** Emma Hodds  
Assistant Director Governance and Business Support  
01508 533791  
[emma.hodds@broadland.gov.uk](mailto:emma.hodds@broadland.gov.uk)

**Portfolio:** Finance

**Wards Affected:** All

### **Purpose of the Report:**

The Committee is requested to review the Annual Governance Statement for 2019/20 to ensure that it reflects the reports that have been considered over the past year and that it supports the Committee's general understanding of the Council's governance arrangements.

### **Recommendations:**

To approve the Annual Governance Statement for 2019/20.

## **1 SUMMARY**

- 1.1 The Council is required to gather evidence that the governance arrangements are adequate and to support the production of an Annual Governance Statement. Evidence, through assurance statements, has been submitted by key officers, and the Head of Internal Audit has provided an annual audit opinion.

## **2 BACKGROUND**

- 2.1 The CIPFA/SOLACE framework “Delivering Good Governance in Local Government” brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation. CIPFA has assigned proper practice to the governance framework. It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community.
- 2.2 The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for authorities to consider the robustness of their governance arrangements. In doing so, authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. Furthermore, it is not simply about evidencing compliance, but to highlight what arrangements are in place and the improvements which are necessary to inform stakeholders.
- 2.3 The key sources of assurance which have been used to prepare the Annual Governance Statement are:
- Performance management information
  - Risk management
  - Legal and regulatory assurances
  - Members’ assurances
  - Assurance Statements from key senior officers, reviewed and approved by Directors
  - Financial control assurance
  - Internal audit
  - External audit

- 2.4 The regulations state that the Annual Governance Statement needs to be approved in advance of the relevant authority approving the Statement of Accounts.

## **3 CURRENT POSITION**

- 3.1 The Committee receives regular reports from Internal Audit in relation to the framework of governance, risk management and control through review of:

- The Annual Report and Opinion of the Head of Internal Audit;
  - Internal Audit Progress Reports, which contains the findings and associated recommendations agreed with management to address weaknesses and risks;
  - Reports on the progress made in addressing the findings and recommendations; and
  - Strategic and Annual Internal Audit Plans.
- 3.2 The work of Internal Audit on the 2019/20 internal audit plan has been completed and a “reasonable” opinion has been given on the framework of governance, risk management and control.
- 3.3 During the year, Cabinet received regular reports on performance and financial monitoring in relation to both the capital and revenue budgets, and half yearly reports were received on performance against the business plan.
- 3.4 Assistant Directors (ADs) have completed an Assurance Statement which covers key areas of responsibility as follows:
- Procedures;
  - Effectiveness of key controls;
  - Alignment of Services with Business Plan;
  - Human Resources and Finance;
  - Risks and Controls;
  - Health and Safety;
  - Procurement;
  - Insurance;
  - Information Technology;
  - Data Protection and Freedom of Information;
  - Business Continuity;
  - Partnerships; and
  - Equalities.
- 3.5 In addition, the AD – Governance and Business Support, the Head of Internal Audit and the AD - Regulatory have also provided statements in relation to specific role queries.
- 3.6 The responses have highlighted that there are no significant governance issues and governance arrangements are mainly consistent across the Council. However some development areas have been highlighted which are service specific and will be reviewed over the forthcoming months.
- 3.7 Although not resulting in non-compliance, officers noted in their responses that policies, procedures etc would require review in light of the collaboration with South Norfolk Council. It is recognised that aligned processes and procedures are required 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.

#### **4 PROPOSED ACTION**

- 4.1 The Committee is requested to review the Annual Governance Statement for 2019/20 to ensure that it reflects the reports that have been considered over the past year and that it supports the Committees general understanding of the Council's governance arrangements.

#### **5 OTHER OPTIONS**

- 5.1 None.

#### **6 ISSUES AND RISKS**

- 6.1 **Resource Implications** – none
- 6.2 **Legal Implications** – none
- 6.3 **Equality Implications** – none
- 6.4 **Environmental Impact** – none
- 6.5 **Crime and Disorder** – none
- 6.6 **Risks** – none

#### **7 RECOMMENDATIONS**

- 7.1 To approve the Annual Governance Statement for 2019/20.

## **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:

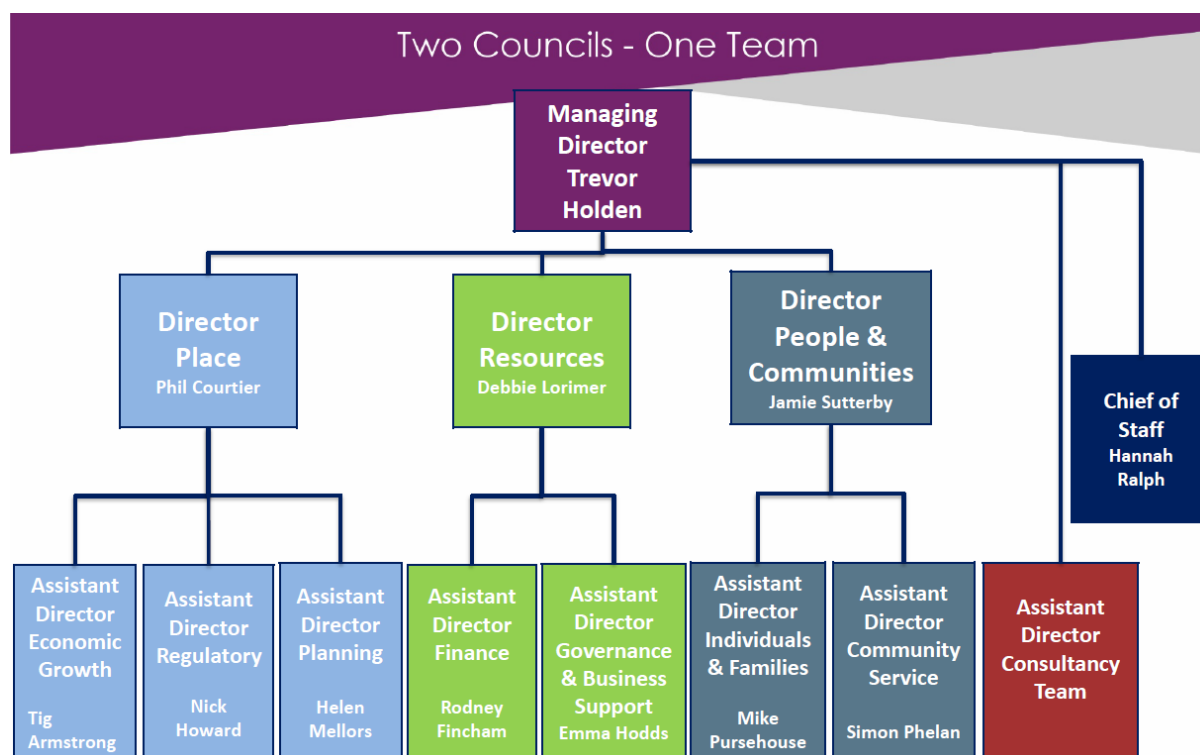
- Driving growth and prosperity for all
- Delivering environmental excellence
- Improving health and wellbeing and quality of life
- Supporting our residents and businesses to stay safe
- Increasing our financial resilience and capacity, in collaboration with South Norfolk Council

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:

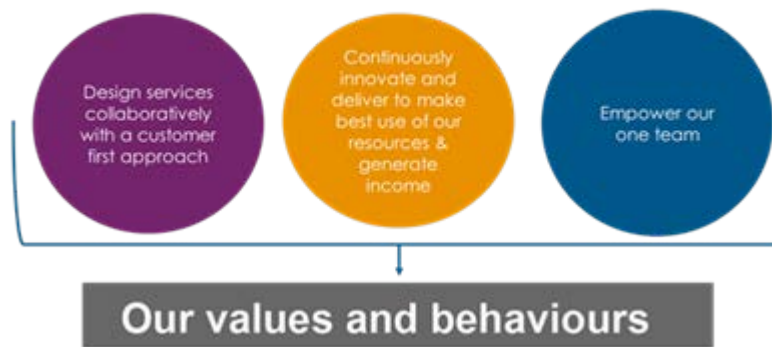


The Council has made ongoing savings through reviews of services and taking opportunities to make efficiencies; alongside this the authority has sought to grow income levels through a number of commercial initiatives.

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 2018/19

During 2018/19 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

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.

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Trevor Holden, Managing Director

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Shaun Vincent, Leader of the Council

30 April 2020

**Agenda Item 12**

By email

**Email** [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk)

Dear Section 151 Officer and Audit Committee Chair

**Fee Scale for the Audit 2020/21 and update on 2019/20**

I am writing to notify you of your 2020/21 audit scale fee. In previous years your auditor has been required to write to you to do this. However, going forward, we have agreed with the audit firms that it is more efficient for PSAA to write out to all bodies directly.

PSAA commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year, and we published the 2020/21 scale fees on our website on 31 March 2020. In addition to notifying you directly of your scale fee, this letter provides you with key updates and information on audit matters in these difficult times.

We wrote to all S151 officers on 12 December 2019 describing that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. These pressures still apply and the key aspects are summarised below;

- It is apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part. As you know, these high profile events have led the Government to commission three separate reviews - Sir John Kingman has reviewed audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon has reviewed the audit product.
- It is not yet clear what the long term implications of these reviews will be. However, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.

## How we set your scale fee

We consulted on the 2020/21 Scale of Fees in early 2020 and received a total of 54 responses. We published the final document on our website ([Scale fee document](#)). In it we explained that although we have set the scale audit fee at the same level as for 2019/20, we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage.

The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit

	<b>Scale fee for the audit 2020/21</b>	<b>Scale fee for the audit 2019/20</b>
Broadland District Council	£32,022	£32,022

As well as the Scale of Fees document, we have also produced a [Q&A](#) which provides detailed responses to the questions raised as part of the consultation. We will update the Q&As periodically to take account of ongoing developments affecting scale fees.

The fee for the audit is based on certain assumptions and expectations which are set out in the [Statement of Responsibilities](#). This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of both in certain areas.

The final fee for the audit will reflect the risk-based approach to audit planning as set out in the Code. Under the Code, auditors tailor their work to reflect local circumstances and their assessment of audit risk. This is achieved by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting audit responsibilities or financial reporting standards.

## Fee Variations

As noted above, we recognise that with so much turbulence and change in the local audit environment, additional fee variations are likely to arise for most if not all bodies.

The amount of work required on arrangements to secure VFM is a matter of auditor judgement and is based on the requirements set out in the new Code and supporting guidance which will be published later in 2020. Once the Auditor Guidance Notes have been published we will be able to consider the impact of the new requirements in more depth, and may be able to provide indicative ranges in relation to the likely fee implications for different types and classes of body.

Given that local circumstances at each audited body are key to determining the assessment of risk and the audit work required, we would encourage early dialogue with your auditor to determine any related implications for fees. The process for agreeing fee variations begins with local communication, and ideally agreement. We have produced a fee variation process note which is available on our website ([Fee variations process](#)). Please note that all fee variations are required to be approved by PSAA before they can be invoiced.

### **Quality of Audit Services**

We are committed to do all we can to ensure good quality audits and a high-quality service for the bodies that have opted into our arrangements. The service that you can expect to receive from your auditors is set out in their Method Statement, which is available from your auditors.

Whilst professional regulation and contractual compliance are important components of the arrangements for a quality audit service, so too is the aspect of relationship management. We recently commissioned a survey via the LGA Research team to obtain audited bodies' views of the audit service provided to them. The themes and improvement areas from the survey will be discussed with firm contact partners for development at a local level. The results from our 2018/19 survey of all opted-in bodies will be available on our website in May and we will notify all S151 officers and Audit Committee Chairs.

### **Impact of COVID-19 on current 2019/20 audits**

The global COVID-19 pandemic has created further turbulence impacting on all aspects of the economy including the public sector. There are potentially significant repercussions for the delivery of audits, audit-related issues and delays to signing audit opinions for 2019/20. MHCLG has acted to ease these pressures by providing more flexibility in the 2019/20 accounts preparation and auditing timetable by temporarily revising the Accounts and Audit Regulations. This has extended the period which an authority has to publish its draft financial statements until 31 August, and importantly there is much greater flexibility for the public inspection period as it is now required to start on or before the first working day of September 2020. The revised date for publishing audited accounts (if available) is 30 November 2020.

We recommend that you discuss with your auditors the use that can be made of this flexibility in meeting mutual governance and assurance responsibilities, noting that in a letter to all local authority Chief Executives on 22 April, MHCLG encouraged approval of pre-audit accounts earlier than 31 August if possible.

We have referred to the importance of audit quality in this letter, and just as important is the quality of the pre-audit financial statements and the working papers that are prepared by bodies. The disruption caused by COVID-19 will impact on areas of judgement and creates uncertainty in preparation of the financial statements, and it is key that bodies ensure there is sufficient focus upon financial reporting and related processes and controls, and that the planned timetable allows for sufficient internal quality assurance and review of financial reporting issues taking into account the wider impact of the pandemic on the officers' time.

**Local Audit Quality Forum**

Our Local Audit Quality Forum focuses on providing information to support audit committees (or equivalent) in delivering their remit effectively. We are disappointed that we are not able to host our planned event this summer due to the COVID-19 pandemic. However, we plan to host our next event towards the end of the year. It will provide an opportunity to discuss a range of relevant topics and themes. If there are any particular areas you would like to see included on a future agenda, or if you wish to raise any other issues with PSAA, please feel free to contact us at [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk)

Your auditor will, of course, be best placed to answer any questions you may have with regard to your audit.

Yours sincerely,

Tony Crawley

**Chief Executive**

**WORK PROGRAMME**

22 October 2020	<ul style="list-style-type: none"><li>• Final Accounts 2019/20</li><li>• Progress Report Internal Audit</li><li>• Follow Up Report Internal Audit</li><li>• Audit Results Report</li></ul>
11 March 2020	<ul style="list-style-type: none"><li>• Strategic and Annual Internal Audit Plans 2021/22</li><li>• Annual Audit Plan</li></ul>