

# Audit Committee

## Agenda

### Members of the Audit Committee

Mr N C Shaw  
(Chairman)

Mr P H Carrick  
(Vice Chairman)

Mrs B H Rix  
Mr V B Tapp  
Mrs K A Vincent

### Substitutes

#### Conservatives

Mr G Everett  
Mr R J Knowles  
Mr I J Mackie

**Liberal Democrat**  
Mr D G Harrison

### Date

Thursday 26 July 2018

### Time

10.00 am

### Place

Trafford Room  
Thorpe Lodge  
1 Yarmouth Road  
Thorpe St Andrew  
Norwich

### Contact

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@BDCDemServices

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

### **The Openness of Local Government Bodies Regulations 2014**

Under the above Regulations, any person may take photographs, film and audio-record the proceedings and report on all public meetings. If you do not wish to be filmed / recorded, please notify an officer prior to the start of the meeting. The Council has a protocol, a copy of which will be displayed outside of each meeting room and is available on request.

**The Chairman will ask if anyone wishes to  
film / record this meeting**

**A G E N D A**

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| <b>1</b>  | <b>To receive declarations of interest under Procedural Rule no 8</b>   |                  |
| <b>2</b>  | <b>Apologies for absence</b>  |                  |
| <b>3</b>  | <b><u><a href="#">Minutes of the meeting held on 28 June 2018</a></u></b>   | <b>3 – 9</b>     |
| <b>4</b>  | <b>Matters arising therefrom (if any)</b>   |                  |
| <b>5</b>  | <b>Service Risks</b><br><br>Heads of Service to attend the meeting to discuss Service Risks   |                  |
| <b>6</b>  | <b>Risk Register</b><br><br>To discuss a proposal by the Chairman that the Council establish a Risk Register.                         |                  |
| <b>7</b>  | <b><u><a href="#">Statement of Accounts</a></u></b><br><br>To sign off the Statement of Accounts and the Letter of Representation.    | <b>10 – 108</b>  |
| <b>8</b>  | <b><u><a href="#">Local Code of Corporate Governance</a></u></b><br><br>To receive the revised version of the Local Code.             | <b>164 – 178</b> |
| <b>9</b>  | <b><u><a href="#">EY 2017/18 Audit Results Report</a></u></b><br><br>To receive the preliminary audit conclusion from External Audit. | <b>109 – 149</b> |
| <b>10</b> | <b><u><a href="#">Local Government Audit Committee Briefing</a></u></b><br><br>To receive a paper from External Audit.                | <b>150 – 161</b> |
| <b>11</b> | <b><u><a href="#">Work Programme</a></u></b><br><br>To consider the Committee's Work Programme.                                       | <b>162</b>       |

P C Kirby  
Chief Executive

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 28 June 2018** at **10.00 am** when there were present:

Mr N C Shaw – Chairman

Mr P H Carrick

Mrs B H Rix

Mr V B Tapp

Mrs K A Vincent

Mr R J Knowles was also in attendance for the duration of the meeting.

Also in attendance were the Head of Finance and Revenue Services, Head of Economic Development, Head of Internal Audit, Internal Audit Manager and the Committee Officer (JO).

### 1 MINUTES

The Minutes of the meeting held on 15 March 2018 were confirmed as a correct record and signed by the Chairman.

### 2 SERVICE RISKS

The Head of Finance and Revenue Services confirmed that the Council was subject to both internal and external financial risks.

Changes to external funding from central Government was a major risk which the Council sought to mitigate by remaining in close dialogue with the Ministry of Housing Communities and Local Government.

The Council mitigated risks to internal funding by maintaining a Medium Term Financial Plan. Broadland was also working closely with officers at South Norfolk to ensure that the proposal to collaborate would not have a detrimental effect on either Councils' finances.

Ensuring that there was sufficient resource in place for Council Tax and Business Rates collection was another financial risk. Although currently 99% of Council Tax was collected, the Council was trying to improve this still further.

Universal Credit was set to be rolled out for new claimants in Norwich Job Centres shortly. This was likely to put an additional pressure on resources in the Benefits Department. The Council was working with the Department of Work and Pensions.

The Chairman noted that South Norfolk Council had a Risk Register, but that Broadland managed risk within each service. He suggested that a Risk Register was a better means of monitoring risk, as they were clearly identifiable in one document.

The Head of Economic Development informed the meeting that many of the services provided by his department such as leisure, tourism and business support were discretionary and therefore vulnerable to cuts if Council finances were reduced. The department reported on its activity on a quarterly basis to the Economic Success Panel and on a six monthly basis to the Overview and Scrutiny Committee, as well as annually in the Business Plan.

The economy was reasonably stable at the moment. In the past the Council had established a Recession Mitigation Fund to assist businesses in the district and could do so again if necessary. The recently agreed Business Rate Discount Policy was another useful tool that could be used for supporting existing businesses, as well as attracting new businesses into the district.

Economic Development was providing support to ensure that businesses in the district were compliant with the General Data Protection Regulation, as well as providing training on other aspects of Government legislation.

In response to a query about Broadland Growth Ltd, the Joint Venture Company that was 50 percent owned by the Council and 50 percent owned by NPS, the Head of Finance and Revenue Services confirmed that the only exposure to risk was the money that the Council loaned to the company to fund its development programme. The funding for the company's first project had been paid back, along with a profit that had resulted in a total of £1.2m being returned to the public purse.

There was a proposal in the Feasibility Study for the establishment of a joint Growth Delivery Team for development sites that would involve Economic Development working to increase the level of inward investment in both districts.

Broadland had developed a good relationship with the New Anglia Local Enterprise Partnership and was leading on an initiative to assist two foreign owned companies establish facilities in Broadland.

In answer to a query, the Head of Finance and Revenue Services advised Members that the Council had mitigated the risk from Business Rate appeals by making provision for it in the Medium Term Financial Plan. A test case for Business Rate relief by a number of NHS Trusts was currently going through the courts and could require the Council to use grants to fund the shortfall, if successful. A new Check, Challenge and Appeal Process that had been recently introduced should prevent speculative appeals in the future.

A question mark remained over whether appeals would be funded nationally or locally.

The Head of Economic Development confirmed that the Council was supporting the development of the former Anglian Windows Sports and Social Club into a multi-purpose sports and residential facility.

The Head of Finance and Revenue Services also confirmed that both Broadland and South Norfolk had similar accounting methods and were both part of the Internal Audit Consortium.

### **3 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

Members were introduced to the new Internal Audit Manager, Faye Haywood, who would be reporting on most of the Council's internal audit activity in the future.

The report reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2017/18 during the period 21 December 2017 to 12 April 2018.

Progress made in delivering the agreed audit work to date was in line with expectations; with 144 days of programmed work completed, equating to 100 percent of the internal audit plan for 2017/18.

During the period the following final four assurance reports had been issued: Accounts Receivable; GP Referral Scheme; Key Controls and Assurance and Accountancy Services. As a result of these audits, 13 recommendations had been raised, and agreed by management. In addition, three Operational Effectiveness Matters have been proposed to management for consideration.

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

In response to a query, it was confirmed that recommendation for the GP Referral scheme in relation to Council costs was to ensure Council staff salaries were allocated to the Why Weight programme to avoid any misconception in relation to the overall budget.

The Committee was advised that a General Data Protection Regulation Audit would commence shortly.

**RESOLVED**

to note the progress in completing the internal audit plan of work and the outcomes of the completed audits to date for the 2017/18 financial year.

**4 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS**

The report informed Members of the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 March 2018.

All recommendations prior to the 2017/18 financial year had now been actioned by management and verified as complete by internal audit.

In 2017/18 internal audit raised 36 recommendations, with 26 now being closed. One important recommendation remained outstanding (the approval of the Business Plan of Broadland Growth Ltd by the Council). This recommendation should be completed by July 2018. Nine recommendations were not yet due.

Members were advised that excellent progress continued to be made in addressing audit recommendations that actions relating to historic audits had now been closed.

**RESOLVED**

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

**5 ANNUAL REPORT AND OPINION FOR 2017/18**

The report concluded on the Internal Audit Activity undertaken during 2017/18 and provided an overall opinion, in line with the Public Sector Internal Audit Standards, on the framework of governance, risk management and control at the Council for the year ended 31 March 2018.

The Annual Report also commented on the Effectiveness of Internal Audit as well as providing key information for the Annual Governance Statement.

The overall opinion in relation to the framework of governance, risk management and controls at Broadland District Council was 'reasonable'. It was emphasised that this was a positive assurance.

Ten of the 11 assurance audits completed within year had concluded in positive assurances; with no priority one recommendations raised.

One assurance review received a limited assurance in relation to the password access to the Planning system, however the Council's own access controls were considered sufficient to mitigate this risk and the IT department continued to monitor this issue. There were, therefore, no Internal Audit considerations for the Annual Governance Statement.

Substantial assurance was concluded in the areas of Environmental Health, Accounts Receivable, Income, Accountancy Services and Social Media.

The outcomes of the Effectiveness Review confirmed that Internal Audit was compliant with the Public Sector Internal Audit Standards; was continually monitoring performance and looking for ways to improve and was substantially compliant with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.

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

The Head of Internal Audit drew Members' attention to the assurance chart which showed the Council had had a very positive control environment over the last few financial years.

Members were advised that an ICT audit had recently been completed and would be brought to the Committee in due course. The audit covered areas such as cyber security and back-up controls. A new ICT Strategy was also being drafted and would be brought before Members in the near future.

Members noted the high level of compliance with audit standards.

### **RESOLVED**

to

- (1) receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit;
- (2) note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2018;
- (3) note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2017/18;

- (4) note the conclusions of the Review of the Effectiveness of Internal Audit.

## **6 ANNUAL GOVERNANCE STATEMENT**

The report presented the Annual Governance Statement 2017/18, which set out how the Council had complied with its responsibilities to ensure that its business was conducted in accordance with the law and that public money was safeguarded and used economically, efficiently and effectively. The report also noted that a review was being undertaken of the Local Code of Corporate Governance, which would be brought to the July 2018 Audit Committee.

The draft AGS was normally presented to the Committee prior to it being formally signed off by the Leader and Chief Executive by the end of June. However, this year because the timetable for the submission of the draft Statement of Accounts had moved forward to the end of May, the AGS had already been submitted with the draft Statement of Accounts.

Members were advised that the AGS gave a good view of the measures that the Council had in place to monitor the achievement of its strategic objectives and whether those objectives had led to the delivery of appropriate, cost-effective services.

In response to a query about the poor rate of completion by Members of the General Data Protection Regulation (GDPR) training, the meeting was advised that the GDPR audit would include an assessment of Member responsibilities and make recommendations accordingly. Similarly the Committee's self-assessment could identify any shortcomings regarding the take up of mandatory training by Members later in the year.

The Committee was informed that the Feasibility Study into collaboration between Broadland and South Norfolk Councils included a proposal to introduce joint Member training sessions.

### **RESOLVED**

to

- (1) approve the Annual Governance Statement; and
- (2) note that a revised version of the Council's Code of Corporate Governance was being prepared.

**7 WORK PROGRAMME**

The following items were added to the Work Programme:

26 July 2018 – Service Risks

20 September 2018 – Audit Committee Self-Assessment

The Self-Assessment form would be circulated ahead of the meeting and any comments would be collated for consideration at the 20 September meeting.

*The meeting closed at 11.09 am*

DRAFT

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# BROADLAND STATEMENT OF ACCOUNTS

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2017–2018



[www.broadland.gov.uk](http://www.broadland.gov.uk)

# STATEMENT OF ACCOUNTS 2017/18

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Pages xii, xiv, xxiv, 6 and 66 do not convey information relating to the Statement of Accounts, but have been included to enable each new section of the document to begin on a right-hand page.



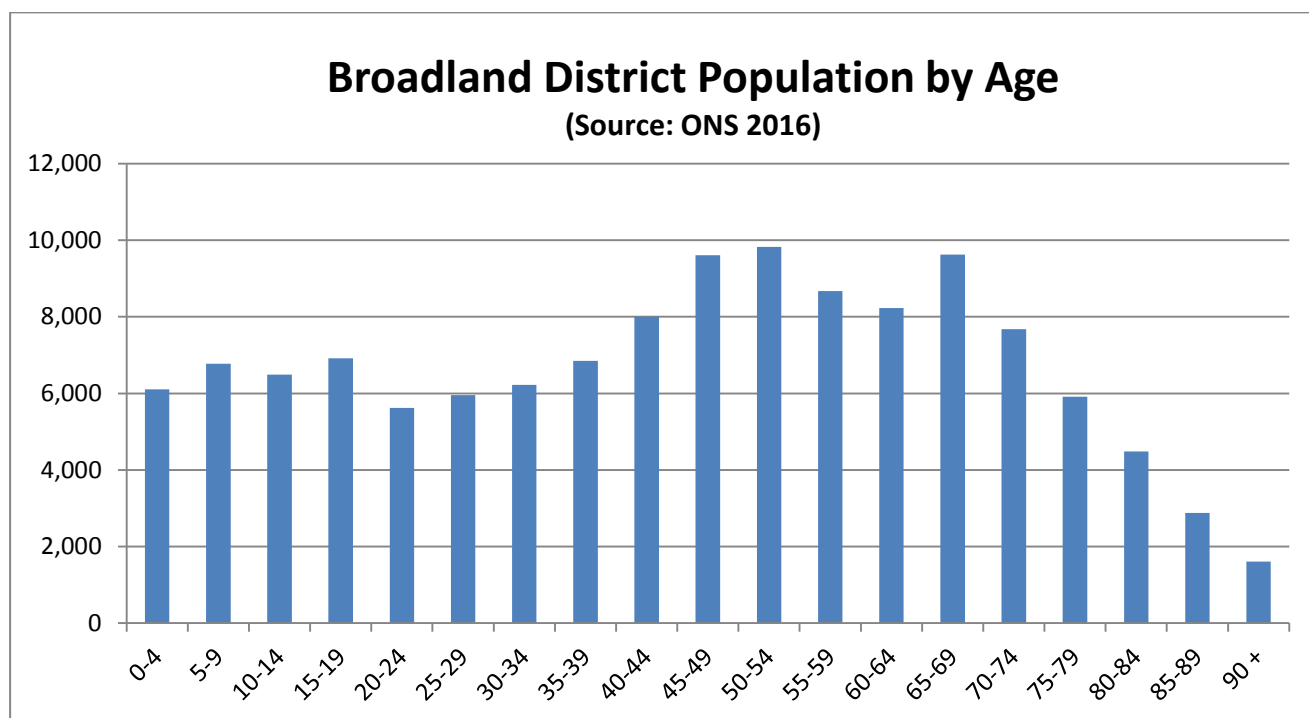
# STATEMENT OF ACCOUNTS 2017/18

## NARRATIVE REPORT

### 1. Introduction

Broadland District Council is a district council covering an area of approximately 213 sq. miles to the North and East of Norwich city. 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 127,455 residents (Source: ONS 2016). These services include:-

- Waste and recycling
- Street cleansing
- Car parking
- Electoral registration
- Planning
- Housing benefits
- Council Tax Benefits
- Tourism and Leisure
- Open Spaces



## 2 Broadland District Council

Broadland Council comprises 63 parishes of varying sizes. The council is made up of 47 councillors and the current composition is 41 Conservatives and 6 Liberal Democrats. The Cabinet consists of six portfolio members of the Conservative Group:-

Policy	Councillor Andrew Proctor (Leader of the Council)
Economic Development	Councillor Stuart Clancy (Deputy Leader)
Environmental Excellence	Councillor John Fisher
Communities and Housing	Councillor Roger Foulger
Planning	Councillor Shaun Vincent
Finance	Councillor Trudy Mancini-Boyle

These Portfolios all link directly to the Aims and Ambitions of the Council

## 3 Broadland's Business Plan for 2015 to 2019

The Council's Business Plan for 2015-19 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 deliver economic success in our area

- Broadband in Broadland project is underway, aiming to improve broadband speeds for businesses and residents alike – target of 97% of properties improved to superfast speeds by 2020 (defined by the EU as greater than 30Mbps), with efforts made to cover the remaining 3% of properties within the legal restrictions applying to state aid
- As at 31 March 2018, 90.6% (86.6% in 2016/17) of the district had access to broadband offering speeds greater than 30Mbps
- 278 businesses offered support and advice
- 270 small Broadland businesses attended training courses
- 96 businesses offered discounts to Broadland residents

### To achieve environmental excellence in everything we do

- Recycling rate continues to achieve Government target of 50% by 2020 – 50% achieved this year
- Recycling contamination campaign has helped reduce contamination to 8%, through communications work and focussed monitoring
- 1,500 more properties received a food waste collection service
- Community Clear Up month as part of the Great British Spring Clean has supported 20 community groups in their activities.
- The Energy Team is encouraging the installation of renewable energy technology in community buildings and has approved a further six grants in 2017/18
- 23 (49 in 2016/17) Broadland properties encouraged to improve the energy efficiency of their homes through Green Deal Communities grant funding
- 271 (249 in 2016/17) homes able to install energy efficiency measures with the assistance of Energy Company Obligation funding (up to December 2017)

#### To plan and provide well housed communities

- 177 (237 in 2016/17) new affordable homes delivered
- 79 (85 in 2016/17) Disabled Facilities Grants provided for older people
- £769,089 (£871,241 in 2016/17) paid out in home improvement loans

#### To increase levels of health and wellbeing

- Support for extended Parkrun increased registrations to c9,000 residents
- Bike, Walk, Scoot project continues to be successful with more pupils making active journeys to school

#### To keep people safe and secure

- 12 telephones with built-in True Call system technology were purchased for use in the homes of vulnerable individuals
- 608 (485 in 2016/17) requests for assistance from the Handyperson + scheme

#### To continue to provide high quality, value for money services on our own or as a trusted partner

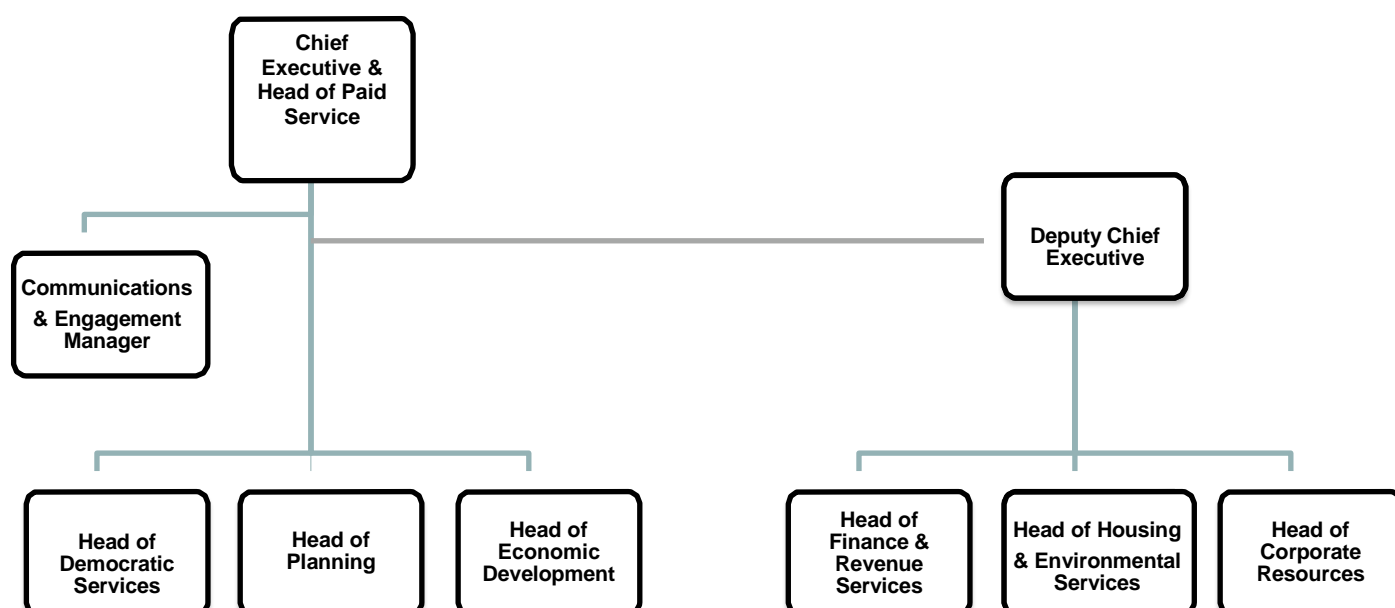
- 99.0% (99.0% in 2016/17) Council Tax and 99.3% (98.9% in 2016/17) Business Rates collected
- £677,158 (£923,804 in 2016/17) recovered in respect of Housing Benefit overpayments

The Broadland Business Plan 2015 -19 is available on the Council's website at the following location <https://www.broadland.gov.uk/businessplan>

## **4 Corporate Governance**

The authority is headed by a Corporate Management Team consisting of a Chief Executive, a Deputy Chief Executive and six Heads of Service. Each Head of Service has overall responsibility for their service area.

The structure as at 31 March 2018 was:-

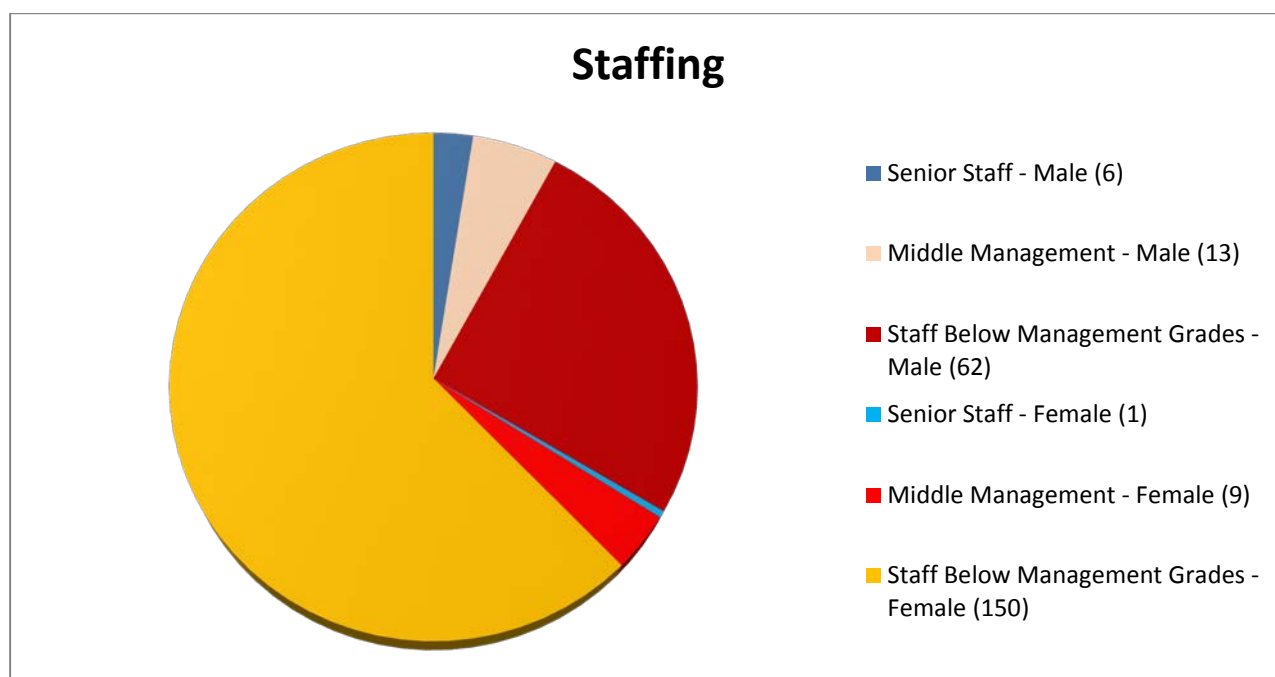


The authority's Annual Governance Statement 2017-18 accompanies the Statement of Accounts and comments on the effectiveness of its internal controls and how it manages the various risks it faces.

The authority's most valuable resource is its staff. Annual appraisals measure each officer's effectiveness and their efforts are recognised through a performance related pay scheme. The authority has a strong ethic of training staff to be good in their current role and ready for the next step up. The authority runs a staff survey every two years; in October 2016, staff were given the chance to participate in the Sunday Times' "Best Companies" survey. The results were largely positive, with staff voicing their approval of the work/life balance policies, the flexibility offered by managers and the friendly atmosphere. The authority was placed 95<sup>th</sup> on the Best Not-for-Profit Companies To Work For and named as One To Watch (having narrowly missed out on joining the One Star Company list).

The authority monitors a range of diversity factors as part of the recruitment process and educates all staff on the full range of diversity issues. The Financial Reporting Council's *Guidance on the Strategic Report* gives prominence to the gender balance within the organisation at all levels. The number of male and female staff at Broadland is as follows:

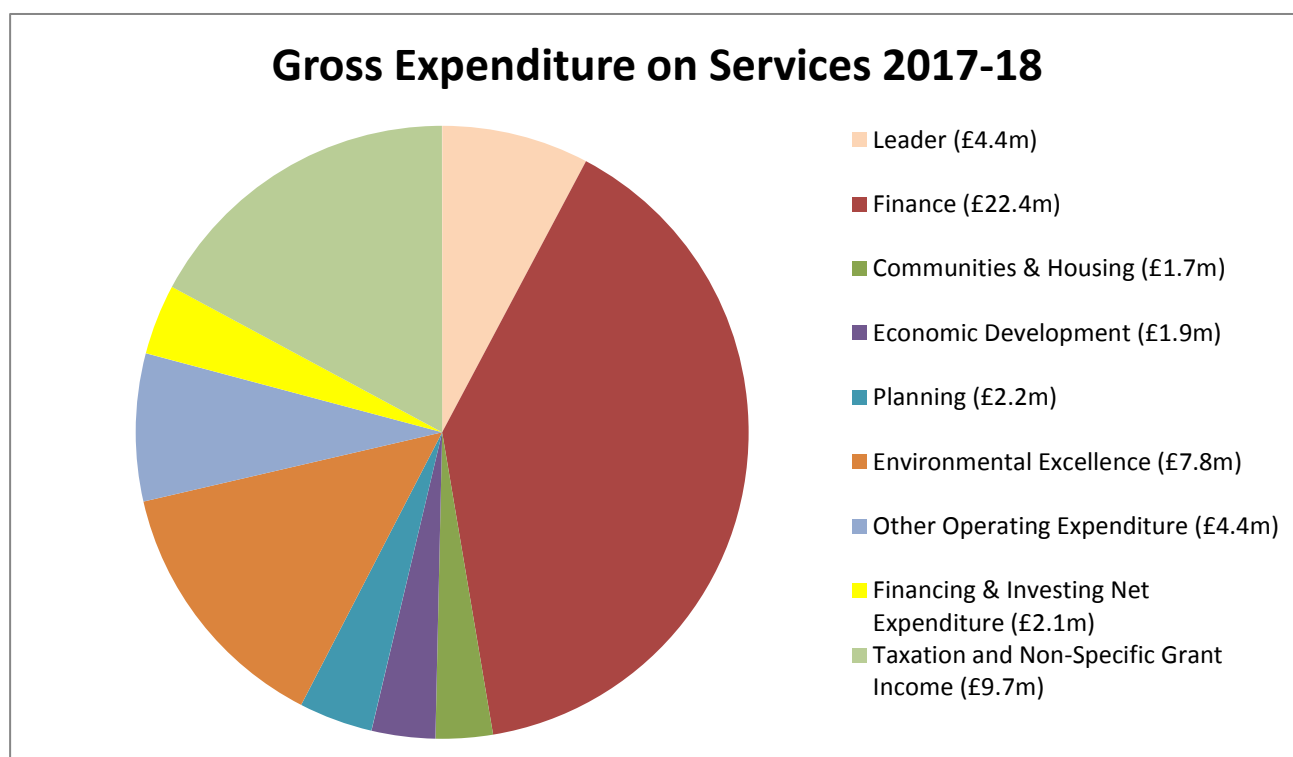
	Male		Female	
Senior staff	6	85.7%	1	14.3%
Middle management	13	59.1%	9	40.9%
Staff below management grades	62	29.2%	150	70.8%
<b>All staff</b>	<b>81</b>	<b>33.6%</b>	<b>160</b>	<b>66.4%</b>



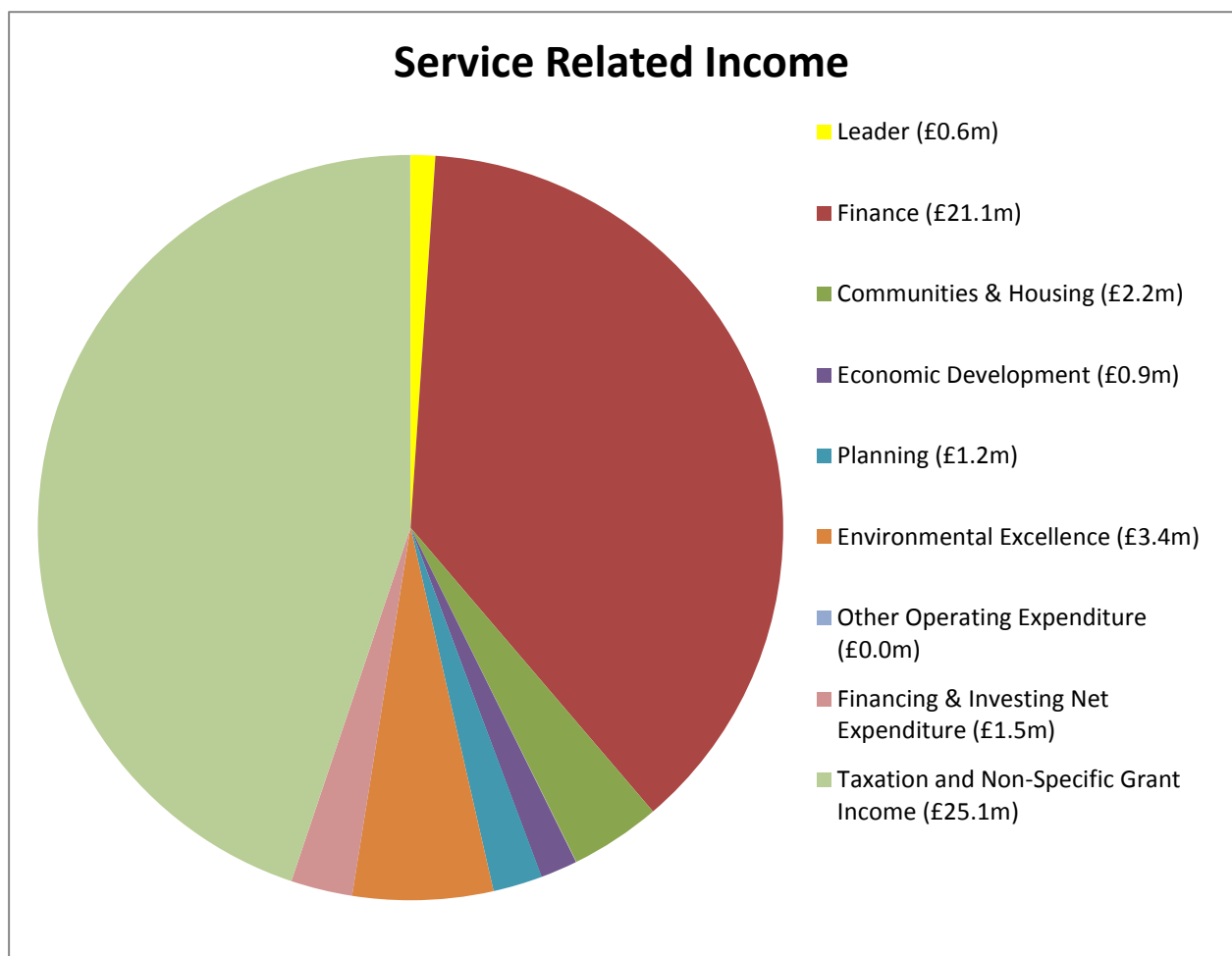
## 5 Revenue Income and Expenditure

The Comprehensive Income & Expenditure Statement on page 2 of this document shows that gross revenue service expenditure amounted to £40.4 million, with service related income of £29.3 million being received.

2016-17 Actuals £m	Gross Expenditure on Services	Budget £m	2017-18 Actual £m	Variance £m
4.2	Leader	3.9	4.4	0.5
22.6	Finance	23.3	22.4	(0.9)
2.4	Communities & Housing	2.1	1.7	(0.4)
2.6	Economic Development	1.9	1.9	0.0
2.3	Planning	1.6	2.2	0.6
7.1	Environmental Excellence	7.0	7.8	0.8
<b>41.2</b>	<b>Cost of Services</b>	<b>39.8</b>	<b>40.4</b>	<b>0.6</b>
3.3	Other Operating Expenditure	2.9	4.4	1.5
2.4	Financing & Investment Net Expenditure	2.8	2.1	(0.7)
10.8	Taxation and Non-Specific Grant Income	0.2	9.7	9.5
<b>57.7</b>	<b>Total Expenditure on Provision of Services</b>	<b>45.7</b>	<b>56.6</b>	<b>10.9</b>
0.5	Surplus on revaluation of non-current assets		0.0	
6.0	Actuarial (gains)/losses on pension assets and liabilities		(2.4)	
<b>6.5</b>	<b>Other Comprehensive Expenditure</b>		<b>(2.4)</b>	
<b>64.2</b>	<b>Total Comprehensive Expenditure</b>		<b>54.2</b>	



2016-17 Actuals £m	Service Related Income	Budget £m	2017-18 Actual £m	Variance £m
0.5	Leader	0.1	0.6	0.5
21.4	Finance	21.5	21.1	(0.4)
1.8	Communities & Housing	1.5	2.2	0.7
1.3	Economic Development	1.1	0.9	(0.2)
1.4	Planning	1.0	1.2	0.2
3.3	Environmental Excellence	3.1	3.4	0.3
<b>29.7</b>	<b>Service Income</b>	<b>28.3</b>	<b>29.4</b>	<b>1.1</b>
0.0	Other Operating Expenditure	0.0	0.0	0.0
2.0	Financing & Investment Net Expenditure	2.6	1.5	(1.1)
26.2	Taxation and Non-Specific Grant Income	14.2	25.1	10.9
<b>57.9</b>	<b>Total Income from Services</b>	<b>45.1</b>	<b>56.0</b>	<b>10.9</b>



## **6 Pension Fund**

Broadland District Council offers membership of the Local Government Pension Scheme (LGPS), which is backed by a fund managed by Norfolk County Council. The fund is formally valued every three years, and its ability to honour the obligations to pay current and future pensioners is assessed within the terms of International Accountancy Standard 19 (Pensions). Between formal valuations, the Fund's actuaries roll forward the value of the liability, using reasonable assumptions.

The Fund was formally valued as at 31 March 2016, and the Fund's actuaries have rolled forward this valuation to 31 March 2018. The deficit on the Fund is estimated to be £23,903m as at 31 March 2018. This represents a decrease of £0.933 nm since March 2017. This is a notional deficit, presenting a snapshot of the Fund's adequacy if no further contributions were made, life expectancy continues at its present level and the market continues to add value to the Fund at the same rate as in 2017/18.

The scale of the fund deficits in public sector pension schemes is being monitored at a national level, although the nature of the scheme - backed by a fund with regular checks on its adequacy - gives a measure of reassurance. Employers subscribing to the scheme are paying towards their share of past service deficits alongside their contributions for current employees; Broadland's past service deficit cash contribution for 2017/18 was £584,000. A fuller explanation of the transactions and regulations relating to the pension fund is provided in Note 38.

## **7 Material Revenue Items**

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 partially reimbursed by the DWP. These are the largest items of expenditure and income within the Comprehensive Income & Expenditure Statement, and are shown as a separate item. In 2017/18, Total Housing Benefits payments were £20.35m (£21.39m in 2016/17) and the claim for reimbursement was £20.62m (£21.16m in 2016/17).

## **8 Capital Expenditure**

Capital expenditure during 2017/18 amounted to £1.2 million. Of this sum, £0.84m 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. The major items resulting in additions to the balance sheet were the purchase of two properties for the provision of accommodation for the homeless (£250,000).

Broadland can borrow an unlimited amount from the Debt Management Office 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 2017/18 capital programme from internal resources.

## **9 Major changes affecting the 2017/18 accounts**

There are no major changes to the statement of accounts in 2017/18.

## **10 Performance monitoring**

Broadland adopted the Vanguard Systems Thinking approach to performance monitoring in 2012. This entails an examination of a section's work and procedures to determine whether any part of the process is inefficient or unnecessary, and whether the purpose of the service is met. New procedures are designed to ensure that the staff are working efficiently and are meeting their customers' needs in full.

As part of the Vanguard system, the authority presents Service Plans and Business Plans to Cabinet twice yearly, usually in December and July. Each department has agreed a range of measures relevant to its purpose and reports on its performance against these measures with a short narrative on significant events during the period under review. The objectives are listed in Section 3 above followed by the 2017/18 achievements.

Having kept its Council tax to 2010/11 levels for a number of years, the authority raised the Band D tax by £5.00 in 2017/18, although it should be pointed out that this is still one of the lowest tax levels of all English district authorities.

## **11 Elements contained within the Accounts**

The accounts are drawn up according to the requirements of the International Financial Reporting Standards (IFRS), and consist of the following elements:-

### **a) Expenditure and Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded by local authorities from resources such as Government grants, rents, Council Tax and Business Rates, in comparison with resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the authority's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Although this is not a statement, guidance from the Chartered Institute for Public Finance & Accountancy (CIPFA) recommends that it is given high prominence, placed either before the core statements or as the first of the notes.

### **b) Comprehensive Income and Expenditure Statement**

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. The authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement on Reserves as the balances as at 31 March.

### **c) Movement in Reserves Statement**

This summarises the movement over the financial year on the different reserves held by the authority. It is analysed into

- usable reserves (those that can be applied to fund expenditure or reduce local taxation)
- unusable reserves (those that represent either unrealised gains or losses, such as the Pension Fund Reserve, or balances arising from timing differences between recognition and receipt of funds, such as the Collection Fund Adjustment Account).

The surplus/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 & Expenditure Statement. This differs from the statutory amounts required to be

charged to the General Fund Reserve for council tax setting purposes. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

#### **d) Balance Sheet**

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories:

- Usable reserves may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may be used only to fund capital expenditure or repay debt).
- Unusable reserves cannot be used to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would become available to provide services only if the assets were sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

#### **e) Cash Flow Statement**

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

- The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.
- Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

#### **f) Collection Fund**

Broadland District Council is a billing authority, responsible for the billing, collection and distribution of Council Tax and Business Rates (NNDR). Billing authorities have a statutory obligation to maintain a separate fund for local taxation transactions, with the activity for the financial year shown in the Collection Fund Statement. The Collection Fund statement is an agent's statement, and shows the authority's transactions in relation to the collection from taxpayers and the distribution to local authorities and to the Government of Council Tax and Non-Domestic rates.

#### **g) Notes to the Accounts**

The accounts are illustrated by the Notes to the Financial Statements. The Notes include a summary of significant accounting policies, further detail relating to items in the main financial statements, assumptions made about the future and major estimations. A separate set of Notes follow the Collection Fund Statement, to expand on matters relating to local taxation transactions.

## 12 Future plans

The 2017/18 Budget estimated the authority's funding sources to be split as follows; 46% from Council Tax income, 25% from central Government grants, 24% from Business Rates and 5% from the General Reserve. £1.89m was added to revenue reserves in 2017/18 (£2.23m to the General Fund and £0.34m taken from earmarked reserves). With budgets cut each year and pressure on services likely to grow, it is forecast that the budgeted draw on reserves will increase – and that the draw will be required unless the authority can put successful income generation schemes and efficiency measures into place.

The outlook for the public sector in general remains uncertain, with austerity measures still in place and levels of external funding forecast to decrease. Changes in policy in recent years have led to the Ministry of Housing, Communities and Local Government (MHCLG - previously Department for Communities and Local Government - DCLG) replacing the grant from the Business Rates pool with the Business Rates Retention Scheme (BRRS) and providing progressively lower levels of Revenue Support Grant (RSG).

General forecasts of Revenue Support Grant (RSG) decreasing to zero by 2020/21 have been borne out by the four year funding settlement advised in February 2017; the final RSG settlement, in 2019/20, is £30,000.

Central Government proposed in 2015 that local authorities as a group would be allowed to keep up to 100% of their business rates income from 2020 onwards, although this income would still be subject to tariffs and levies to redistribute nationally. However, recent political events have changed the focus of attention to other matters, and the idea of re-designing the business rates system still needs to be reviewed by the new Secretary of State.

Pressures on the authority's services are increasing as the economic situation affects the district's residents and businesses. Broadland's members have approved plans to increase the draw on reserves to maintain service levels in the short term; however, the authority's focus for the future is to introduce suitable income generating schemes and to work on more efficient ways of providing the same level of service.

The authority's main plans are concentrated on its joint venture development company and on the need for further good quality housing within the district. The company's first development was completed during 2017/18. The loan from Broadland District Council to Broadland Growth Ltd has been repaid and the company's accounts show a respectable profit.

Actions to take Britain out of the European Union continue at the time of finalising the 2017/18 accounts. No clear forecast can be made of the effect of these events on Broadland's funding or its plans. As Broadland begins to plan for the 2019-20 Budget negotiations, the uncertainty surrounding its funding has prompted a cautious and measured approach.

## **13 Further Information**

Additional information relating to these accounts is available from the Head of Finance & Revenue Services, Broadland District Council, Thorpe Lodge, 1 Yarmouth Road, Thorpe St. Andrew, Norwich NR7 0DU (email [jill.penn@broadland.gov.uk](mailto:jill.penn@broadland.gov.uk)). Alternatively, information is held on the Council's website at [www.broadland.gov.uk](http://www.broadland.gov.uk).

I would like to thank the Finance team who have worked hard over the last four months to produce both the draft and the audited versions of the Statement of Accounts in line with the shorter statutory deadline that came into effect in 2018. The high level of support and encouragement from the Finance Portfolio Holder during the process was welcome, and deserves a special mention.

**Jill Penn**  
**Head of Finance & Revenue Services**  
26 July 2018

**This page does not contain any information relating to the Statement of Accounts.**

## **STATEMENT OF ACCOUNTS 2017/18**

### **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 Head of Finance & Revenue Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts

**Date: 26 July 2018**

**Signature:**

#### **The Head of Finance & Revenue Services' Responsibilities**

The Head of Finance & Revenue Services 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 of Local Authority Accounting in the United Kingdom (the Code of Practice).

In preparing this statement of accounts, the Head of Finance & Revenue Services 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 Head of Finance & Revenue Services has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- signed and dated the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2018.

**Date: 26 July 2018**

**Signature:**

**This page does not contain any information relating to the Statement of Accounts.**

# **Broadland District Council**

## **Annual Governance Statement (AGS) 2017/18**

### **Why we have prepared this AGS**

To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control. This is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process by which Heads of Service :

- understand the risks to the achievement of the Council's policies, aims and objectives,
- understand the likelihood of those risks being realised and the impact should they be realised, and
- manage them efficiently, effectively and economically.

To demonstrate whether, and to what extent, the council complied with its Code of Corporate Governance ('the Local Code')

To demonstrate our achievements and help us to be more effective and take action to improve

### **What we mean by governance**

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

How the council makes sure it

- does the right things
- in the right way
- for the right people

### **Our responsibility**

Broadland District Council is responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and complying with its local code of governance.

The preparation of an **Annual Governance Statement** is required in order to meet the statutory requirement to produce such a statement in paragraph 4(3) of the Accounts and Audit (England) Regulations 2015 and which requires authorities to conduct a review at least once a year of the effectiveness of its system of internal control. The purpose of the Annual Governance Statement is to explain how the Council has complied with the Code of Corporate Governance; to review the effectiveness of the governance framework; to identify any significant governance issues and to describe the actions taken or proposed to address those issues. The Statement is signed by the Leader and Chief Executive.

## The Governance framework

Our governance framework comprises of the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

The key elements include:

- The Council's current **Code of Corporate Governance** which has been updated to reflect the changes made in the new framework published by CIPFA/SOLACE in 2016. This will be presented to Audit Committee on 28 June 2018.
- As a council our vision for the future is to grow a strong and vibrant Broadland, with more jobs, more homes and more opportunities for all. Our **Broadland Business Plan 2015-19** sets out our ambitions and how we aim to realise this vision. It includes our key ambitions and objectives and every 6 months a Performance Report is prepared and presented to Cabinet to reflect our performance against those objectives. Corporate and service objectives are also cascaded to members of staff to inform their own individual objectives agreed through annual appraisals.
- The **Constitution** sets out how the Council operates; how decisions are made by defining and documenting the roles and responsibilities of the Cabinet, Portfolio Holders, the non-executive and scrutiny functions; and the procedures and codes of conduct which are followed – such as the financial regulations and contracts procedure rules. It also covers the roles of the statutory officers of the Council – the Head of Paid Service, the Monitoring Officer and the Section 151 Officer – and their responsibilities relating to compliance with the law and ensuring sound financial control. It includes the delegations to officers and various protocols and codes on standards of behaviour for members and staff. The aim of the Constitution is to improve the accountability and responsiveness of the Council to the residents it serves. The Constitution is reviewed regularly which enables the range of financial regulations, the scheme of delegation and decision making arrangements to be updated as required.
- **Managing Performance and Risk.** The Overview & Scrutiny Committee appoints a Performance Management Sub-Committee with its main purpose being to consider how well we are performing by their monitoring of the Business Plan Performance reports and make recommendations to improve both the Council's performance and its performance management arrangements. It can make recommendations to Officers or Portfolio Holders and Cabinet via the Overview and Scrutiny Committee. The Service Improvement and Efficiency Committee consider savings and efficiencies and provides a strategic overview of performance. Risks to delivery of the corporate objectives also form part of the Business Plan Performance report and risk implication paragraphs continue to appear in all Cabinet reports. Progress and updates are monitored by the Council's Corporate Leadership Team.

- The Council's **Communications and Engagement Strategy** focusses on bringing a more collaborative, whole council approach to communications, with Officers and Members united in a coordinated way to deliver key messages, calls to action and better engagement with the people who live and work in Broadland. This approach reinforces and supports the whole council Systems Thinking Service Improvement Programme aimed at helping people to live and work better in Broadland.

The ethos behind this approach started with the Community at Heart Awards and how they reflected all that is good about working and living in Broadland. The latest plan also sees the council developing a new logo and Community at Heart strapline.

- The **Standards Committee** is made up of 5 district councillors with four co-opted representatives from parish and town councils. It is advised by the Monitoring Officer. It is responsible for promoting and maintaining high standards of conduct by Broadland District, parish and town councillors. The Council has adopted a procedure for dealing with complaints made against Broadland Members. In cases where an investigation has been authorised by the Monitoring Officer against a Broadland District Council Member following consultation with the Independent Person and a potential breach of the code has been identified then the case will be referred to the Standards Committee for decision
- The Council has an **Audit Committee**, whose functions ensure we deliver the core activities as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities.
- The Council has a contract with Norfolk Public Law for the provision of **legal advice**. This is managed by the Head of Democratic Services & Monitoring Officer. Quarterly review meetings are held between the Head of Democratic Services & Monitoring Officer and the Practice Director of Norfolk Public Law. All service managers are consulted in advance of the meetings to ascertain whether there are any issues that need to be raised to ensure the contract and delivery of the service remain appropriate to the Council's needs. The arrangement with NP Law is supplemented by additional specialist legal advice from other providers as required. All reports to Members contain a legal implications section.
- The Council operates a **complaints procedure** and monitoring reports on formal complaints (including Local Government Ombudsman cases) are considered by Cabinet every six months within the performance report. In addition procedures and policies exist for handling Freedom of Information requests, Data Protection Act\* queries and Environmental Information Regulations issues. All of these provide an important framework for members of the public to seek information and raise complaints.

\*GDPR from 25 May 2018.

- The Council provides a range of **training and development** opportunities for its **Members** to help them fulfil their roles as elected representatives and community leaders. The arrangements are overseen by the Member Development Panel which has cross party representation. Following the 2015 elections mandatory training was identified that members are required to

undertake before they can serve on certain Committees, namely Audit Committee; Appeals Panel; Licensing Committee; Planning Committee and Regulatory Committee. In addition all members received a briefing on the Member Code of Conduct. In accordance with the Constitution refresher training was provided during 2017/18. A number of other corporate wide training sessions were delivered to Members. An audit of member training and development was undertaken with the outcome reported to the Member Development Panel and Audit Committee.

- The Council's **Overview and Scrutiny Committee** consists of 15 Members. It meets in public eighteen times a year to discuss and make recommendations on the development of policies and to hold the Cabinet to account for their actions. It has a key role in considering other matters of local concern and may be proactive in ensuring the well-being of the Council's residents. Its key roles are to:
  - Develop the overview and scrutiny work plan
  - Allocate work between time and task limited panels
  - Receive reports from time and task limited panels as appropriate
  - Monitor the performance of the Council and Cabinet through scrutiny of decisions taken
  - "Call in" for scrutiny Cabinet decisions and key decisions made by officers

The Constitution requires the Committee to report to the Council on its activity at the end of the municipal year.

- The **Internal Audit** service arrangements, managed by the Head of Governance & Monitoring Officer at South Norfolk Council, ensure that through the contractor's annual work plan, reviews of controls based on risk are undertaken to provide assurance and recommendations for improvement.
- The **Medium Term Financial Plan** is agreed by the Council each year, and future funding issues are raised so that current budget/tax setting plans are placed into a longer term context.
- The **Portfolio Holder for Finance** has specific responsibility within the Constitution for risk management.
- The Council is involved in a variety of **partnerships**, many of which take the form of collaborative working arrangements with local authorities and other partners. The Council's Overview and Scrutiny Committee has a role in reviewing these arrangements, which now takes the form of an annual refresh of the partnerships' register allowing the opportunity to highlight any future reviews of particular partnerships. As part of the register the Committee has developed an agreed definition of partnership working and the steps taken to monitor the performance of partnerships.
- **Staff** are bound by various policies including the Employee Code of Conduct, the Officer Employment Procedure Rules and the Personal Relationships at Work Policy. In addition there is a comprehensive Induction process and a Policies and Procedures file within My Job on the intranet which contains an up to date list of policies and practices such as the Electronic Access Policy.

- The Counter Fraud Strategy, the Raising Concerns at Work Policy (i.e. the Council's Whistle Blowing Policy), and the Personal Relationships at Work Policy all support the Council's governance processes and **anti-fraud and corruption culture**. The Council has a Corporate Fraud Officer who works closely with Internal Audit in monitoring and combatting Corporate Fraud as well as educating staff and members about its importance and increasing awareness of potential risks. A report on the Council's activity in combatting fraud is considered by Audit Committee every 6 months.
- **Risks** to delivery of the corporate objectives form part of the Cabinet performance report and in addition a Risk Implications paragraph is required in all appropriate Cabinet reports. Progress and updates are monitored by the Council's Corporate Leadership Team. Where appropriate, major projects will be managed using the PRINCE 2 methodology which includes **risk identification** and management.
- The Council is open to **external reviews and assessments**, such as the LGA peer challenge, 'Best Companies to Work For' surveys, Food Standards Agency inspections and Office of Surveillance Commissioners (OSC) inspections.

The Authority's financial management arrangements largely conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The only area of non-conformity is in the reporting arrangements for the Head of Finance and Revenue Services who does not report directly to the Chief Executive, but to the Deputy Chief Executive. However, this arrangement is considered robust as the Head of Finance and Revenue Services is a member of the Corporate Leadership Team which meets regularly and because of the size of the Authority she has appropriate access to the Chief Executive and the Executive Team as well as the Finance Portfolio holder and other Cabinet Members. In addition there are regular monthly Statutory Officer (Head of Paid Service, Section 151 Officer and Monitoring Officer) meetings to discuss any governance issues.

## Review of Effectiveness

The 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:

- (i) the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment,
- (ii) the Head of Internal Audit's annual reports on the Effectiveness of Systems of Internal Audit, Internal Audit Activity and the Status of Agreed Actions arising from Final Audit Reports,
- (iii) comments made by the external auditors and other review agencies and inspectorates.

The detailed functions of the **Council** are set out in Part Two of paragraph 4.2 of the Council's Constitution and those matters reserved to itself are set out in Part 3 paragraph 14.1 of the Council's constitution. The Full Council determines the overall policy framework and approves the Council's Revenue and Capital budget. Some key governance related reports considered by Council over the last year include :

- September 2017 – extraordinary council received a report proposing a feasibility study is progressed looking at collaborative working with South Norfolk Council. They also agreed to the principle of creating member working groups and joint committee groups.
- April 2018 – final Council agreement to the adoption of a Member Development Strategy discussed and reviewed during 2017/18.

**Cabinet** monitors the effectiveness of the governance framework through budget monitoring reports twice a year and performance which are presented half yearly. Cabinet and individual portfolio holders monitor performance and effect changes to improve where necessary. Portfolio holders also receive budget variance reports from their respective senior managers through the Head of Finance and Revenue Services. Issues of strategic and corporate importance are considered by Cabinet regularly and updates are provided and decisions made regarding commercially sensitive activity. Regular financial monitoring reports are presented to the relevant committees and then to Cabinet. This includes the presentation by the Council's External Auditor of its Annual Audit Letter. Some key governance related reports considered by Cabinet over the last year include:

- July 2017 – received reports on Council Tax Reduction scheme for 2018/19 and also procurement of a new waste contract.
- September 2017 – received a report to agree to commute funds to Broadland Growth Ltd (BGL) for the delivery of affordable homes in the district.
- October 2017 – received a Budget look forward for 2018-2021.

The **Overview and Scrutiny Committee** undertakes its work programme throughout the year, including planned projects as well as more reactive items. The Committee Chairman presented his annual report on the activity of the Committee to the **Council** meeting on 17 April 2018. During 2017/18 the Committee undertook a review of our Early Help Hub, investigated further our Garden Waste contract and tested the success of Neighbourhood Plans. They continued to scrutinise Cabinet reports and the Council's performance. In addition they considered regular reports on the Broadland Economy, Police and Crime Panel and Community Safety updates, Public Health monitoring and Norfolk Health Overview and Scrutiny updates. Over the last year there was one call-in for decisions made by Cabinet regarding the Food waste disposal contract.

The **Service Improvement and Efficiency Committee's** role is to advise Cabinet on the design and delivery of corporate work streams on service improvement and efficiency; identify financial savings and to focus on the ambition in the Business Plan: 'continue to provide high quality, value for money services on our own or as a trusted partner'. During 2017/18 it received updates and progress reports on the

System Thinking review within Council Tax around debt and also the waste disposal service. It also received regular updates on the collaborative working project currently being investigated with South Norfolk Council.

During 2017/18 as well as its usual standing items the **Audit Committee** completed a self-assessment exercise to satisfy itself that the committee was performing effectively. Their terms of reference require that a formal annual report on the committees work and performance during the year is taken to Full Council and this was presented on 15 May 2018.

The **Head of Internal Audit's Annual Report and Opinion** on Internal Audit Activity 2017/18 will be considered by the Council's Audit Committee on 28 June 2018. The Statements in the report relevant to this Annual Governance Statement are as follows:

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 of the 11 assurance audits completed within year, 10 of these concluded in a positive assurance with no priority one recommendations raised.

It is also important to note that substantial assurance was concluded in the areas of:

- Environmental Health;
- Accounts Receivable;
- Income;
- Accountancy Services; and
- Social Media.

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 therefrom have been taken into account.

Internal Audit work has not identified any weaknesses that are significant enough for disclosure within the Annual Governance Statement.

The External Auditor's (Ernst and Young) **Annual Audit Letter 2016/17** summarises the findings from the 2016/17 audit. The letter was presented to Audit Committee on 21 September 2017. The audit comprised two elements:

- The audit of the Council's financial statements and consistency of other information published within the financial statements
- An assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The letter highlights that the main messages for the Council are:

*Audit opinion and financial statements*

- An unqualified opinion was issued in 27 July 2017. The council met the key statutory deadlines and no issues were raised.

*Value for Money*

- An unqualified Value for Money Conclusion was issued on 27 July 2017. No significant risks were identified in relation to this.

The **Localism Act 2011** made fundamental changes to the Standards regime which came into effect on 1 July 2012. The Council was required to adopt its new arrangements, including the adoption of a new **Member's Code of Conduct** and these were approved by Council on 28 June 2012. During 2017/18 there was 1 formal complaint made against a Broadland Member. In this case the complaint was dismissed. There had been five formal complaints involving parish/town council members (3 of whom were also Broadland Members). Under his delegated powers the Monitoring Officer determined that having undertaken preliminary enquiries, no breach was identified in two complaints against the same subject Member, in two complaints received against one Member where a breach had not been proven the subject member had agreed to undertake chairing meeting training. In the final case a breach of the code had been identified in respect of a failure to both register and declare interests. A letter of explanation from the subject member had been accepted. The parish council concerned had also been asked to review its governance procedures to avoid a repetition. In addition there have been interventions with three parish councils in relation to governance and staffing issues

All **relevant senior managers** have completed assurance statements confirming that the governance framework has been operating within their areas of responsibility and that they are fully compliant.

The Head of Democratic Services and Monitoring Officer's ongoing **review of the Constitution** is carried out to ensure it is up to date and takes account of legislative and operational changes which have a bearing on its contents. There have been a number of minor changes made throughout the year which have been undertaken using delegated powers – reflecting council decisions, changes in legislation, job titles and changes in portfolio responsibilities.

## **Review of AGS Actions 2016/17 and Improvements 2017/18**

The 2016/17 AGS did not identify any significant governance issues to address.

Improvements to the governance framework in 2017/18 include:

- Further updating our Code of Corporate Governance to reflect the updated principles.
- New member Training & Development Strategy adopted.

## Significant Governance Issues

Based on the conclusions of the reviews referred to in the previous section it is considered that there are no significant governance issues to address over the coming year.

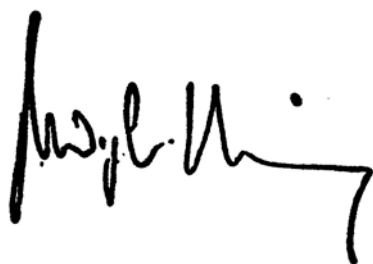
## Conclusion

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet, Senior Managers and Internal Audit and any plans to address weaknesses and ensure continuous improvement of the system are in place.

A handwritten signature in black ink, appearing to read 'Andrew Proctor', with a long horizontal line extending from the end of the signature.

**Signed:**

Councillor Andrew Proctor  
Leader of Broadland District Council

A handwritten signature in black ink, appearing to read 'Phil Kirby', with a long horizontal line extending from the end of the signature.

**Signed:**

Phil Kirby  
Chief Executive of Broadland District Council

**Date:** 31 May 2018

**This page does not contain any information relating to the Statement of Accounts.**

## Expenditure and Funding Analysis

This is a note rather than a statement; however, CIPFA requires that it is given high prominence within the accounts document, placed either before the core statements or as the first of the notes. Further analysis of the figures below can be found in Notes 5 and 6.

2016/17				2017/18		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
3,553	181	3,734	Leader	3,353	433	3,786
1,188	(17)	1,171	Finance	1,138	158	1,296
302	260	562	Communities & Housing	(312)	(115)	(427)
1,341	27	1,368	Economic Development	927	59	986
905	12	916	Planning	859	162	1,021
3,398	416	3,815	Environmental Excellence	3,822	568	4,390
<b>10,687</b>	<b>879</b>	<b>11,566</b>	<b>Net Cost of Services</b>	<b>9,787</b>	<b>1,265</b>	<b>11,052</b>
3,224	1	3,225	Other Operating Income and Expenditure	3,456	879	4,335
339	74	413	Financing and Investment Income and Expenditure	522	106	628
(13,613)	(1,753)	(15,366)	Taxation and Non-Specific Grant Income and Expenditure	(15,655)	229	(15,426)
<b>637</b>	<b>(799)</b>	<b>(162)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(1,890)</b>	<b>2,479</b>	<b>589</b>
(19,640)			Opening General Fund Balance (incl. Earmarked Reserves)	(19,003)		
637			Adjusted by the (surplus) / deficit on General Fund Balance in year	(1,890)		
<b>(19,003)</b>			Closing General Fund Balance (incl. Earmarked Reserves)	<b>(20,893)</b>		

Adjustments shown above are further analysed in Notes 5 and 6

## Comprehensive Income and Expenditure Statement

2016/17			Portfolio	Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
4,189	455	3,734	Leader		4,442	655	3,786
20,825	21,164	(339)	Finance - Housing Benefits		20,349	20,622	(273)
1,792	282	1,510	Finance - Excluding Housing Benefits		2,039	470	1,569
2,395	1,833	562	Communities & Housing		1,737	2,164	(427)
2,649	1,281	1,368	Economic Development		1,868	882	986
2,348	1,432	916	Planning		2,195	1,173	1,021
7,079	3,264	3,815	Environmental Excellence		7,757	3,368	4,390
41,277	29,711	11,566	<b>Net Cost of Services</b>		40,387	29,334	11,052
3,307	82	3,225	Other Operating Income and Expenditure	7	4,424	89	4,335
2,376	1,963	413	Financing and Investment Income and Expenditure	8	2,135	1,507	628
10,805	26,171	(15,366)	Taxation and Non-Specific Grant Income and Expenditure	9	9,675	25,101	(15,426)
57,765	57,927	(162)	<b>(Surplus) / Deficit on Provision of Services</b>		56,620	56,031	589
		499	(Surplus) / Deficit on revaluation of long-term assets				(34)
		5,999	Remeasurement of the net defined benefit liability				(2,371)
		6,498	<b>Other Comprehensive Income and Expenditure</b>				(2,405)
		<b>6,336</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(1,816)</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.

	Note	General Fund Balance £'000	Capital Grants Unapplied £'000	Usable Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2016</b>	10	<b>19,640</b>	<b>434</b>	<b>1,124</b>	<b>21,198</b>	<b>(8,806)</b>	<b>12,392</b>
Surplus or (deficit) on the provision of services (accounting basis)		162	0	0	162	0	162
Other Comprehensive Income and Expenditure		0	0	0	0	(6,498)	(6,498)
<b>Total Comprehensive Income and Expenditure</b>		162	0	0	162	(6,498)	(6,336)
Adjustment between accounting basis and funding basis under regulations		(799)	(301)	2,766	1,666	(1,666)	0
<b>Increase or (Decrease) in year</b>		<b>(637)</b>	<b>(301)</b>	<b>2,766</b>	<b>1,828</b>	<b>(8,164)</b>	<b>(6,336)</b>
<b>Balance at 31 March 2017</b>		<b>19,003</b>	<b>133</b>	<b>3,890</b>	<b>23,026</b>	<b>(16,970)</b>	<b>6,056</b>
Surplus or (deficit) on the provision of services (accounting basis)		(589)			(589)	0	(589)
Other Comprehensive Income and Expenditure					0	2,405	2,405
<b>Total Comprehensive Income and Expenditure</b>		(589)	0	0	(589)	2,405	1,816
Adjustment between accounting basis and funding basis under regulations		2,479	0	82	2,561	(2,561)	0
<b>Increase or (Decrease) in year</b>		<b>1,890</b>	<b>0</b>	<b>82</b>	<b>1,972</b>	<b>(156)</b>	<b>1,816</b>
<b>Balance at 31 March 2018</b>		<b>20,893</b>	<b>133</b>	<b>3,972</b>	<b>24,998</b>	<b>(17,126)</b>	<b>7,872</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 (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31 March 2017 £'000	31 March 2018 £'000
Property, Plant and Equipment	12	8,070	6,852
Heritage Assets	13	0	0
Intangible Assets	14	219	193
Investments in Associates & Joint Ventures	15	41	10
Long Term Debtors	16	940	788
<b>Long Term Assets</b>		<b>9,271</b>	<b>7,844</b>
Assets Held for Sale	17	237	365
Short Term Investments	18	28,458	25,408
Stock		2	3
Short Term Debtors	19	2,680	2,651
Cash & Cash Equivalents	20	1,942	6,829
<b>Current Assets</b>		<b>33,319</b>	<b>35,257</b>
Short Term Creditors	21	(9,861)	(9,835)
Current Provisions	22	(380)	(250)
Capital Grants Receipts in Advance	22	(31)	(24)
<b>Current Liabilities</b>		<b>(10,273)</b>	<b>(10,109)</b>
Other Long Term Liabilities	23	(25,161)	(24,023)
Long-Term Provisions	23	(814)	(984)
Capital Grants Receipts in Advance	23	(286)	(112)
<b>Long Term Liabilities</b>		<b>(26,261)</b>	<b>(25,119)</b>
<b>Total Net Assets</b>		<b>6,056</b>	<b>7,872</b>
Usable Reserves	10 11 25	(23,026)	(24,998)
Unusable Reserves	26	16,970	17,126
<b>Total Reserves</b>		<b>(6,056)</b>	<b>(7,872)</b>

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2018 and of its income and expenditure for the year ended 31 March 2018. These financial statements replace the unaudited financial statements signed by the Head of Finance & Revenue Services on 24 May 2018.

Signature:

**Jill Penn**  
**Head of Finance & Revenue Services**  
**26 July 2018**

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from 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	2016/17 £'000	2017/18 £'000
Net (Surplus) / Deficit on Provision of Services		(162)	589
Adjustment for Noncash Movements		(2,784)	(3,957)
Adjustment for Investment and Finance Activities	27	166	443
Net Cashflows from Operating Activities		(2,780)	(2,925)
Investment Activities	28	7,357	(2,937)
Finance Activities	29	(952)	974
		3,625	(4,888)
Cash and Cash Equivalents at 1 April		(5,566)	(1,941)
<b>Cash and Cash Equivalents at 31 March</b>	20	(1,941)	(6,829)

**This page does not contain any information relating to the Statement of Accounts**

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Accounting Policies

#### a. General

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at 31 March 2018. The Council is required to prepare the 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 ('the Code'), International Financial Reporting Standards (IFRS) and statutory guidance issued under part 3 of the 2015 Act.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### b. Accruals of Income and Expenditure

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

- Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Income from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- 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 stocks 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 the payments are made;
- Where income 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 it is doubtful that debts will 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, therefore, have a material effect on the year's accounts. The amount affected by this exception is estimated at less than £5,000 per year.

#### c. 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 defined in the Code as "short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value", with the definition of short-term left for the user to define for themselves. Broadland District Council has set two working days or less as the definition of short-term in this respect. 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 Council's cash management.

**d. 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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Should this be the case, full disclosure of the error and its effects will be made within the Notes to the accounts, providing details of all balances affected.

**e. Charges to Revenue for Non-Current Assets**

Service revenue accounts and support services are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses used by the service where there are no accumulated gains in the Revaluation Reserve to write them off against
- Amortisation of intangible fixed assets attributable to the service

These charges are reversed out of the General Fund Balance by way of an adjustment to the Capital Adjustment Account in the Movement in Reserves Statement, so that there is no net impact on the council tax payer.

**f. Employee Benefits**

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year end) such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement, when the Council is demonstrably committed to terminating the employment of an officer or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to 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 termination benefits related to pensions enhancements and replace them with the actual amount due to be paid to the pension fund and pensioners.

### Post Employment Benefits

The Local Government Pension Scheme is accounted for as a defined benefits scheme. From 1<sup>st</sup> April 2014, pensions paid will be based on the employee's average salary throughout their career: prior to this date, pensions have been based on the individual's final salary. Pension costs are assessed in accordance with the advice of a professionally qualified actuary. Accounts relating to the fund are produced by Norfolk County Council and are available from the County on request.

The liabilities of the pension fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 2.7 % based on the indicative rate of return on Government bonds over 15 years.

The assets of the Pension Fund attributable to the Council are included in the balance sheet at their fair value:-

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pensions liability is analysed into six 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 arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- *Net interest cost* – 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.

#### Re-measurements, comprising:

- *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 arising 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 Norfolk Pension Fund: cash paid as employer's contributions to the pension fund. This is 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 Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the amount due to the Pension Fund for the year. 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.

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

**g. Events after the 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.

**h. Financial Assets**

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset. The value of the amount presented at fair value in the Balance Sheet reflects the outstanding principal plus accrued interest. This is the value that would have been received if these investments had been sold at 31 March.

Where a soft loan is made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from individuals, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Fair Value through Profit & Loss

These are financial assets that are held for trading, with gains and losses posted to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. This is the recommended classification for the funds which the authority has either entrusted to external fund managers or has invested in certificates of deposit. Fair Value financial assets are included on the balance sheet at fair value, or 'bid' price, determined by quoted market prices.

**i. Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council 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 for interest payable are based on the carrying amount of the liability.

The Council's financial liabilities consist wholly of embedded leases within the Council's refuse and street cleansing contracts.

**j. 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 Council when there is reasonable assurance that:-

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. A failure to meet the required conditions could result in repayment of the grant or contribution.

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 or to the Taxation and Non-Specific Grant Income 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. When the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

Revenue grants and contributions that are not general grants described above shall be credited to service revenue accounts, support services, trading accounts and corporate accounts as appropriate.

**k. Collection Fund Transactions**

Broadland District Council is a billing authority – it issues council tax bills and non-domestic rate demands in its district on behalf of itself and of other relevant organisations, collects the income as an agent of the various entities and distributes that income to local authorities and the Government. As a billing authority, it is obliged to maintain a separate fund for all such transactions, known as the Collection Fund.

The transactions of the Collection Fund are wholly prescribed by legislation. The Council has no discretion to determine which receipts and payments are accounted for within the fund and which are outside. However, decisions have to be made in relation to the application of accounting concepts to the prescribed transactions in the calculation of accruals and provisions, and critical judgement must be made in respect of estimations such as the provision for uncollectable NNDR in respect of successful appeals.

The statutory provisions for Collection Fund accounting are to be found in the following sections of the Local Government Finance Act 1988:

- Section 90(1) sets out the categories of income which must be paid directly into the Collection Fund (Council Tax, NDR, Business Rate Supplement (BRS) receipts, and sums received from precepting authorities to meet a deficit on the fund arising in the previous year).
- Section 90(2) defines the main types of expenditure which must be made directly from the Collection Fund; Council Tax precepts (excluding parish precepts), shares of NDR to precepting authorities and central Government, distributions of a surplus on the fund arising in the previous year in respect of Council Tax and NDR, Council Tax and NDR refunds, and payments to BRS levying authorities.
- Section 97 provides for transfers between the General Fund and the Collection Fund in relation to the billing authority's own demand on the latter.
- Regulations made under section 99 prescribe the timing of transactions specified in the sections cited above and arrangements for holding and investing surplus cash within the fund.

The effect on the Collection Fund is as follows:

- Council Tax income is paid from the Collection Fund in accordance with the taxation demand of the billing authority, the precepts (taxation requirements) approved by the authority's major precepting bodies and an estimate (made on or before 15 January of the preceding year) of any surplus or deficit relating to Council Tax arising in prior years.
- NDR income is paid from the Collection Fund in accordance with an estimate (made on or before 31 January of the preceding year) of income received for the financial year, together with any surplus or deficit arising from prior years. The proportions distributed to each body are set out in The Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 452 2013). In Broadland's case, 50% is remitted to central Government ('the central share'), 40% to Broadland District Council and 10% to Norfolk County Council.
- Shares of Collection Fund income distributed to major preceptors and the billing authority are credited to their respective Comprehensive Income and Expenditure Statements. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (i.e. sharing out in full the actual surplus or deficit on the Collection Fund at the end of the financial year, even though it will be distributed to or recovered from the authorities in a subsequent financial year).
- Parish precepts are paid from the General Fund of billing authorities and will be accounted for within their Comprehensive Income and Expenditure Statement.
- Interest is not payable on cash flow transfers between the General Fund and the Collection Fund.

## **I. Property, Plant and Equipment**

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

### **Recognition**

All capital expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that adds to, and not merely maintains, the value of Property, Plant and Equipment has been capitalised, provided that it yields benefits to the authority and the services it provides for a period of more than one year.

Expenditure that has been capitalised includes expenditure on the:

- acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus and vehicles.

In this context, enhancement means the carrying out of works which are intended to:

- lengthen substantially the useful life of the asset, or
- increase substantially the open market value of the asset, or
- increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the local authority concerned.

Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

## **Measurement**

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The cost of assets acquired other than by purchase is deemed to be its fair value. Infrastructure assets are included in the balance sheet at historical cost.

All significant assets included in the balance sheet at fair value are formally revalued at intervals of not more than five years and the revised amounts are included in the balance sheet. A full valuation of a property is conducted by a qualified external valuer who holds a recognised and relevant professional qualification, has recent post qualification experience and sufficient knowledge of the state of the market in the location and category of the asset being valued. Non-specialised properties have been valued on the basis of open market value in existing use.

The definition of fair value in respect of surplus assets, certain financial instruments and investment properties has been redefined by the introduction of IFRS 13, and is set out in the Glossary. The authority had no investment properties and some minor areas of land at minimal value defined as surplus assets during 2017/18. The authority is required to measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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 or liability.

Where an asset has been included in the balance sheet at fair value, any increases in valuations are matched by credits to the revaluation reserve to reflect unrealised gains. Exceptionally gains might be credited to the Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where a decrease in value is determined, the revaluation loss is accounted for:

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

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

### **Impairment**

A review of all the Council's assets is undertaken annually to assess whether the value has changed materially during that period. This may be due to obsolescence, physical damage or changes in the way the authority performs its statutory duties or delivers its services. Where impairment is identified as part of this review or as a result of a valuation exercise, the accounting treatment depends on past contributions to the Revaluation Reserve in respect of the asset;

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

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

### **Disposals**

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, 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 Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal

(netted off against the carrying value of the asset at the time of disposal). Any revaluation gains held in the Revaluation Reserve are transferred to the Capital Adjustment account. Any amounts in excess of £10,000 are categorised as capital receipts. The capital receipt is required to be credited to the Capital Receipts Reserve and is then held in reserves pending their application to fund new capital expenditure or to redeem related loan debt. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of assets is fully provided for under separate arrangements for capital financing.

**m. Heritage Assets**

Although the standard governing the accounting treatment of heritage assets has been withdrawn, the Code contains provisions to account for this class of assets within the statement of accounts. Broadland will continue to classify any assets which are held principally for their contribution to knowledge and culture as heritage assets, and to choose the most appropriate basis for the asset concerned. The authority's heritage assets, bridges, culverts and a tunnel along a stretch of the Bure Valley Railway line, are discussed in Note 13.

The authority considers that the most appropriate basis of valuation for the bridges is 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.

The authority will honour its commitment to maintain these assets, but does not seek to acquire or purchase heritage assets of any kind in future.

**n. Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. computer software licences and system implementation costs) is capitalised when it will bring benefits to the Council of more than one financial year. They are included in the balance sheet at historic cost and written down on a straight line basis over 5 years, to the relevant service line within the Comprehensive Income and Expenditure Statement.

**o. Depreciation**

Depreciation is charged on all Property, Plant and Equipment assets with a finite useful life that can be determined at the time of acquisition or revaluation. The charge is calculated by allocating the cost (balance sheet asset value) over the expected useful life of the asset. The useful lives of assets are estimated to be 5 years for vehicles, plant and machinery, 50 years for most buildings, 120 years for bridges and 10 years for street lighting infrastructure. Depreciation is not charged on freehold land. Where an asset has major component parts whose cost is significant in relation to the total cost of the asset, 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.

**p. Revenue Expenditure funded from Capital under Statute**

Expenditure on capital grants to third parties can be capitalised enabling it to be funded from capital resources, although no asset exists to be placed on the balance sheet. This expenditure is charged to the Comprehensive Income and Expenditure Statement and the capital resources utilised to meet this expenditure are transferred from the Capital Adjustment Account to the General Fund Balance within the Movement in Reserves Statement so that there is no impact on the year's council tax.

**q. 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 Council 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 Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

**The Council as Lessee: Operating Leases**

Rentals payable under operating leases are charged to the relevant service line within the Comprehensive Income and Expenditure Statement when the expenditure is incurred, in accordance with the terms and conditions of individual lease contracts.

**The Council as Lessor: Finance Leases**

The Council does not currently grant finance leases for any property, plant or equipment.

**The Council as Lessor: Operating Leases**

Where the Council 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 Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made when the income is due, in accordance with the terms and conditions of individual lease contracts.

**r. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected on income is payable to HM Revenue and Customs and all VAT paid on expenditure invoices is recoverable from them.

**s. Interest in Companies and Other Entities**

The Code requires local authorities to consider their interests in other organisations and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The boundary for group accounts is determined by the extent of the Council's control or influence over an arrangement, the rights to any distribution of assets or liabilities of any separate entity involved and the materiality of the relationship to users of the Council's accounts.

- Control is the ability to govern an entity's financial and operating matters, which is presumed to be the case where the authority holds more than half of the voting rights either directly or through other parties.
- Significant influence is exerted when the authority has the power to participate in financial and operating matters, giving the opportunity to guide but not control the outcome of a vote. This is presumed to be the case where the authority's share of voting rights is greater than 20%.
- Where the authority has agreed to share control with another party or parties, the arrangement is classed as a joint venture or joint operation.

Assessments of the authority's relationship with an organisation will involve a careful examination of the facts to evaluate whether the presumptions are reasonable.

Broadland District Council 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 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 in 2017/18 as the overall change between the single entity and the group statements is not considered to be material.

**t. Allocation of Departmental Salaries and Overheads**

Before March 2017, all central staff and overhead costs were recharged to services on the basis of departmental time allocations estimated by managers, and agreed support service charges. All overhead costs were dealt with in accordance with previous versions of CIPFA's Service Reporting Code of Practice. However, in following the changes required by CIPFA's 'Telling the Story' review, the authority is obliged to follow the pattern of budgetary reporting undertaken throughout the year. During the year, the authority reports to budget holders only those costs they have a direct influence over, recharging, support service costs at year end. In deference to the intentions of CIPFA's review, the 2017/18 accounts have been reported without support cost recharges, showing support and overhead costs within their respective portfolio lines.

**u. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. A significant proportion of reserves at year end are fully committed within the Council's future financial plans.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and do not represent resources available to spend. These are classified as Unusable Reserves to denote their status as unavailable to support revenue expenditure. Earmarked reserves are kept for insurance, repairs and renewals, carry forwards (for revenue spending delays), building control trading activities, spend equalisation, housing assistance policy and specific grant funded projects. These reserves are regularly reviewed and adjusted to ensure that they are adequate for their designated purpose.

**v. Provisions, Contingent Liabilities and Assets**

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. A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will be confirmed only by the occurrence or otherwise of uncertain future events not wholly in the control of the Council. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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

## 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 four changes being introduced in the 2018/19 Code of Practice of Local Authority Accounting in the United Kingdom:-

- 1) IFRS 9 *Financial Instruments* – introduces changes to the classification of financial instruments and a new “expected credit loss” model for the impairment of these assets. A review of the Council's current financial assets has shown there is no expected material effect on its financial position.
- 2) IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS15 *Clarifications to IFRS15 Revenue from Contracts with Customers* – this standard will not have any material impact on the Council's financial statements
- 3) Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* – the amendments do not affect any of the Council's financial assets
- 4) Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative* – whilst this standard requires additional disclosures it will not materially affect the Council's financial statements

## 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 above, 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 levels of funding for local government, with Revenue Support Grant due to end by 2020 and further changes to the Business Rates system. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to reduce levels of service provision.
- Judgement is applied to decisions concerning the authority's property, plant and equipment in matters such as determining the classification of each asset and the appropriate basis for valuation. Assets are classified according to their characteristics, after comparing them to the guidelines set out within the Code and accountancy standards, with these classifications kept under review. Valuations are made by a professional with appropriate and relevant qualifications at intervals not exceeding five years.
- The authority assesses any lease it enters into under the requirements of IAS 17 *Leases*. In addition, 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 at a gross value of £1,023,800 and are depreciated in line with the term of the contract. Further details appear in Note 36.
- Appeals lodged against NNDR assessments may succeed, resulting in the need to refund all or part of the NNDR paid by the business concerned. The authority has considered the potential effect of the appeals outstanding as at 31 March 2018 and has made a reasoned judgement of the potential effect of these appeals. Further details are given in Note 4 (below) and Note 5 to the Supplementary Statements on page 63.
- 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 (Note 1s). 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 to result in group statements that do not differ materially from the single entity statements. In 2017/18 Broadland Growth Limited has been operating on funds generated by the company. Broadland Growth Limited's accounts to 31 March 2018 show a profit of £88,537.

#### 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 Hyman Robertson, 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 2018	Approximate increase to employer liability	
	%	£'000
0.5% decrease in Real Discount Rate	10	8,408
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	2	1,497
0.5% increase in the pension increase rate	8	6,781

**NNDR Appeals provision** - Billing authorities are required to estimate and make provisions for the liabilities likely to arise from successful appeals against NNDR bills issued as at 31 March. The authority has made a total provision for appeals of £3.086m, with 40% 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 £770,700 in the refund. This would be allocated amongst the participants as follows; £385,350 to Central Government, £308,280 to Broadland District Council and £77,070 to Norfolk County Council.

## 5. Expenditure and Funding Analysis

The following tables analyse the 'Adjustments between the Funding and Accounting Bases' shown in the Expenditure and Funding Analysis note on Page 1 above between capital, pensions and other purposes.

### Adjustments for Capital Purposes

Within this category, items such as depreciation, impairment and revaluation gains and losses are added to the service lines. The 'Other Income and Expenditure from the Expenditure and Funding Analysis' line includes the following adjustments:

- Other Operating Expenditure – amounts written off on capital disposals where there is a transfer of income.
- Financing and Investment Income & Expenditure – the statutory charges for capital financing such as revenue contributions to capital outlay and Minimum Revenue Provision are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income & Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net Change for Pensions Adjustments

Includes the net change resulting from the removal of pension contributions and the addition of pension related expenditure and income as calculated under IAS 19 *Employee Benefits*.

- Service lines – the removal of employer's pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- Financing and Investment Income & Expenditure – the net interest on the defined benefit liability is charged to this line.

### Other Difference

Any differences other than amounts debited or credited to the Comprehensive Income & Expenditure Statement and amounts payable or receivable to be recognised under statute.

- Taxation and Non-Specific Grant Income and Expenditure – the adjustment represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is related to timing, as any difference will form part of future surpluses or deficits on the Collection Fund.

<b>Note 5: Adjustments from General Fund to arrive at Comprehensive Income &amp; Expenditure Statement amounts</b>	<b>Adjustment for Capital Purposes</b>	<b>Net Change for the Pension Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
<b>2016/17</b>	£'000	£'000	£'000	£'000
Leader	(202)	21	0	(181)
Finance	(2)	19	0	17
Communities & Housing	(260)	0	0	(260)
Economic Development	(38)	11	0	(27)
Planning	(29)	17	0	(12)
Environmental Excellence	(442)	26	0	(416)
Net Cost of Services	<b>(973)</b>	<b>94</b>	<b>0</b>	<b>(879)</b>
Other income and expenditure from the Expenditure & Funding Analysis	1,036	(638)	1,281	1,678
Difference between General Fund Deficit and Comprehensive Income & Expenditure Statement Surplus on the Provision of Services	<b>63</b>	<b>(544)</b>	<b>1,281</b>	<b>799</b>
<b>2017/18</b>	£'000	£'000	£'000	£'000
Leader	(250)	(183)	0	(433)
Finance	(2)	(156)	0	(158)
Communities & Housing	115	0	0	115
Economic Development	23	(82)	0	(59)
Planning	(13)	(149)	0	(162)
Environmental Excellence	(356)	(212)	0	(568)
Net Cost of Services	<b>(483)</b>	<b>(782)</b>	<b>0</b>	<b>(1,265)</b>
Other income and expenditure from the Expenditure & Funding Analysis	(147)	(656)	(411)	(1,183)
Difference between General Fund Deficit and Comprehensive Income & Expenditure Statement Surplus on the Provision of Services	<b>(630)</b>	<b>(1,438)</b>	<b>(411)</b>	<b>(2,479)</b>

## 6. Expenditure and Income Analysed by Nature

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

	2016/17 £'000	2017/18 £'000
<b>Expenditure</b>		
Employees' benefits expenses	8,373	9,449
Housing Benefit expenditure	20,822	20,346
Other services expenses	11,492	9,983
Depreciation, amortisation, impairment	591	608
Interest payments	2,376	2,135
Precepts and levies	3,307	3,545
Non-domestic rates expenditure (tariff and levy)	10,804	9,675
Loss on disposal of assets	0	879
<b>Total expenditure</b>	<b>57,765</b>	<b>56,620</b>
<b>Income</b>		
Fees, charges and other service income	(5,118)	(5,003)
Interest and investment income	(1,963)	(1,507)
Authority's share of income from Council Tax and Non-Domestic Rates	(21,621)	(20,565)
Housing Benefit contributions and allowances	(21,164)	(20,622)
Grants and Contributions (excluding Housing Benefits)	(8,061)	(8,334)
<b>Total income</b>	<b>(57,927)</b>	<b>(56,031)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(162)</b>	<b>589</b>

## Segmental Income

Income received on a segmental basis is analysed below

	2016/17 £'000	2017/18 £'000
Revenues from external customers	(5,551)	(5,445)
Other income	(48,628)	(48,026)
<b>Total income analysed on a segmental basis</b>	<b>(54,179)</b>	<b>(53,471)</b>

**7. Comprehensive Income and Expenditure Statement - Other Operating Income and Expenditure**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Parish Precepts	3,080	3,299
Payment to the Housing Capital Receipts Pool	0	0
Community Infrastructure Levy	(82)	(89)
Apprenticeship Levy	0	15
Precepts paid to Internal Drainage Boards	227	231
(Gains) / Losses on disposal of non-current assets	0	879
<b>Total</b>	<b>3,225</b>	<b>4,335</b>

**8. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Interest payable and similar charges	34	46
Pensions interest cost	2,342	2,089
Expected return on pension assets	(1,704)	(1,433)
Interest receivable and similar income	(259)	(74)
<b>Total</b>	<b>413</b>	<b>628</b>

**9. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income and Expenditure**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Council Tax income	(8,075)	(8,602)
Non Domestic Rates/RSG	(4,131)	(3,092)
Non Ring-fenced Government grants	(2,782)	(3,732)
Donated Assets	(378)	0
<b>Total</b>	<b>(15,366)</b>	<b>(15,426)</b>

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

	2016/17					2017/18				
	General Fund Balance £'000	Capital Grants Unapplied £'000	Usable Capital Receipts Reserve £'000	Movement in Unusable Reserves £'000	Total Movement in Reserves £'000	General Fund Balance £'000	Capital Grants Unapplied £'000	Usable Capital Receipts Reserve £'000	Movement in Unusable Reserves £'000	Total Movement in Reserves £'000
<b>Adjustments involving the Capital Adjustment Account</b>										
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u>										
Revaluation gains/losses on Property, Plant and Equipment	(16)			16	0	(85)			85	0
Charges for Depreciation and Impairment of non-current assets	(489)			489	0	(475)			475	0
Amortisation of Intangible Assets	(85)			85	0	(79)			79	0
Government Grants and Contributions	(993)			993		(845)			845	0
Revenue Expenditure funded from Capital under Statute	1,083			(1,083)	0	851			(851)	0
Amounts of non-current assets written off on disposal to the CI&ES	0			0	0	(879)			879	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>										
Statutory provision for the financing of capital expenditure	266			(266)	0	228			(228)	0
Capital Expenditure charged against the General Fund Balance	288			(288)	0	207			(207)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>										
Reversal of Unapplied Capital Grants and Contributions credited to the CI&ES	94	(94)			0	181	(181)			0
Application of Grants to Capital Financing		395		(395)	0		181		(181)	0
<b>Subtotal carried forward</b>	<b>148</b>	<b>301</b>	<b>0</b>	<b>(449)</b>	<b>0</b>	<b>(896)</b>	<b>0</b>	<b>0</b>	<b>896</b>	<b>0</b>

	2016/17					2017/18				
	General Fund Balance £'000	Capital Grants Unapplied £'000	Usable Capital Receipts Reserve £'000	Movement in Unusable Reserves £'000	Total Movement in Reserves £'000	General Fund Balance £'000	Capital Grants Unapplied £'000	Usable Capital Receipts Reserve £'000	Movement in Unusable Reserves £'000	Total Movement in Reserves £'000
<b>Subtotal brought forward</b>	<b>148</b>	<b>301</b>	<b>0</b>	<b>(449)</b>	<b>0</b>	<b>(896)</b>	<b>0</b>	<b>0</b>	<b>896</b>	<b>0</b>
<b>Adjustments involving the Capital Receipts Reserve</b>										
Transfer of Receipts from Deferred Capital Receipts Reserve					0					0
Cash receipts of a capital nature	69		(69)		0	261		(261)		0
Use of Capital Receipts Reserve to finance new Capital Expenditure			302	(302)	0			198	(198)	0
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)		1		0	0		0		0
Transfers between reserves required by legislation			(3,000)	3,000	0			(19)	19	0
<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	(153)			153	0	5			(5)	0
<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	(2,055)			2,055	0	(3,068)			3,068	0
Employers Pension contributions and direct payments to pensioners payable in the year	1,511			(1,511)	0	1,630			(1,630)	0
<b>Adjustments involving the Collection Fund Adjustment Account</b>										
Amount by which local taxation income credited to the CIES is different from income calculated for the year in accordance with statutory requirements										
Business Rates	1,359			(1,359)	0	(374)			374	0
Council Tax	(79)			79	0	(37)			37	0
<b>Total Adjustments</b>	<b>799</b>	<b>301</b>	<b>(2,766)</b>	<b>1,666</b>	<b>0</b>	<b>(2,479)</b>	<b>0</b>	<b>(82)</b>	<b>2,561</b>	<b>0</b>

11. Transfers to/from Earmarked Reserves	Balance at April 2016	Transfers Out 2016/17	Transfers In 2016/17	Net Movement 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Net Movement 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Repairs &amp; Renewals (General)</b>	(283)	17	(73)	(56)	(339)	11	(20)	(9)	(348)
To finance significant irregular replacement, repair or maintenance works to Council owned assets.									
<b>Repairs &amp; Renewals (Street Lighting)</b>	(45)	112	(83)	29	(16)	98	(82)	16	(0)
To finance replacement and maintenance to footway lighting managed on behalf of six town and parish councils.									
<b>Spend Equalisation</b>	(399)	148	(132)	16	(383)	148	(303)	(155)	(538)
To smooth out fluctuations in revenue expenditure incurred in irregular annual patterns.									
<b>Recession Mitigation Fund</b>	(144)	17	0	17	(127)	87	0	87	(40)
To assist the Broadland community during a period of economic recession.									
<b>Economic Success Fund</b>	(179)	36	0	36	(143)	53	(234)	(181)	(324)
To create jobs and foster economic growth within the Broadland area.									
<b>Insurance</b>	(59)	0	0	0	(59)	0	0	0	(59)
To cover increased excess charges that were agreed as part of the revised insurance contract.									
<b>Building Control Trading</b>	(14)	0	0	0	(14)	0	0	0	(14)
To cover expected losses in revenue on the formation of the CNC Building Control Partnership									
<b>External Funding Reserve</b>	(143)	0	0	0	(143)	0	(120)	(120)	(263)
To cover projects that are funded by specific government grants and contributions.									
<b>Housing Assistance Policy</b>	(199)	0	(20)	(20)	(219)	0	(19)	(19)	(238)
To earmark repayments of housing loans in accordance with the Housing Assistance Policy.									
<b>Developer Contributions – Adopted Land</b>	(475)	18	(13)	5	(470)	46	(2)	44	(426)
To earmark S106 agreement receipts for the future maintenance of adopted amenity land.									
<b>Developer Contributions - Play Areas</b>	(444)	300	0	300	(144)	98	(151)	(53)	(197)
To earmark receipts received under S106 Agreements for the provision of children's play areas.									
<b>SUBTOTAL:</b>	<b>(2,384)</b>	<b>648</b>	<b>(321)</b>	<b>327</b>	<b>(2,057)</b>	<b>541</b>	<b>(932)</b>	<b>(391)</b>	<b>(2,446)</b>

11. Transfers to/from Earmarked Reserves	Balance at April 2016	Transfers Out 2016/17	Transfers In 2016/17	Net Movement 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Net Movement 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>SUBTOTAL BROUGHT FORWARD:</b>	<b>(2,384)</b>	<b>648</b>	<b>(321)</b>	<b>327</b>	<b>(2,057)</b>	<b>541</b>	<b>(932)</b>	<b>(391)</b>	<b>(2,446)</b>
<b>Neighbourhood Plans - Front Runner</b>	(126)	77	(95)	(18)	(144)	25	(60)	(35)	(179)
To fund work on the district's Forward Plan.									
<b>Local Lend-A Hand Reserve</b>	(188)	223	(35)	188	0	0	(0)	0	0
To fund potential calls on the Local Authority Mortgage Scheme fund in future years.									
<b>Community Infrastructure Levy Reserve</b>	(184)	53	(83)	(30)	(214)	68	(91)	(23)	(237)
To contain income from the Community Infrastructure Levy for expenditure on infrastructure projects.									
<b>Community Right to Challenge Reserve</b>	(46)	0	0	0	(46)	0	0	0	(46)
To meet expenditure incurred on the challenges to potential community asset sales.									
<b>Business Rates Reserve</b>	0	0	(705)	(705)	(705)	0	(598)	(598)	(1,303)
To offset the effects of successful appeals against business rates charges.									
<b>I.T. Reserve</b>	(173)	15	(16)	(1)	(174)	0	(12)	(12)	(186)
To fund a rolling programme of hardware and software upgrades									
<b>Broadland Growth Reserve</b>	(2,650)	533	0	533	(2,117)	73	(78)	(5)	(2,122)
To fund projects to encourage economic growth within the district									
<b>Systems Thinking Reserve</b>	0	29	(100)	(71)	(71)	1	0	1	(70)
To fund future Systems Thinking projects									
<b>Bridge Maintenance Reserve</b>	0	0	(20)	(20)	(20)	0	(20)	(20)	(40)
To fund maintenance on Marriott's Way Bridges									
<b>Total Earmarked Reserves and Balances</b>	<b>(5,751)</b>	<b>1,578</b>	<b>(1,375)</b>	<b>203</b>	<b>(5,548)</b>	<b>708</b>	<b>(1,791)</b>	<b>(1,083)</b>	<b>(6,629)</b>

12. Property, Plant and Equipment: Movements in 2016/17

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Surplus Land & Buildings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
At 1 April 2016	6,910	3,844	442	1,219	12,415
Additions	51	51	29	0	131
Revaluation Increases / (Decreases):					
- Included within the Deficit on Provision of Services (posted to the Capital Adjustment Account)	0	0	0	0	0
- Included within Other Comprehensive Income & Expenditure (posted to the Revaluation Reserve)	546	0	0	0	546
Reclassification To Assets Held For Sale:	(237)	0	0	0	(237)
Disposal	(1,063)	0	0	0	(1,063)
<b>At 31 March 2017</b>	<b>6,207</b>	<b>3,895</b>	<b>471</b>	<b>1,219</b>	<b>11,792</b>
<b>Depreciation and Impairment</b>					
At 1 April 2016	(308)	(2,715)	(210)	0	(3,233)
Depreciation charges	(134)	(328)	(27)	0	(489)
<b>At 31 March 2017</b>	<b>(442)</b>	<b>(3,043)</b>	<b>(237)</b>	<b>0</b>	<b>(3,722)</b>
<b>Net Book Value as at 31 March 2017</b>	<b>5,765</b>	<b>852</b>	<b>234</b>	<b>1,219</b>	<b>8,070</b>
<b>Net Book Value 1 April 2016</b>	<b>6,602</b>	<b>1,129</b>	<b>232</b>	<b>1,219</b>	<b>9,182</b>

**Property, Plant and Equipment: Movements in 2017/18 (Continuation of Note 12)**

	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure</b>	<b>Surplus Land &amp; Buildings</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>					
At 1 April 2017	6,207	3,895	471	1,219	11,792
Additions	272	20	0	0	292
Revaluation Increases / (Decreases):					
- Included within the Deficit on Provision of Services (posted to the Capital Adjustment Account)	(84)	0	0	0	(84)
- Included within Other Comprehensive Income & Expenditure (posted to the Revaluation Reserve)	34	0	0	0	34
Reclassification					
To Surplus:	(37)	0	0	37	0
To Assets Held For Sale:	(365)	0	0	0	(365)
Disposal	(690)	(306)	0	0	(996)
<b>At 31 March 2018</b>	<b>5,337</b>	<b>3,609</b>	<b>471</b>	<b>1,256</b>	<b>10,673</b>
<b>Depreciation and Impairment</b>					
At 1 April 2017	(442)	(3,043)	(237)	0	(3,722)
Adjusted Balance Brought Forward	27	(58)	0	0	(31)
Depreciation charges	(137)	(306)	(26)	0	(469)
Depreciation written out on Disposal/Revaluation	95	306	0	0	95
<b>At 31 March 2018</b>	<b>(457)</b>	<b>(3,101)</b>	<b>(263)</b>	<b>0</b>	<b>(3,821)</b>
<b>Net Book Value as at 31 March 2018</b>	<b>4,880</b>	<b>508</b>	<b>208</b>	<b>1,256</b>	<b>6,852</b>
<b>Net Book Value 1 April 2017</b>	<b>5,765</b>	<b>852</b>	<b>234</b>	<b>1,219</b>	<b>8,070</b>

## Property, Plant and Equipment

The Council owned the following operational assets at 31 March 2017 and 31 March 2018:

Breakdown of assets	31 March 2017	31 March 2018
Offices	2	2
Depots	1	1
Car Parks	5	5
Public Conveniences	6	6
Shared Equity Properties	1	1
Quayside	1	1
Properties for the Provision of Homeless Accommodation	0	2
<b>Total</b>	<b>16</b>	<b>18</b>

In addition, 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 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
<b>Valued at Historical Cost</b>		3,609	471		4,080
<b>Valued at Current Value in:</b>					
Year ended 31 March 2018	534			37	571
Year ended 31 March 2017	141				141
Year ended 31 March 2016	204			1,219	1,423
Year ended 31 March 2015	1,842				1,842
Year ended 31 March 2014	2,616				2,616
<b>Total</b>	<b>5,337</b>	<b>3,609</b>	<b>471</b>	<b>1,256</b>	<b>10,673</b>

## Depreciation

Depreciation on operational assets is charged to the Income and Expenditure account on a straight line basis, with an adjustment in the Movement in Reserves Statement to ensure that Council Tax is not overstated. Repair and maintenance works to buildings have not increased the value of the assets. The useful lives of assets are assumed to be 5 years for vehicles, plant and machinery, although there are exceptions such as the ongoing programme of provision of domestic waste bins which are assumed to have a 10 year life. Useful lives of buildings are assumed to be between 25 - 50 years, dependent on building method and condition. The majority of the council's infrastructure assets comprise parish street lighting columns and land drainage structures, with useful lives of 10 and 40 years respectively.

## 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. The 2016/17 value was £1,219,000; this value has changed in 2017/18 due to the revaluation and subsequent reclassification of two pieces of authority owned land. There were no transfers between levels 1 and 2 during 2017/18.

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 2018 £'000
<b>Recurring Fair Value Measurements</b>				
Land	0	1,256	0	1,256
<b>Total</b>	<b>0</b>	<b>1,256</b>	<b>0</b>	<b>1,256</b>

## 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.

## Highest and Best Use of Surplus Assets

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

## Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured on a cyclical basis in line with the Council's policy stated in Note 1I- Measurements.

### 13. 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 overall valuation of the structures will be formally reassessed at intervals of not less than five years.

The value of work carried out on the structures during the last five financial years is as follows:

	<b>2013/14</b> £'000	<b>2014/15</b> £'000	<b>2015/16</b> £'000	<b>2016/17</b> £'000	<b>2017/18</b> £'000
Opening value	0	0	0	0	0
Impairment through damage or deterioration	(6)	0	0	0	0
Capital expenditure	6	0	0	0	0
<b>Closing value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.

#### 14. 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. The Council has no internally generated assets.

<b>Intangible Assets</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
<b>Cost</b>		
Opening Gross Balance	1,134	1,167
Additions	33	44
Disposals	0	0
Reclassifications	0	0
<b>Closing Gross Balance</b>	<b>1,167</b>	<b>1,211</b>
<b>Amortisation</b>		
Opening Accumulated Balance	(863)	(948)
Adjusted Balance Brought Forward	0	9
Amortisation Charge	(85)	(79)
Disposals	0	0
Reclassifications	0	0
<b>Closing Amortisation Balance</b>	<b>(948)</b>	<b>(1018)</b>
<b>Closing Net Book Value</b>	<b>219</b>	<b>193</b>
Opening Net Book Value	271	219

#### 15. Investments in Associates and Joint Ventures

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 agreed to contribute £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 generated £88,537 in trading profit after tax in 2017/18 (£106,412 in trading profit in 2016/17). As at the end of March 2018, all fourteen of the houses had been sold and no others have started to be built.

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 2018, the Infrastructure Investment Fund had a cash balance of £3,544m (estimated at £3.872m in 2017) which will be used to support projects currently in progress, projects already approved but not yet started or future projects.

## 16. Long Term Debtors

The Council's long term debtors at 31 March 2018 is composed of a transferred debt held on behalf of Great Yarmouth Borough Council (an obligation dating back to the 1974 Local Government Reorganisation scheme), loans to staff for car purchases, advances for the purchase of former council house stock and amounts receivable beyond twelve months in respect of debtor payment arrangements. The debt for Great Yarmouth Council shown below excludes £22,900 (£23,200 in 2016/17) due within 12 months and shown as part of the short-term debtors.

	31 March 2017 £'000	31 March 2018 £'000
Transferred Debt	258	234
Car Loans	29	17
Housing Advances	61	61
Housing benefit overpayment debt	307	206
Deferred capital receipt on shared equity properties	226	230
Loans to Parish Councils	59	40
	<b>940</b>	<b>788</b>

The deferred capital receipt refers to an agreement to take a 25% interest in six shared equity properties on the Carrowbreck Meadow development. 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 has therefore been discounted to a fair value of £230,495 using a commonly available mortgage rate of 2.09%. 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 is the first transaction of a new initiative 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 within the Broadland Growth earmarked reserve has been ring-fenced for this purpose.

## 17. Assets Held For Sale

	31 March 2017 £'000	31 March 2018 £'000
Balance outstanding at the start of the year:	0	237
Assets sold during the year: - Property, Plant & Equipment	0	0
Gains / (Losses) on disposal	0	(237)
Assets newly classified as held for sale: - Property, Plant & Equipment	237	365
<b>Balance outstanding at year end</b>	<b>237</b>	<b>365</b>

The remaining two houses at the Carrowbreck Meadow housing development were sold during 17/18; the assets held for sale disposed of are the plots of land associated with two properties unsold at 31 March 2017. The newly classified assets held for sale are the land and buildings relating to the Bure Valley Railway asset. It is anticipated that the sale of the site to the current operators will take place in 18/19.

## 18. Financial Instruments

### Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. This is also recognised as the fair value due to:-

- Fixed contract price for embedded finance leases
- No early repayment or impairment is recognised
- Loans and Receivables are due to mature within the next 12 months.

Assets held at fair value through profit and loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

All investments are measured at fair value in accordance with the Council's accounting policy, detailed in Note 1h on page 8. Investments held with the external fund manager are treated as 'fair value through Income and Expenditure' and as such, any investment gains and losses are included in the Income and Expenditure account.

## **Categories of Financial Instruments**

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

	Long Term		Current	
	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
<b>Investments</b>				
Loans and Receivables (total investments)	0	0	14,020	11,014
Loans and Receivables (invested on behalf of third parties)	0	0	(128)	(128)
Financial Assets at fair value through profit and loss	0	0	14,566	14,521
	0	0	28,458	25,407
<b>Cash Equivalents</b>				
Loans and Receivables	0	0	1,942	6,829
<b>Creditors</b>				
Finance Lease Liabilities	(325)	(120)	(228)	(205)
Financial liabilities carried at contract amounts	0	0	(1,409)	(1,163)
<b>Debtors</b>				
Soft loan on shared equity properties	226	230	0	0
Financial assets carried at contract amounts	407	370	2,148	1,071

As at 31 March 2018, 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 a deferred capital receipt arising from a 25% share in each of six 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%, based on a readily available mortgage offer to first-time buyers, resulting in a fair value of £230,495. The process of returning the debtor to its full value is described in the accounting policy described in Note 1h.

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

	2016/17				2017/18			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Fin. Assets: measured at fair value through Profit & Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Fin. Assets: measured at fair value through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expenses	34	0	0	34	15	0	0	15
<b>Total Expense in Surplus / Deficit on the Provision of Services</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>15</b>
Interest income	0	(185)	(62)	(247)	0	(115)	42	(73)
<b>Total Income in Surplus / Deficit on the Provision of Services</b>	<b>0</b>	<b>(185)</b>	<b>(62)</b>	<b>(247)</b>	<b>0</b>	<b>(115)</b>	<b>42</b>	<b>(73)</b>
	<b>34</b>	<b>(185)</b>	<b>(62)</b>	<b>(213)</b>	<b>15</b>	<b>(115)</b>	<b>42</b>	<b>(73)</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 2017 £'000	31 March 2018 £'000
Other Local Authorities	0	0
Banks/Building Societies	14,020	11,016
Externally Managed Pooled Funds	14,566	14,521
Gross Funds Invested	28,586	25,537
Less: Investments made of behalf of third parties	(128)	(128)
	<b>28,458</b>	<b>25,409</b>

## 19. Debtors

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

	31 March 2017 £'000	31 March 2018 £'000
Central Government Bodies	311	767
Other Local Authorities	259	527
Other Entities and Individuals	2,681	1,804
	3,251	3,098
Less: Provision for Debt Impairment	(571)	(447)
	<b>2,680</b>	<b>2,651</b>

## 20. Cash and Cash Equivalents

	31 March 2017 £'000	31 March 2018 £'000
Cash held by officers	1	1
Bank current accounts	(81)	(476)
Short Term Deposits with Banks	2,021	7,304
<b>Total Cash and Cash Equivalents</b>	<b>1,941</b>	<b>6,829</b>

## 21. Creditors

The following sums were outstanding at 31 March:

	31 March 2017 £'000	31 March 2018 £'000
Central Government Bodies	(1,655)	(1,082)
Other Local Authorities	(3,577)	(1,202)
Community Infrastructure Levy	(1,981)	(1,626)
Advance Maintenance Fees – Play Areas	(1,037)	(1,232)
DCLG Business Rates Creditor	(1,162)	(830)
Other Entities and Individuals	(449)	(3,863)
	<b>(9,861)</b>	<b>(9,835)</b>

## 22. Other Current Liabilities

Within the Current Liabilities section are the miscellaneous creditors described in Note 21 above, Current Provisions of £249,800 (£380,300 in 2016/17) and Capital Grants Received in Advance of £23,900 (£31,100 in 2016/17).

The Current Provisions figure relates to an estimate of the outcome of appeals against NNDR assessments which are expected to be settled during the next twelve months. Further details on the calculation and use of this provision are set out in Note 5 to the Supplementary Statements on page 63.

Capital Grants Received in Advance refers 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 twelve months 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.

## 23. Long Term Liabilities

The following sums were outstanding at 31 March:

	<b>31 March 2017 £'000</b>	<b>31 March 2018 £'000</b>
Pension Fund liability	(24,836)	(23,903)
Rental payments on finance leases due after 12 months	(325)	(120)
Subtotal: Other Long-Term Liabilities	(25,161)	(24,023)
Provision for appeals on NNDR assessments likely to be settled after twelve months	(814)	(984)
Capital Grants received in advance	(286)	(112)
	<b>(26,261)</b>	<b>(25,119)</b>

Further details on the calculation and use of the NNDR provision are set out in Note 5 to the Supplementary Statements on page 63.

## 24. 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 2017 £'000	31 March 2018 £'000
Short Term Creditors	Provision of Play Areas	(1,037)	(1,242)
Short Term Creditors	Maintenance of Adopted Land	(46)	(31)
Capital Grants Receipts in Advance	Provision of Affordable Housing	(288)	(121)

## 25. Balance Sheet – Usable Reserves

Usable reserves are those which can be used to fund expenditure or reduce Council Tax. Movements in the Council's usable revenue reserves are detailed in the Movement in Reserves Statement and Notes 10, with further details of the movements in earmarked revenue reserves in Note 11. In addition to this, the Usable Reserves category includes the General Fund Reserve of £14,263,400 (£13,455,300 in March 2017) and the Capital Grants Unapplied Reserve of £132,900 (£132,900 in March 2017).

### Capital Receipts Reserve

These are proceeds from the sale of assets that have not been used to finance new capital expenditure.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	(1,124)	(3,890)
Usable Capital Receipts Received	(3,382)	(280)
	(4,506)	(4,170)
Less Usable Capital Receipts Applied:		
Funding of Capital Expenditure	615	198
Pooled Housing Capital Receipts	1	0
	<b>(3,890)</b>	<b>(3,972)</b>

## 26. Balance Sheet – Unusable Reserves

Unusable reserves are those reserves which cannot be used to fund expenditure or to reduce Council Tax. The five unusable reserves held on the authority's Balance Sheet as at 31 March are detailed below:

	31 March 2017 £'000	31 March 2018 £'000
Pensions Reserve	24,836	23,903
Capital Adjustment Account	(6,110)	(5,812)
Revaluation Reserve	(2,116)	(1,731)
Collection Fund Adjustment Account	267	678
Deferred Capital Receipts	(60)	(60)
Financial Instruments Adjustment Account	153	148
	<b>16,970</b>	<b>17,126</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The 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 pay 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	(18,293)	(24,836)
Actuarial Gains or (Losses) on pensions assets and liabilities	(5,999)	2,371
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,055)	(3,068)
Employer's pension contributions and direct payments to pensioners in the year	1,511	1,630
Balance at 31 March	<b>(24,836)</b>	<b>(23,903)</b>

## 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.

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Balance at 1 April	(8,339)	(6,110)
Restated Balance B/F	16	22
<u>Capital Financing applied in the year</u>		
Capital receipts	2,394	(179)
Application of grants from the Capital Grants Unapplied account	(94)	(181)
Capital expenditure charged against General Fund balances	(288)	(207)
Subtotal	(6,311)	(6,655)
<u>Reversal of capital items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>		
Depreciation and amortisation		
- Charge for the year	292	305
- Written out on Revaluation	0	(74)
Revaluation Reserve Balance Written out on Disposal	0	(424)
Impairment	0	31
Disposals	0	927
Revaluations	0	84
Government Grants and Contributions	(705)	(851)
Deferred Income – Shared Equity Properties	(379)	0
Revenue expenditure funded from capital under statute	993	845
Subtotal	201	843
Balance at 31 March	<b>(6,110)</b>	<b>(5,812)</b>

### 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.

<b>Revaluation Reserve Movements</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Balance at 1 April	(2,634)	(2,116)
Restated Balance Brought Forward	(16)	0
Removal of revaluation balance for assets disposed of in year	1,063	425
Upward revaluation of assets	(546)	(34)
Depreciation written back on revaluation	0	(21)
Difference between fair value depreciation and historical cost depreciation	17	15
<b>Balance at 31 March</b>	<b>(2,116)</b>	<b>(1,731)</b>

### 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. From 1 April 2013, this system has applied to both Council Tax and Business Rates.

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Balance at 1 April	1,547	267
Amount by which Council Tax and Non-domestic Rates income credited to the Comprehensive Income and Statement is different from council tax and Non-domestic Rates income calculated for the year in accordance with statutory requirements.	(1,280)	411
<b>Balance at 31 March</b>	<b>267</b>	<b>678</b>

### Deferred Capital Receipts

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.

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Balance at 1 April	(61)	(60)
Receipts transferred out	1	0
<b>Balance at 31 March</b>	<b>(60)</b>	<b>(60)</b>

### 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.

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Balance at 1 April	0	153
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	153	(5)
<b>Balance at 31 March</b>	<b>153</b>	<b>148</b>

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

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

	<b>31 March 2017 £'000</b>	<b>31 March 2018 £'000</b>
Depreciation	(489)	(418)
Impairment and downward valuations	0	(115)
Amortisation	(85)	(79)
(Increase) or decrease in creditors	(1,989)	(766)
Increase or (decrease) in interest debtors	62	(48)
Increase or (decrease) in other debtors	(127)	(132)
Increase or (decrease) in inventories	0	1
Movement in pension liability	(544)	(1,438)
Contributions (to) or from provisions	389	(35)
Carrying amount of non-current assets held for sale, sold or de-recognised	0	(927)
	<b>(2,783)</b>	<b>(3,957)</b>

The cash flows for operating activities include the following items:-

	<b>31 March 2017</b> <b>£'000</b>	<b>31 March 2018</b> <b>£'000</b>
Interest Received	(197)	(117)
Interest Paid	34	19
	<b>(163)</b>	<b>(98)</b>

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

	<b>31 March 2017</b>	<b>31 March 2018</b>
Capital grants credited to surplus or deficit on the provision of services	94	
Proceeds from the sale of non-current assets	72	151
Any other items for which the cash effects are investing or financing cash flows		292
	<b>166</b>	<b>443</b>

## 28. Cash Flow Statement – Investing Activities

	<b>31 March 2017</b> <b>£'000</b>	<b>31 March 2018</b> <b>£'000</b>
Purchase of Property, Plant and Equipment and intangible assets	165	336
Purchase of short- term and long-term investments	58,448	22,969
Other Payments for investing activities	540	22
Proceeds from the sale of property, plant and equipment	(85)	(152)
Proceeds from short-term and long-term investments	(48,710)	(25,970)
Other receipts from investing activities	(3,001)	(142)
<b>Net Cash Flow from Investing Activities</b>	<b>7,357</b>	<b>(2,937)</b>

## 29. Cash Flow Statement – Financing Activities

	31 March 2017 £'000	31 March 2018 £'000
Billing Authorities – Council Tax and NNDR adjustments	(1,218)	746
Other receipts from financing activities	0	0
Cash Payments for the reduction of the outstanding liabilities relating to finance leases	266	228
<b>Net Cash Flows from Financing Activities</b>	<b>(952)</b>	<b>974</b>

## 30. Members Allowances

Payments to members for allowances and committee attendance expenses were £227,600 (£226,501 in 2016/17) and are included within the “Leader” line of the Comprehensive Income & Expenditure Statement.

## 31. Officers’ Remuneration

The number of employees whose total remuneration (excluding employer’s pension contributions) was £50,000 or more in bands of £5,000 was:-

Remuneration Band	2016/17	2017/18
£50,000 - £54,999	2	2
£55,000 - £59,999	2	1
£60,000 - £64,999	1	0
£65,000 - £69,999	3	3
£70,000 - £74,999	1	1
£95,000 - £99,999	1	1
£115,000 - £119,999	1	0
£120,000 - £124,999	0	1
<b>Total</b>	<b>11</b>	<b>9</b>

## Exit Packages

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

Exit package cost band (including special payments)	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band £
£0-£40,000	18	0	18	155,245
<b>TOTAL</b>	<b>18</b>	<b>0</b>	<b>18</b>	<b>155,245</b>

## Senior Employees Remuneration

The following table shows the remuneration of senior employees whose salary is less than £150,000 but more than £50,000 per year. Senior employees are those that have the power to direct or control the major activities of the Council, i.e. Directors and Statutory Officers, and are included in the remuneration bands above. The Chief Executive's salary costs include additional payments in respect of Returning Officer fees for election duties.

No officers of the authority were paid £150,000 or more during either year.

No bonuses have been paid to any senior officer in either year.

	2016/17 £	2017/18 £		2016/17 £	2017/18 £
<b>Chief Executive</b>			<b>Deputy Chief Executive</b>		
Salary, Fees and Allowance	116,285	120,885	Salary, Fees and Allowance	95,620	97,833
Expenses Allowance	994	737	Expenses Allowance	297	291
<b>Total remuneration excluding pension</b>	<b>117,279</b>	<b>121,622</b>	<b>Total remuneration excluding pension</b>	<b>95,917</b>	<b>98,124</b>
Employer's pension contribution	16,990	17,252	Employer's pension contribution	14,278	14,564
<b>Total remuneration including pension</b>	<b>134,269</b>	<b>138,874</b>	<b>Total remuneration including pension</b>	<b>110,195</b>	<b>112,688</b>
<b>Head of Democratic Services (Monitoring Officer)</b>			<b>Head of Finance &amp; Revenue Services (s151 Officer)</b>		
Salary, Fees and Allowance	66,362	66,741	Salary, Fees and Allowance	63,764	65,630
Expenses Allowance	264	273	Expenses Allowance	151	234
<b>Total remuneration excluding pension</b>	<b>66,626</b>	<b>67,014</b>	<b>Total remuneration excluding pension</b>	<b>63,915</b>	<b>65,864</b>
Employer's pension contribution	8,376	8,613	Employer's pension contribution	8,880	9,112
<b>Total remuneration including pension</b>	<b>75,002</b>	<b>75,627</b>	<b>Total remuneration including pension</b>	<b>72,795</b>	<b>74,976</b>
<b>Head of Economic Development</b>			<b>Head of Corporate Resources</b>		
Salary, Fees and Allowance	56,629	57,703	Salary, Fees and Allowance	71,055	71,419
Expenses Allowance	186	164	Expenses Allowance	261	104
<b>Total remuneration excluding pension</b>	<b>56,815</b>	<b>57,867</b>	<b>Total remuneration excluding pension</b>	<b>71,316</b>	<b>71,523</b>
Employer's pension contribution	7,718	7,873	Employer's pension contribution	10,546	10,669
<b>Total remuneration including pension</b>	<b>64,533</b>	<b>65,740</b>	<b>Total remuneration including pension</b>	<b>81,862</b>	<b>82,192</b>
<b>Head of Planning</b>			<b>HR and Customer Service Manager</b>		
Salary, Fees and Allowance	65,772	69,392	Salary, Fees and Allowance	53,265	53,239
Expenses Allowance	128	214	Expenses Allowance	63	395
<b>Total remuneration excluding pension</b>	<b>65,900</b>	<b>69,606</b>	<b>Total remuneration excluding pension</b>	<b>53,238</b>	<b>53,634</b>
Employer's pension contribution	9,065	9,568	Employer's pension contribution	7,929	7,938
<b>Total remuneration including pension</b>	<b>74,965</b>	<b>79,174</b>	<b>Total remuneration including pension</b>	<b>61,257</b>	<b>61,572</b>

	2016/17 £	2017/18 £
<b>Housing Manager</b>		
Salary, Fees and Allowance	52,097	54,776
Expenses Allowance	0	0
<b>Total remuneration excluding pension</b>	<b>52,097</b>	<b>54,776</b>
Employer's pension contribution	7,814	8,216
<b>Total remuneration including pension</b>	<b>59,911</b>	<b>62,993</b>

**32. Grant Income: The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Revenue Support Grant	(1,389)	(804)
New Homes Bonus Scheme	(2,006)	(2,066)
Business Rates Retention Scheme	(626)	(1,255)
Council Tax Annex Grant	(20)	(21)
Transparency Set-up	(8)	(8)
New Burdens	(14)	(0)
Planning Delivery Fund Grant	0	(120)
Land Release Grant	0	(160)
Local Council Tax/NNDR Support & Administration	(107)	(101)
<b>Credited to Services</b>	<b>(4,170)</b>	<b>(4,535)</b>
DWP Housing Benefits	(20,713)	(20,248)
NNDR Cost of Collection	(139)	(140)
Disabled Facilities Grant	(705)	(851)
Young Persons, Skills & Future Funding	(868)	(301)
Collective Switching / Green Deal	(89)	(0)
Hope Community (DWP funding transferred to Norfolk Community Foundation)	(100)	(0)
Homelessness Grants	(396)	(460)
Section 106 Contributions	(11)	(151)
Elections / IEREG	(307)	(547)
Private Sector Housing Renewal	(11)	(7)
Sports Development	(28)	(29)
Economic Development Pooled Funding Projects	(125)	(248)
Second Homes Funding	(61)	(127)
New Burdens – Land Charges	(8)	(0)
Community Infrastructure – Admin/Surcharges	(0)	(3)
Other Grants	(19)	(8)
Public Health Partnership	(17)	(17)
Neighbourhood Planning Frontrunners	(95)	(60)
Planning Registers Set-Up	(21)	(35)
Recycling Partnership	(0)	(164)
	<b>(23,713)</b>	<b>(23,396)</b>
	<b>(27,883)</b>	<b>(27,931)</b>

### 33. External Audit Costs

The Public Sector Audit Appointments organisation (PSAA) sets a scale for external audit fees which the Council's external auditors, Ernst & Young, comply with. Without the distortions of payments to auditors falling in different financial years, the basic level of audit fees payable for 2016/17 and 2017/18 are as follows:

	2016/17 £	2017/18 £
External audit services carried out by the appointed auditor	41,587	41,587
Certification of grant claims and returns	15,495	11,024
	<b>57,082</b>	<b>52,611</b>

The scale fees for authorities (for external audit services) are now set by type of organisation, and are published on the PSAA website. In its document "Work Programme and Scales of Fees 2017/18", the PSAA states that it has held the scale of 2017/18 fees to the same level as 2016/17.

### 34. 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 at 31 March 2018 are shown within the debtors listed in Note 19.

#### Members & Chief Officers

Members of the authority have direct control over its financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 31. A review of related party transactions between the Council, members and chief officers was undertaken in 2017/18, and members are required to complete a declaration of all relevant interests each year. In respect of 2017/18, the following relationships should be 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 £37,435 during the year in respect of an agreement to provide support services to Broadland residents and £63 for training sessions provided to the authority's officers.
- Councillor Proctor, Councillor Vincent and Chief Executive Philip Kirby are Directors of Broadland Growth Ltd; Head of Democratic Services Martin Thrower is Company Secretary of Broadland Growth Ltd. Further details of Broadland Growth Ltd.'s transactions with Broadland District Council are provided in Note 15 and in a paragraph on partnership working in this Note. None of the four 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. Details of the company's trading results are set out within Note 15.
- 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. 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 £614,855 (£592,089 in 2016/17). Income received will be in the form of 7% of the profit of the company (if any), and also potential income from the sale of materials once a set amount of income is made. There is unlikely to be any profit share or income from materials this financial year.
- 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 £1,209,020 was paid during 2017/18, of which £677,679 related to activity taking place during 2016/17. A further £813,661 was paid in April 2018 in respect of CIL due for 2017/18 activities. Further details of the Infrastructure Investment Fund are given in Note 15.
- During 2016/17 the Council entered into a three year service level agreement (SLA) with the Norwich Fringe Project to maintain the Council's woodlands and the Bure Valley Railway footpath. This agreement was terminated during 2017-18 and the service returned in-house.
- Other Public Bodies

The authority derives the majority of its funding from the UK Government, as detailed in Note 9. 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 2017/18 amounted to £230,802 (£226,670 in 2016/17).

### 35. Leases

#### Finance Lease where the Council is Lessee

The Council has contracted with Veolia UK to perform 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 vehicles are included as Property, Plant and Equipment on the Council's balance sheet, in accordance with IAS 16 and 17.

The amounts included in the balance sheet in respect of the contract are:-

	31 March 2017	31 March 2018
Property, Plant and Equipment	553	325

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 estimated minimum lease payments for future years are made up as follows:-

	31 March 2017	31 March 2018
Payable within 12 months	228	205
Payable within two to five years	325	120
Payable after five years' time	0	0

#### 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 2017/18 was £13,242 (£15,578 in 2016/17). The future cash payments required under these leases as at 31 March 2018 are £15,518.

The authority classified the Eco-Cube facility at Rackheath as an industrial unit, as the sub-letting process is similar to that of the small industrial units held previously. When the lease was signed in 2012 an 'up-front' deposit was paid by the Council which then entitled it to a 'rent-free' status for ten years. Rental was therefore not payable in 2017/18. The unit was not sub-leased out during 2017-18 and therefore no rent was received in 2017/18 (£22,100 in 2016/17). The unit was returned to the owners in September 2017.

### 36. 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. Commitments for future capital expenditure at 31 March 2018 include local community and homeowner home improvement grants, social housing grants, Thorpe Lodge works, commitments relating to a new ICT strategy and forthcoming major repairs to the authorities Heritage Assets (Bridges). The total commitment is estimated at £1.5 million.

	2016/17 £'000	2017/18 £'000
<b>Opening Capital Financing Requirement</b>	<b>820</b>	<b>554</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	131	292
Intangible Assets	34	44
Long-Term Debtors	544	0
Revenue Expenditure funded from Capital under Statute	993	845
	1,702	1,181
<b><u>Sources of Finance</u></b>		
Capital Receipts	(603)	(102)
Grants and Contributions	(801)	(872)
Revenue/Internal Funds	(564)	(436)
<b>Closing Capital Financing Requirement</b>	<b>554</b>	<b>325</b>

### 37. Retirement Benefits

#### (a) Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, Broadland District Council 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.

#### (b) 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:-

	2016/17 £'000	2017/18 £'000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Service Cost, comprising:		
<i>Cost of services</i>		
Current Service Cost	1,417	2,341
Past Service costs / (gain)	0	71
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	638	656
<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,055</b>	<b>3,068</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	(571)	0
Actuarial gains and losses arising on changes in financial assumptions	13,253	(1,609)
Other experience	(1,700)	(13)
Return on plan assets (excluding the amount included in the net interest expense)	(4,983)	(749)
<b>Total post-employment benefits charged / (credited) to Other Comprehensive Income and Expenditure</b>	<b>5,999</b>	<b>(2,371)</b>
<b>Total post-employment benefits charged / (credited) to the Comp. Income &amp; Expenditure Statement</b>	<b>8,054</b>	<b>697</b>
<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	2,055	3,068
Employers' contributions payable to scheme	(1,511)	(1,630)
<b><u>Pension Assets &amp; Liabilities recognised within the Balance Sheet</u></b>		
Present value of the defined benefit obligation	(80,060)	(81,202)
Fair value of plan assets	55,224	57,299
<b>Net liability arising from defined benefit obligation</b>	<b>(24,836)</b>	<b>(23,903)</b>

**(c) Assets and Liabilities in Relation to Post-Employment Benefits**

Reconciliation of present value of the scheme liabilities:

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Opening balance	(67,203)	(80,060)
Current Service Cost	(1,417)	(2,341)
Interest Cost	(2,342)	(2,089)
Contributions from scheme participants	(398)	(396)
Re-measurement gains / (losses):		
• Actuarial gains / (losses) arising from changes in demographic assumptions	571	-
• Actuarial gains / (losses) arising from changes in financial assumptions	(13,253)	1,609
• Other experience gains / (losses)	1,700	13
Benefits Paid	2,282	2,133
Past Service Costs	0	(71)
<b>At 31 March</b>	<b>(80,060)</b>	<b>(81,202)</b>

Reconciliation of fair value of the scheme assets:

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Opening fair value	48,910	55,224
Interest income	1,704	1,433
Re-measurement gain / (loss): Return on assets, excluding amounts included in net interest	4,983	749
Employer contributions	1,511	1,630
Contributions by scheme participants	398	396
Benefits Paid	(2,282)	(2,133)
<b>At 31 March</b>	<b>55,224</b>	<b>57,299</b>

Asset category	Period ended 31 March 2017				Period ended 31 March 2018			
	Quoted prices		Total	Percentage of total assets	Quoted prices		Total	Percentage of total assets
	Active markets	Not in active markets			Active markets	Not in active markets		
	£'000	£'000	£'000		£'000	£'000	£'000	
<b>Equity securities</b>								
Consumer	4,113	-	4,113	7%	3,768	-	3,768	7%
Manufacturing	3,209	-	3,209	6%	3,213	-	3,213	6%
Energy and utilities	1,534	-	1,534	3%	1,022	-	1,022	2%
Financial institutions	3,549	-	3,549	6%	3,197	-	3,197	6%
Health and care	1,670	-	1,670	3%	1,050	-	1,050	2%
Information technology	1,578	-	1,578	3%	1,797	-	1,797	3%
<b>Debt Securities</b>								
Corporate bonds (investment grade)	-	-	-	0%	-	-	-	0%
Corporate bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	-	-	-	0%	863	-	863	2%
<b>Private Equity</b>	-	3,451	3,451	6%	-	3,166	3,166	6%
<b>Real Estate</b>								
UK Property	-	5,155	5,155	9%	-	5,026	5,026	9%
Overseas property	-	862	862	2%	-	824	824	1%
<b>Investment Funds and Unit Trusts</b>								
Equities	14,668	-	14,668	27%	15,340	-	15,340	27%
Bonds	13,958	-	13,958	25%	15,855	-	15,855	28%
<b>Derivatives</b>	(114)	-	(114)	0%	44	-	44	0%
<b>Cash and Cash Equivalents</b>	-	1,591	1,591	3%	-	2,135	2,135	4%
<b>Totals</b>	<b>44,165</b>	<b>11,059</b>	<b>55,224</b>	<b>100%</b>	<b>46,148</b>	<b>11,151</b>	<b>57,299</b>	<b>100%</b>

The liability shows the underlying commitments that the Council has in the long run to pay retirement benefits. Although the liability has a negative impact on the net worth of the Council as recorded in the balance sheet, statutory arrangements for the funding of the deficit mean that the financial position of the Council 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 2018/19 is £1,503,000 (£1,463,000 in 2017/18).

**(d) 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:-

	<b>31 March 2017</b> <b>% per annum</b>	<b>31 March 2018</b> <b>% per annum</b>
Inflation / Pension Increases (CPI)	2.4	2.4
Salary Increases	2.7	2.7
Discount Rate	2.6	2,7

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:-

	<b>Men</b>	<b>Women</b>
Current Pensioners	22.1 years	24.4 years
Future Pensioners	24.1 years	26.4 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.

### 38. Nature and Extent of Risks Arising from Financial Instruments

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

- a) Credit Risk – the possibility that other parties might fail to pay amounts due to the Council
- b) Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- c) Market Risk – 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.

#### a) Credit Risk

The following analysis summarises the potential exposure to credit risk of the Council's investments held at 31 March (Note 15). The Council has had no experience of default; the table below categorises outstanding investments by their current credit rating as determined by Fitch Long Term Issuer Default.

	Credit Rating	Total Sum Invested at 31 March 2017		Total Sum Invested at 31 March 2018	
		Loans and Receivables	Fair Value Through Income & Expenditure	Loans and Receivables	Fair Value Through Income & Expenditure
		£'000	£'000	£'000	£'000
Banks	AA+	0	0	0	0
	AA	0	0	0	0
	AA-	(4,001)	0	0	0
	A+	(5,014)	0	(4,005)	0
	A	(5,003)	0	(7,009)	0
		<b>(14,018)</b>	<b>0</b>	<b>(11,014)</b>	<b>0</b>
Building Societies	AA-	0	0	0	0
Pooled Funds	AAA	0	(14,566)	0	(14,521)
Other Local Authorities	n/a	0	0	0	0
UK Treasury	AAA	0	0	0	0
Less: Investments made on behalf of third parties		128	0	128	0
		<b>128</b>	<b>(14,566)</b>	<b>128</b>	<b>(14,521)</b>
		<b>(13,890)</b>	<b>(14,566)</b>	<b>(10,886)</b>	<b>(14,521)</b>

The authority has acquired a 25% interest in six properties on the Carrowbreck Meadow development, with a legal agreement that the purchasers will pay the authority the value on the twenty-fifth anniversary of the purchase at the latest. This has been deemed to be a soft loan, and the current valuation of £378,750 has been discounted back to a fair value of £230,495 by use of a readily available mortgage rate of 2.09%. The loan has been classed as a long-term debtor, and appears within Note 16, with the impairment registered in the Financial Instruments Adjustment Account on page 45.

The Annual Investment Strategy for 2017/18, approved by members at Cabinet on 14 March 2017, 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 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. The risk of default has therefore been accounted for in the balance sheet.

#### **b) Liquidity Risk**

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.

#### **c) Market Risk**

##### **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 2017/18, 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 £48,839 (£47,513 in 2016/17) 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.

##### **Indemnity**

In January 2012 the Council advanced £1m to Lloyds Banking Group as part of the Local Authority Mortgage Scheme (LAMS), aimed at first time buyers within the district. The advance reflected the Council's share of financial assistance through the provision of an indemnity, in place for a fixed five year period on each mortgage. The advance was returned to the Council in January 2017, with the proviso that if there are any defaults on a mortgage advanced under the scheme which require a call on the indemnity within the five year period, the authority will pay the agreed proportion of default to Lloyds. As at 1 April 2017 the maximum liability was £775,811 (31 March 2016: £999,610). There have been no defaults requiring a call on this indemnity and the authority's liability ceased at 30 November 2017.

**39. Contingent Assets and Liabilities**

The Council does not consider that it has any contingent assets or contingent liabilities.

**40. Post Balance Sheet Events**

There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

**41. Authorised for Issue**

The Statement of Accounts was authorised for issue by the Head of Finance and Revenues on 24 May 2018. 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 2018, 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.

## The 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.

	2016/17		2017/18	
	Council Tax £'000	NNDR £'000	Council Tax £'000	NNDR £'000
<b>Income</b>				
<b>Council Taxpayers</b>	70,701		74,854	
<b>Business Ratepayers (Non-Domestic Rates)</b>		30,496		29,262
Transitional Protection Receivable				
	<b>70,701</b>	<b>30,496</b>	<b>74,854</b>	<b>29,262</b>
<b>Expenditure</b>				
<b>Precepts and Demands</b>				
Central Government		14,976		14,718
Norfolk County Council	53,188	2,995	56,309	2,944
Office of Police and Crime Commissioner	9,511		9,799	
Broadland DC (incl.parishes for Council Tax)	8,127	11,981	8,623	11,775
<b>Charges to Collection Fund</b>				
Costs of Collection Allowance		138		140
Provision for Non Payment of Council Tax/NNDR	181	158	167	117
Write Offs	133	144	130	105
Transitional Protection Payable		72		705
Provision for Appeals (Non-Domestic Rates)		(411)		100
Disregarded Amounts (Renewable Energy)		168		147
<b>Distribution of Previous Year's Surplus/(Deficit)</b>				
To/(From) Central Government		(1,510)		(282)
To/(From) Broadland DC General Fund	27	(1,208)	17	(226)
To/(From) Office of Police and Crime Commissioner	31		20	
To/(From) Norfolk County Council	171	(302)	111	(56)
	<b>71,369</b>	<b>27,201</b>	<b>75,177</b>	<b>30,187</b>
<b>Surplus/(Deficit) for the Year</b>	(668)	3,295	(323)	(925)
<b>Surplus/(Deficit) Brought Forward</b>	975	(4,475)	307	(1,180)
<b>Surplus/(Deficit) Carried Forward</b>	<b>307</b>	<b>(1,180)</b>	<b>(16)</b>	<b>(2,105)</b>

## Notes to the Collection Fund

### 1. General

The Collection Fund account demonstrates the statutory requirement for a billing authority to maintain a separate record showing transactions in relation to National Non Domestic Rates and Council Tax.

### 2. Precepts and Demands on the Collection Fund

	2016/17		2017/18	
	Council Tax £'000	NNDR £'000	Council Tax £'000	NNDR £'000
Norfolk County Council	53,188	2,995	56,310	2,944
Office of Police and Crime Commissioner	9,511		9,799	
Central Government		14,976		14,719
Broadland District Council (incl. parishes)	8,127	11,981	8,623	11,775
	70,826	29,952	74,732	29,438

### 3. 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 )	10	5	6
A	2,682	6	1,788
B	11,542	7	8,977
C	17,434	8	15,497
D	9,335	9	9,335
E	4,512	11	5,515
F	1,954	13	2,822
G	742	15	1,237
H	79	18	158
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 20 Band D equivalent (contributions in lieu of Ministry of Defence).			45,335 (213)
Council Tax Base 2017/18 ( = amount raised from £1 levy)			45,122

The tax requirement of the Council (including parishes) and the County Council / Police Authority (£74.7 million) is divided by the tax base to obtain the band D property tax (£1,656.21 average for 2017/18). 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.

#### 4. Income from National Non-Domestic Rates (NNDR)

Rates on business properties are organised on a national basis with the rate in the pound being specified by Central Government (47.9p in 2017/18; small businesses were charged at 46.6p). 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 2017/18 was £77.1 million.

On 1<sup>st</sup> April 2014 the Business Rates Retention Scheme (BRRS) was introduced. Under BRRS 50% of collected rates are paid to Central Government and local authorities retain 50%; 40% retained by Broadland District Council and 10% retained by Norfolk County Council. In a mechanism similar to that operating for Council Tax, Broadland District Council acts as the collecting agent for the above.

At the implementation of the BRRS the council opted to form a pool with Norfolk County Council; in 2014/15 this pooling arrangement was disbanded and the council joined a new larger pool including a further four district and borough councils. This pooling arrangement has continued into 2017/18. As in previous years, Broadland District Council, along with the other pool members, will not be entitled to the Safety Net payment distributed by Central Government if its anticipated Business Rates income falls below the funding baseline. However, the council is entitled to retain 50% of any Levy due to Central Government (if Business Rates income exceeds the baseline) and this retained Levy is returned to the pool. The combined pooled Levy amounts can be utilised by the pool members on joint allocation to economic development projects.

#### 5. NNDR: Provision for Appeals

As part of the new arrangements for BRRS, local authorities will 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 are required to 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 £1,292,450, 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 (£99,950) is the net in year appeals position and includes a total of £1,192,500 of appeals settled in 2017/18.

	Total Collection Fund		Broadland District Council	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Balance at 1 April	3,397	2,986	1,359	1,194
Additional Provision required	478	1,292	191	517
Appeals settled in year	(889)	(1,192)	(356)	(477)
Balance at 31 March	2,986	3,086	1,194	1,234

#### 6. Collection Fund Surplus and Deficit

The deficit for Council Tax carried forward is shared with major preceptors. At 31 March 2018, the proportion due from Broadland District Council is £2,403 (a surplus of £35,289 in 2016/17) 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 NNDR carried forward is shared with major preceptors. At 31 March 2018, the proportion due from Broadland District Council is £676,107 (a deficit of £302,542 in 2016/17). This total is the net result of the year end general business rates deficit (40% share - £841,988) offset by the year end surplus on renewable energy hereditaments (£165,881 – 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.

**This page does not contain any information relating to the Statement of Accounts.**

## **LOCAL AUTHORITY FINANCE – GLOSSARY OF TERMS**

### **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 fixed assets 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.

## CORPORATE AND DEMOCRATIC CORE

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs.

## CREDIT APPROVALS

These are issued by Government departments as authorisation to use credit to finance capital expenditure. They permit the use of borrowing or credit arrangements or, in the case of debt free authorities, the use of reserved receipts.

## DEFERRED CHARGES

Expenditure which may properly be deferred, but which does not result in, or remain matched with tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

## 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

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 ACoP, 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.

## TOTAL COST

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes an appropriate share of all support services and overheads, which need to be apportioned.

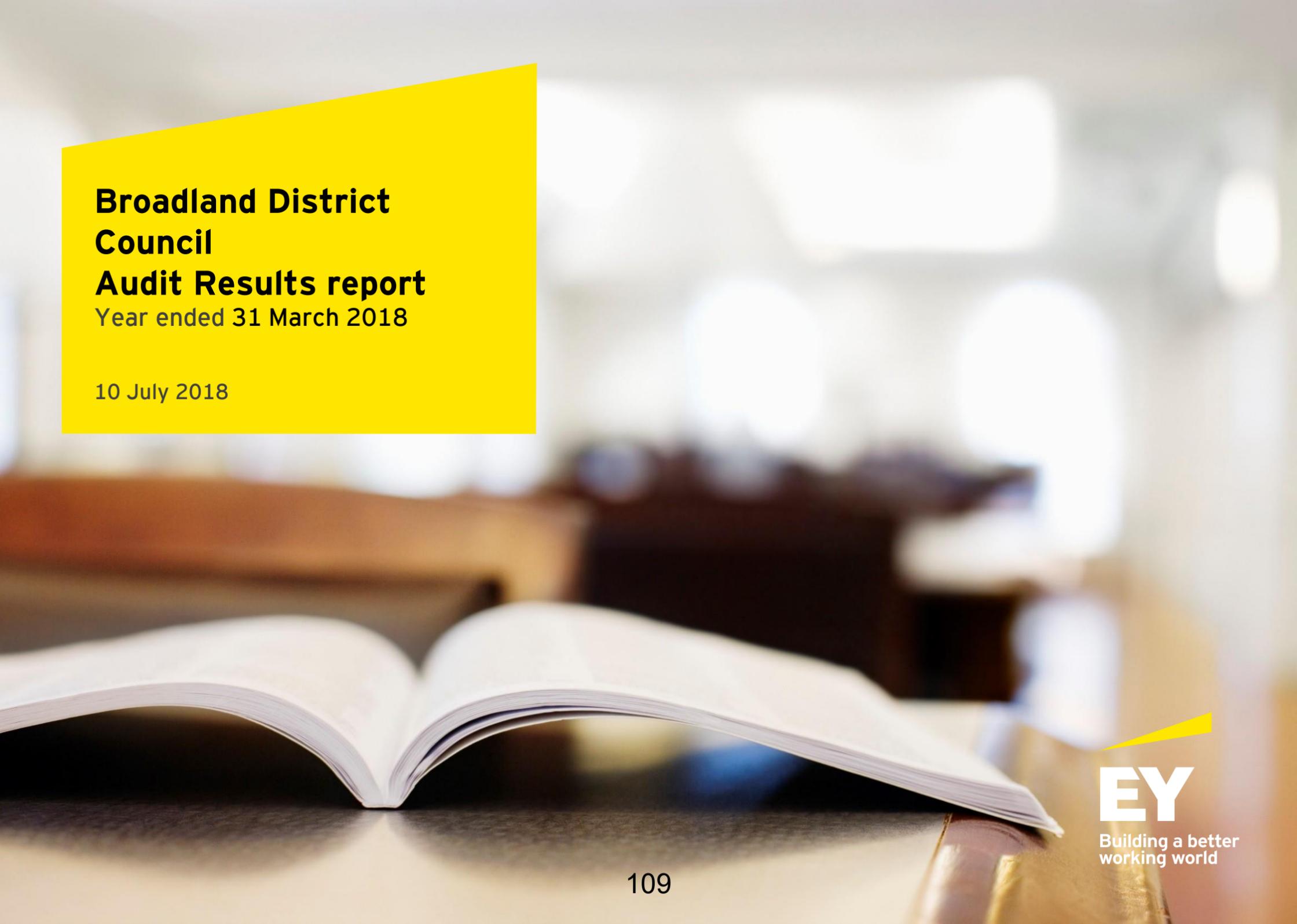
## UNAPPORTIONABLE CENTRAL OVERHEADS

These are overheads for which no user now benefits and should not be apportioned to services.

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**Broadland District  
Council**  
**Audit Results report**  
Year ended 31 March 2018

10 July 2018



Audit Committee  
Broadland District Council

10 July 2018

Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Broadland District Council for 2017/18. We will issue our final report after the Broadland District Council meeting scheduled for 26 July 2018.

We have substantially completed our audit of the Broadland District Council for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting 26 July 2018.

Yours faithfully

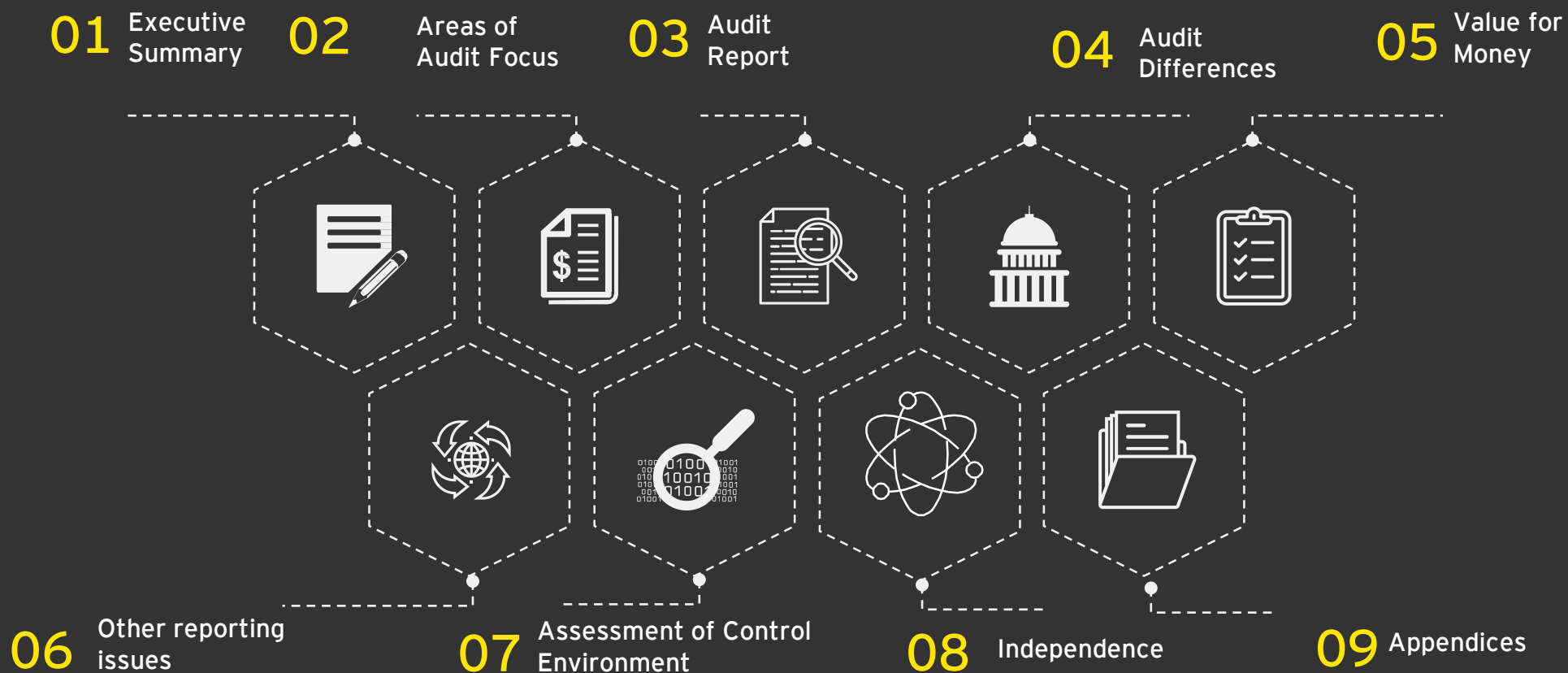
*MARK HODGSON*

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of the Broadland District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of the Broadland District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of the Broadland District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

## Executive Summary



## Executive Summary

### Scope update

In our audit planning report presented at the 15 March 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

In our Audit Plan, we communicated that our audit procedures would be performed using a materiality of £0.9 million. This level of materiality remains appropriate for the actual results for the financial year. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. The threshold for reporting misstatements that have an effect on the primary statements (Comprehensive Income and Expenditure Statement (CIES), Balance Sheet, Movement in Reserves Statement (MiRS), Cash Flow Statement) is £0.702 million.

### Status of the audit

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

- review of the final version of the financial statements;
- completion of subsequent events review;
- receipt of the signed management representation letter; and
- final Manager and Engagement Partner reviews.

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

## Executive Summary

### Audit differences

#### Unadjusted differences

There is no unadjusted audit differences.

#### Adjusted

We identified two audit differences in our work, which have been adjusted by Management within the revised financial statements.

One of these was an error within the Cash Flow Statement of £0.568 million, where a movement in Short-term Debtors was incorrectly shown as an increase (£0.284 million), whereas it was a decrease. As a consequence, Investing Activities were disclosed incorrectly by an equal amount of £0.284 million, in order to make the Cash Flow Statement balance.

The second related to the Authority's share of Pension Fund Assets. Updated information became available during our audit, which led to an increase in the Authority's share of Pension Fund assets by £0.515 million. There were a number of other pension fund disclosures impacted by this amendment. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements.

We also identified a significant number of audit disclosure differences in the draft financial statements, which have been adjusted by management.

Further details are provided in Section 4.

### Areas of audit focus

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

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

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

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



## Executive Summary

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### Control observations

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

### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we did not identify any significant risks.

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

### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

### Independence

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



02

## Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Risk of management override of control

##### What is the risk?

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

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

##### What judgements are we focused on?

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

We are also required to identify specific additional risks of management override. The specific additional risk identified is with regards to manipulation of accounting estimates with the estimates most likely to be subject to management override of controls being non-routine income and expenditure accruals and provisions and specifically the Non Domestic Rates (NDR) appeals Provision.

##### What did we do?

We performed mandatory procedures, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Reviewing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions; and
- Reviewing managements specialist, Analyse Local, who provide information to support the NDR appeals provision, testing the assumptions applied in the provision for reasonableness and ensuring it has been prepared in accordance with IAS37.

##### What are our conclusions?

Our testing has not identified any material misstatements from management override.

We have tested the NDR appeals provision and have not identified any issues we wish to bring to your attention.

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





## Areas of Audit Focus

### Other areas of audit focus – Valuation of Land and Buildings

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Valuation of Land and Buildings</b></p> <p>Property, Plant and Equipment represents a material balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet. This is carried out by an expert valuer and is based on a number of complex assumptions.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>▶ Considered the reliance placed on management's valuation experts and undertook a review of the District Valuer's work. This included comparison to industry valuation trends and reliance on our own valuation experts;</li> <li>▶ Considered the annual cycle of valuations to ensure that assets had been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there were any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>▶ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated by using market indices to assess movements from last revaluation dates;</li> <li>▶ Tested the accounting treatment of valuations made in the year, including the assessment and treatment of impairments.</li> </ul>	<p>We have completed our work on the valuation element of Property, Plant &amp; Equipment.</p> <p>We have not identified any material misstatements from the work undertaken to date.</p> <p>Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.</p> <p>We have identified a weakness in the Council's process for assessing the expert's report and the impact on the valuations of those assets. See Section 7 - Assessment of Control Environment.</p>



## Areas of Audit Focus

### Other areas of audit focus – Pension Fund Liability

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Pension Liability Valuation</b></p> <p>The Local Authority Accounting Code of Practice (the code) and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▶ Liaised with the auditors of Norfolk Pension Fund, and obtain assurances over the information supplied to the actuary in relation to the Broadland District Council;</li> <li>▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and</li> <li>▶ Reviewed and tested the accounting entries and disclosures made within the Broadland District Council's financial statements in relation to IAS19.</li> </ul>	<p>We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required.</p> <p>A movement on the total fund asset between the estimated year end balance and the actual was identified by the pension fund auditor. The impact of this was an understatement of the Council's pension assets by £0.515 millions. This amount is above our summary of audit differences level and has been adjusted in the accounts. See Section 4 for the adjustments.</p> <p>We have not identified any issues with the accounting entries and disclosures made within the financial statements.</p>



## 03 Audit Report



# Audit Report

## Our proposed opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROADLAND DISTRICT COUNCIL

#### Opinion

We have audited the financial statements of Broadland District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 42 and the Expenditure and Funding Analysis to the Council Accounts, and the Collection Fund and the related notes 1 to 6.

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

In our opinion the financial statements:

- give a true and fair view of the financial position of Broadland District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

#### Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:  
the Head of Finance & Revenue Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the Head of Finance & Revenue Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# Audit Report - continued

## Our proposed opinion on the financial statements

### Other information

The other information comprises the information included in the Statement of Accounts 2017-2018, other than the financial statements and our auditor's report thereon. The Head of Finance & Revenue Services is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

### Matters on which we report by exception

We report to you if:

in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;  
we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;  
we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;  
we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;  
we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or  
we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



# Audit Report - continued

## Our proposed opinion on the financial statements

### Responsibility of the Head of Finance & Revenue Services

As explained more fully in the Statement of the Head of Finance & Revenue Services' Responsibilities set out on pages ix, the Head of Finance & Revenue Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in August 2017, as to whether Broadland District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Broadland District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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



## Audit Report - continued

### Our proposed opinion on the financial statements

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

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

### Certificate

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

### Use of our report

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



## 04 Audit Differences



# Audit Differences

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

## Summary of adjusted differences

We have included all known amounts greater than £0.046 million relating to Broadland District Council in our summary of misstatements. We highlight the following misstatements in the financial statements identified during the audit. These have been corrected by management:

### 1. Cash Flow Statement – Adjustment for Non-Cash Movements (Short-term Debtors) and Other receipts from Investing Activities

The Cash Flow Statement was in error by £0.568 million, because a movement in Short-term Debtors was incorrectly shown as an increase (£0.284 million), whereas it was a decrease. As a consequence, Investing Activities were incorrectly disclosed by an equal amount of £0.284 million, in order to make the Cash Flow Statement balance.

### 2. Pension Adjustments

The Authority is an admitted body within the Norfolk Pension Fund. The Authority is reliant upon the Pension Fund’s Actuary to provide it with the relevant information in relation to the Authority’s share of assets and liabilities of the Pension Fund (through an IAS19 report) for inclusion within its financial statements.

The Actuary, within its IAS19 report (dated April 2018) estimated the Pension Fund asset value as at the 31 March 2018 and the Authority used the estimated figure within its draft financial statements. Our audit procedures focus on securing appropriate assurances from the Norfolk Pension Fund auditor. These procedures, identified that the actual asset valuation at the 31 March 2018 was £50.7 million greater than the Actuary’s estimate. The Authority’s share of this increase is £0.816 million.

Given that the difference is approaching our materiality level (£0.936 million) we asked the Authority to liaise with the Pension Fund Actuary given the impact on the Authority’s financial statements. The Pension Fund Actuary has, in light of the significance of the identified difference in asset valuations at an admitted body level, updated the IAS 19 report that it provided to the Authority, taking into account the actual year end asset valuations. The Actuary also updated the IAS 19 report in relation to the impact of the asset valuation change on other figures reported by the Authority. The Authority has adjusted the revised financial statements using the revised figures from the updated IAS 19 report, an actual movement of the Authority’s share of the assets of £0.515 million. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements.

### 3. Disclosure Adjustments

We have also identified significant number of disclosure adjustments during the audit that have been updated by management in the financial statements. We set these out on the following page.



## Audit Differences (continued)

### Summary of adjusted differences

#### Disclosure Adjustments

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

- The Council incorrectly recognised an embedded finance lease in relation to the assets used for street cleansing. Given that the lease came to an end in August 2017, we would have expected the assets to have been derecognised from Note 12 - Property, Plant and Equipment. The note was therefore overstated by £0.396 million in respect of the gross cost and accumulated depreciation for these assets. In addition, the narrative in Notes 3 and 36 had also not been updated to reflect the cessation of this lease. The net effect on the balance sheet is nil.
- Note 21 - Creditors. The note did not cast by £0.540 million.
- Note 2 - Accounting Standards that have been issued but have not yet been adopted. The Council did not disclose the impact that the new standards would have on the Council, a requirement of the Code of Practice.
- Note 9 - CIES Taxation and non specific grant income and Expenditure. The note did not cast by £0.540 million.
- Note 32 - Exit packages. The disclosure in the draft statement of accounts did not meet the disclosure requirements of the Code of Practice, in respect of disclosing the full information required for each case. There was also no split between the reasons for the exit packages (voluntary, compulsory and other).
- Note 10 - Adjustment between accounting basis and funding basis. The financial instrument adjustment account amount of £0.153 million was included in the incorrect column of the table.
- Collection Fund. The 'transitional protection payable' figure was incorrect stated at £0.105 million as it was understated by £0.555 million, In addition, the total of this column did not cast.
- Note 18 - Financial Instruments - Financial liabilities carried at contract amounts were understated by £0.188 million and financial assets carried at contract amounts are overstated by £0.078 million. These were both identified as errors in last year's financial statements.
- Note 38 - Related Party Transactions. The note included a number of disclosures based on historic declarations of interest. These have now been removed.
- Revenue Expenditure funded from Capital under Statute (REFCUS). Expenditure under this item flows through the financial statements in a number of places (Note 26 - Capital Adjustment Account, Note 33 - Grant Income, Note 37 - Capital Expenditure and Financing). The figures in each of these notes were different, when they should all be the same.



## Audit Differences (continued)

### Summary of adjusted differences

#### Disclosure Adjustments (continued)

We have also identified a number of other minor text and disclosure adjustments during the audit that have been updated by management in the financial statements. These impacted Notes 4, 7, 11, 15, 19, 26, 30, 33 and 34.

We would reflect that a significant number of these adjustments are consistent with prior year audit findings.

**Recommendation** - The Council should ensure that it has a robust quality review process in place prior to the authorisation of the draft financial statements ahead of the statutory deadline.

### Summary of unadjusted differences

#### Unadjusted Audit Differences

There are no other uncorrected misstatements.



05

## Value for Money Risks





# Value for Money

## Background

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

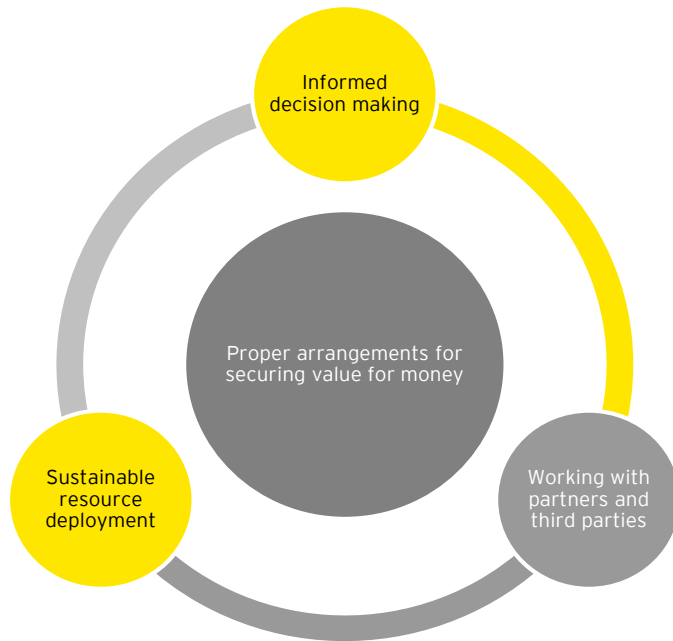
For 2017/18 this is based on the overall evaluation criterion:

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

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

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

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



## Financial Resilience and Assessment of the Authority's Reserve Position

As part of our assessment of your proper arrangements, we considered the Authority's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2018 and at the 31 March 2021.

Our assessment of this is set out on the next page.

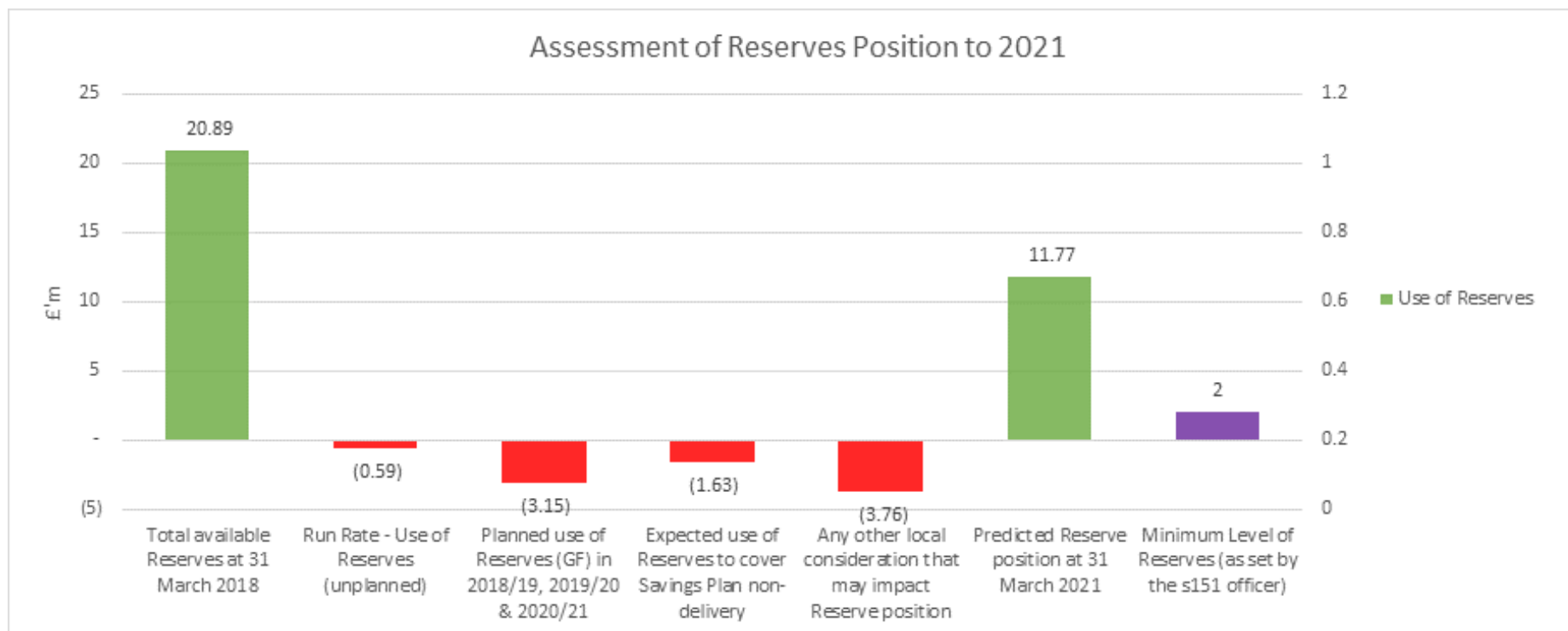
## Overall conclusion

We did not identify any significant risks around these criteria.

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



## Value for Money



### Our Assessment

In our assessment we considered:

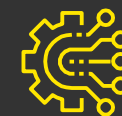
- The Authority's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The Authority's planned use of reserves to support the General Fund budget in each of the next 3 years;
- the Authority's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- the Authority's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- reliance upon New Homes Bonus income which has not been confirmed post 2018/19, upon which the MTFS is reliant.

The Authority has no planned use of borrowing over the same time frame.

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



## 06 Other reporting issues



## Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements

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

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

However, we noted that the Narrative Report had not been updated for the changes prescribed within the Code of Practice for Local Authority Accounting 2017/18. This was the only specified change for the Statement of Accounts for 2017/18. The finance team have provided a revised Narrative Report which is now in line with the Code of Practice requirements.

We have reviewed the Annual Governance Statement. We identified that the wording from the Head of Internal Audit Opinion had not been disclosed completely. Management have updated the Annual Governance Statement for this. We can confirm it is consistent with other information from our audit of the financial statements. We have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

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

## Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations.

We have no matters to report.



07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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

### 1. Related Party Transactions

At the time of our audit 7 Members had not returned their declarations of interest forms in respect of 2017/18. It has also been identified that one Member had not disclosed a known related party within their form, Broadland Growth Limited, although this had already been disclosed within the relevant note (Note 35). This therefore cast doubt over the completeness of that note. We have undertake extended procedures to ensure there is enough evidence to support the disclosures made in Note 35. The accuracy and completeness of this note is a fundamental cornerstone of public reporting, so we are drawing this control deficiency to the attention of the Audit Committee.

**Recommendation** - The Council should ensure that it has a robust process in place to collect all Member declarations in a timely manner and reinforce the importance of accurate disclosures by Members and key staff through appropriate training.

### 2. Property, Plant and Equipment Valuations

The Council's Expert Valuers' report for the Bure Valley Railway was prepared on the wrong basis, as an 'Investment Property' instead of and 'Asset held for sale'. This oversight was not identified during the Council's closedown process. We identified the error as part of our audit procedures. Whilst there was no impact on the valuation of this asset, it does highlight a weakness in control, as it could have a material impact.


**Recommendation** - The Council should ensure that it has a robust quality review process in place prior to the authorisation of the draft financial statements ahead of the statutory deadline.



08

## Independence

## Confirmation




We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 08 February 2018.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 26 July 2018.

## Relationships, services and related threats and safeguards



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

There are no relationships from 01 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

# Independence



## Services provided by Ernst & Young

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

We confirm that none of the services listed in have been provided on a contingent fee basis. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## Fee Analysis

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

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

	Final Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s
Total Audit Fee - Code work	See Note 1	41,587	41,587
Grant Claims	11,022	11,022	14,495
Total Fees	52,609	52,609	56,082

### Note 1:

We need to assess the impact of the significant number of disclosure errors and control weaknesses on the quantum of our audit work. This will lead to a variation to the Scale Fee being levied but we are at this stage, unable to quantify the quantum of that amount. This additional fee will be discussed with management and is then subject to approval by the PSAA.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.



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## Appendices







## Appendix C - Required communications with the Audit Committee





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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 15 March 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 15 March 2018
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - 26 July 2018




## Appendix C - continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about the Broadland District Council ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - 26 July 2018
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Committee - 26 July 2018
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Results Report - 26 July 2018





## Appendix C - continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Council's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Council</li> </ul>	Audit Results Report - 26 July 2018
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 15 March 2018</p> <p>Audit Results Report - 26 July 2018</p>

## Appendix C - continued

		 Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	We were unable to obtain external bank confirmations in relation to cash and investments for Lloyds Bank the Coop Bank. We performed additional procedures to gain sufficient assurance for opinion purposes.
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	Audit Results Report - 26 July 2018
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - 26 July 2018

## Appendix C- continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 26 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 26 July 2018
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 26 July 2018
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - 15 March 2018 Audit Results Report - 26 July 2018
Certification work	Summary of certification work undertaken	Annual Certification report - Due December 2018.



## Appendix E – Request for a Management representation letter

### Request for a Management Representation Letter



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Jill Penn  
Head of Finance and Revenue Services  
Broadland District Council  
Thorpe Lodge  
1 Yarmouth Road  
Thorpe St Andrew  
Norwich  
NR7 0DU

5 July 2018

Ref:  
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Jill,

#### **Broadland District Council – 2017/18 financial year Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

#### **General statement**

That the letter of representations is provided in connection with our audit of the financial statements of Broadland District Council ("the Council") for the year ended 31 March 2018.

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

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300051 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



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You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

#### **A. Financial Statements and Financial Records**

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the council's financial statements. We believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. You confirm that the Responsible Officer has:
  - Reviewed the accounts
  - Reviewed all relevant written assurances relating to the accounts, and
  - Made other enquiries as appropriate.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, that are free from material misstatement, whether due to fraud or error.
6. That you believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole



## Appendix E – Request for a Management representation letter (continued)

### Request for a Management Representation Letter



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

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

#### C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that we have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. That you have made available to us all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 26 July 2018.



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4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### D. Liabilities and Contingencies

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

#### E. Subsequent Events

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


#### F. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
  - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.



## Appendix E – Request for a Management representation letter (continued)

### Request for a Management Representation Letter

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

G. Expenditure Funding Analysis

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

H. Going Concern

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

I. Ownership of Assets


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

J. Reserves

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

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.

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

L. Retirement benefits

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

M. Other information

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

N. Specific Representations

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

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

Yours sincerely

Mark Hodgson  
Associate Partner  
Ernst & Young LLP  
United Kingdom

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# Local government audit committee briefing



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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

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It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.



# Government and economic news

## EY ITEM Club – Local Government Economic Briefing Q2, May 2018

The EY ITEM Club has produced a briefing that provides a view of economic shifts and trends for local authorities to consider. It suggests that 2018 will see a continuation of the mediocre economic performance seen in 2017. This will provide a number of challenges for local authorities at a time when the need to achieve key objectives, such as driving economic growth locally, become ever more important. The briefing covers three main areas:

### Continued economic pressures in 2018

Local authorities are likely to find the UK's economic performance stumbling through 2018, with GDP growth now failing to keep up with a rosier outlook for the global economy.

The UK's GDP growth averaged 1.7% throughout 2017, outperformed by growth across the G7 economies. This reflects an economy that has displayed a degree of stability in recent quarters, but also a lack of momentum in both absolute and relative terms. GDP growth is forecasted to remain consistent at 1.7% 2018 and 2019, representing a sub-par growth by the standards of both history and the UK's international peers.

A number of economic metrics are likely to influence local authority decision making in the year ahead:

- ▶ The CIPS/Markit Index indicated a tough few months for the UK economy at the start of 2018, influenced by a prolonged bout of bad weather. The construction sector was worst hit, with the Index suggesting a slump in March to 47.0 from the previous month's 51.4, suggesting a contraction in activity. This could impact both infrastructure and house building activity
- ▶ 2017's increasing inflation rate created the chief headwind to growth in the year. However from a consumer's point of view, the growth in average earnings will likely outpace the inflation rate. Local authorities will need to consider the impact on their workforce, including consideration towards workforce retention
- ▶ The economy faces a headwind from the prospect of rising interest rates, caused by inflation likely to stay above the 2% target and the tone of the Bank of England Monetary Policy Committee. The EY ITEM Club forecasts two further interest rate rises of 0.25% in the coming year. Local authorities need to consider the impact of this, for example on variable rate borrowing costs and also on broader treasury management plans

## **Positive Signs for some on business Rates Retention**

A recent study by the Institute for Fiscal Studies (IFS) has reignited the debate about the potential financial implications associated with 100% business rates retention. The IFS study forecasts that councils included in the 100% retention pilot scheme will gain an additional £870mn in funding next year as a result, representing an approximate 3.6% increase in their collective spending power.

Whilst this provides an incentive to councils for growing their local economies, critics argue that areas less able to generate business income may become vulnerable to funding constraints. For example, the IFS forecasts suggest that London councils could gain £430mn (£49 per person, or 4.9% of core spending power) from the scheme, compared to a gain of just £2.5mn (£5 per person, or 0.6% of core spending power) in Liverpool. As a result, these estimates suggest that Liverpool City Council would have derived a greater financial benefit if total gains made by pilot authorities had been distributed nationally on the basis of relative needs.

One of the primary concerns regarding distributional impacts is the potential lack of correlation between local authority spending needs and the perceived potential for business rates growth. Further analysis is required to determine the potential impact of rate retention in light of where local authority funding needs may emerge in the years to come.

## **Mitigating the risk of market failure in health and care systems**

Allied Healthcare, one of the country's largest home care providers, has successfully agreed a Company Voluntary Arrangement (CVA) allowing it to agree a payment plan with its creditors.

Changes to the Care Act, which came into effect in 2015, means that if a provider like Allied were to stop trading, local authorities would need step in to protect individuals receiving care. This demonstrates the need for a continued focus on the successful integration of care and the role of local authorities in leading this transformation is paramount.

Data is a fundamental enabler to the successful integration of health and social care; it also presents one of the areas of greatest complexity. Key stakeholders across health and social care

systems should recognise the role of sharing data in minimising the risk of information asymmetry. Focus is already being applied to establishing platforms that allow market participants to share data not just on an individual's care needs, but also on broader lifestyle data. Whilst this has the potential to allow for the use of transformative technologies such as artificial intelligence, it also has the potential to support more effective pricing and resource allocation, leading to the better functioning of the health and care market.

## **NAO Report Financial sustainability of local authorities 2018**

In March 2018 the National Audit Office (NAO) published a report Financial sustainability of local authorities 2018. The scope of the report was to review developments within the sector and to understand the impact of funding reductions on the service and financial sustainability for local authorities. One of the key findings of the report was that there had been a real-terms reduction in local authority spending power by 29% between 2010-11 and 2017-18.

Spending on services that have significant statutory responsibilities, such as adult social care have only seen a reduction in spending of 3% in real terms; whereas in contrast spending on more discretionary areas, such as planning, housing services, highways and cultural related services, have seen a greater reduction of spending between 35% to 53% in real terms. These spending reductions have seen reductions in front lines services such as weekly domestic waste collection (reduced by 34% between 2010-11 and 2016-17) and numbers of libraries (reduced by 10% between 2010-11 and 2016-17).

Another key finding of the NAO report is that the many local authorities are relying on using their reserves to fund the provision of services, which is not sustainable. The report found that 11% of single-tiered and county councils had the equivalent of less than three years' worth of total reserves if they continued to use their reserves at the rate they did in 2016-17. Therefore achieving strong financial resilience is imperative to maintaining the financial sustainability of the provision of services by local authorities. Northamptonshire County Council issued a s114 notice in February 2018, indicating that it was at risk of spending more in the financial year than it had resources available. This highlights the increased risk of financial sustainability for local authorities.



# Accounting, auditing and governance

## **IFRS 9: Financial Instruments ... just an accounting change isn't it?**

On 4 April 2018 the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2018/19 was issued by a joint board of CIPFA/LASAAC. The updated Code of Practice for 2018/19 introduces two new reporting standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, which was discussed in detail in the last briefing.

The implementation of IFRS 9 in the Code could well have an impact on Local Authority budgets and ultimately General Fund reserve levels.

The IFRS impacts on an authority's financial assets: the investments it holds; the amounts it has lent to others; and other monetary based assets it may have. It changes how these financial assets are classified and how movements in their value are accounted for. It also changes how these assets are impaired; based on the risk that the assets may not be recovered in full, or at all.

### **Classification changes**

Currently, many authority financial assets are classified as 'Available for Sale'. For these assets, an accounting adjustment is permitted to ensure that movements in the value of these assets does not impact on the General Fund. Under IFRS 9, the 'Available for Sale' classification no longer exists. Authorities will therefore have to reclassify their financial assets into one of the three classifications allowed under the standard: amortised costs; fair value movement through other comprehensive income; and fair value movement through profit and loss. It is this final category

which is causing authorities concern, as any movement in the value of assets in that classification will impact directly on General Fund balances, and at present there is no permitted accounting adjustment to remove that impact.

### **Collective Investment Schemes**

Many authorities are now investing significant amounts in a range of collective investment schemes, such as the CCLA Local Authority Property Fund. At present there is significant debate about the classification of these funds, with the majority view being that they would be classified as fair value movement through profit and loss, with those movements therefore impacting on General Fund. The alternative view is that these funds meet the definition of equity and could therefore be reclassified to fair value movement through other comprehensive income, with the value movements not impacting General Fund. This specific issue is being considered by central government and CIPFA, and it is likely that a permitted accounting entry will be introduced to allow the impact of value movements for these type of funds to be removed from the General Fund.

### **Impairment of financial assets**

Under the current approach, Local Authorities only have to provide for impairments to financial assets when there is objective evidence that all of the value of the asset may not be recovered; IFRS 9 introduces a new model for financial asset impairment. Under the new impairment model, Local Authorities will need to make an estimate of the potential loss on all financial assets at the inception of that asset, even if there is no objective evidence that

a loss will occur. This will obviously result in a higher impairment charge for financial assets going forward, and that charge will impact on General Fund.

In summary, the introduction of IFRS 9 into the Code is more than just an accounting change and authorities will have to keep a very close eye on the budgetary.

## **CIPFA/LASAAC consultation on IFRS 16 Leases**

CIPFA has issued the first of a series of briefings intended to assist practitioners engage in the consultation process for the adoption of IFRS 16 in the 2019/20 Code. Each briefing will focus on particular aspects of the standard whilst also updating stakeholders on latest developments. The first briefing focuses on recognition and measurement and the adaptations to the Code for the adoption of IFRS 16.

IFRS 16 replaces IAS 17 Leases and its related interpretations. It will apply to the 2019/20 financial statements subject to the consultation process and CIPFA/LASAAC's decisions for adoption in the 2019/20 Code. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the authority.

The new leasing standard will lead to a significant change in accounting practice for lessees for whom the current distinction between operating and finance leases will be removed. Instead it requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. At the commencement date of the lease, a lessee will recognise a right-of-use asset representing its right to use the underlying leased property, and a lease liability representing the lessee's obligation to make lease payments for the asset.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. Subsequently, lessees increase the lease liability to reflect interest, and reduce the liability to reflect lease payments made (as with finance leases under IAS 17).

The right of use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct costs (e.g., commissions), and an estimate of restoration, removal and dismantling costs. Subsequently, the right of use asset is depreciated in accordance with IAS 16. (In certain circumstances, alternative subsequent

measurement bases for the ROU asset may apply (in accordance with IAS 16 and IAS 40 Investment Property).

The standard has a set of specific mandatory disclosure requirements (e.g., expenses, cash flows), and also an additional requirement for a lessee to disclose any further information a user would need to assess effect leases have on the financial statements.

CIPFA will be liaising with a number of authorities across the UK to consider the cost and benefit implication of adoption of IFRS 16, as well as the impact on information requirements, the processes and systems used by local authorities.

Future briefings to support the implementation of this new standard will cover topics such as identifying the lease, recognition exemption, issues for lessors and transitional reporting arrangement, to name a few. A readiness assessment questionnaire has been included in the consultation to help local authorities in their preparations. CIPFA/LASAAC is requesting authorities to share this information in order to assess the overall preparedness for adoption on a larger scale.

## **Audit Committee Effectiveness Toolkit**

Audit Committees are a vital part of any entity as they are charged with overseeing governance arrangements throughout their organisations. Over the past few years Audit Committees have experienced enhanced scrutiny from regulators and stakeholders with new guidance on good governance arrangements, public sector internal audit standards, managing risk and preventing fraud; whilst at the same time there has been the need to deliver better value for money for taxpayers.

Therefore it is vital that every Audit Committee is prepared, ready and are able to fulfil their role in an effective manner. In order to assist Audit Committees in monitoring their performance, and assessing their effectiveness, EY has developed a Government and Public Sector specific 'Audit Committee Effectiveness Toolkit'.

The toolkit provides an opportunity for Audit Committees to critically assess their own effectiveness to determine if they meet the minimum standards as set out in CIPFA's Position Statement for Audit Committees. The toolkit will also help all members to understand their respective roles and responsibilities of being a member of an Audit Committee.

This toolkit is available as an additional service that can be provided. Further information regarding the Audit Committee Effectiveness Toolkit is available upon request through your local audit team.

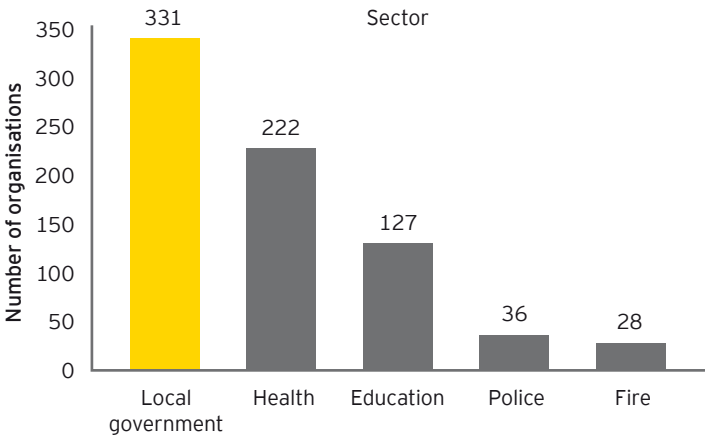


### Gender pay gap reporting

On 4 April 2018, employers in Great Britain with more than 250 staff were required by law to publish data on Gender Pay Gap for the first time. EY has analysed the gender pay gap data reported by 744 public sector bodies, including 331 local authorities (see Figure 1 below).

**Figure 1: Government and Public sector bodies reported on gender pay gap**

Who reported



The gender pay gap is calculated by determining the difference between the mean or median hourly earnings for men and women, as a percentage of men's hourly earnings. We have analysed the mean gender pay gap and the median gender pay gap below.

The education sector reported the largest average median pay gap (15.3%), whilst Local Government reported the lowest average median pay gap (5.8%), see Figure 2 below.

**Figure 2: Average median pay gap**

Average pay gap

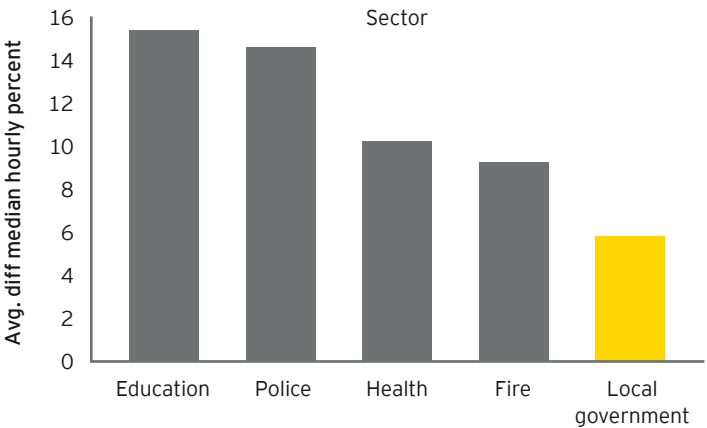
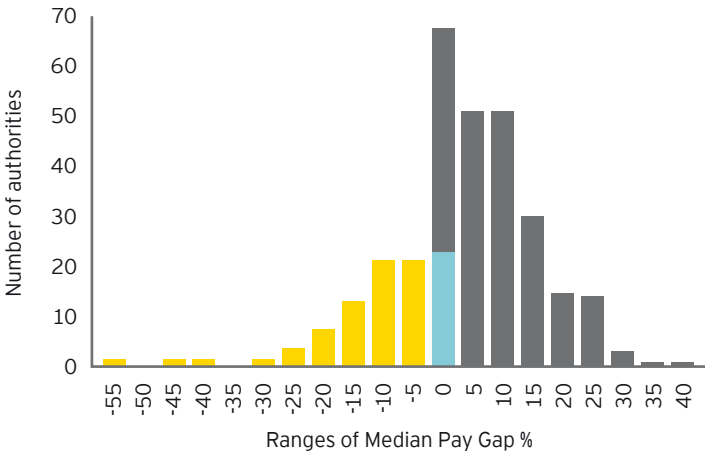


Figure 3 below sets out the % gap in median hourly pay between men and women reported by local authorities. This shows that 25 authorities reported a zero pay gap, 77 authorities reported a higher median pay for women than men, and the remaining 227 authorities reported men receiving a higher median pay for men than women.

**Figure 3: Difference in median hourly pay in LG**

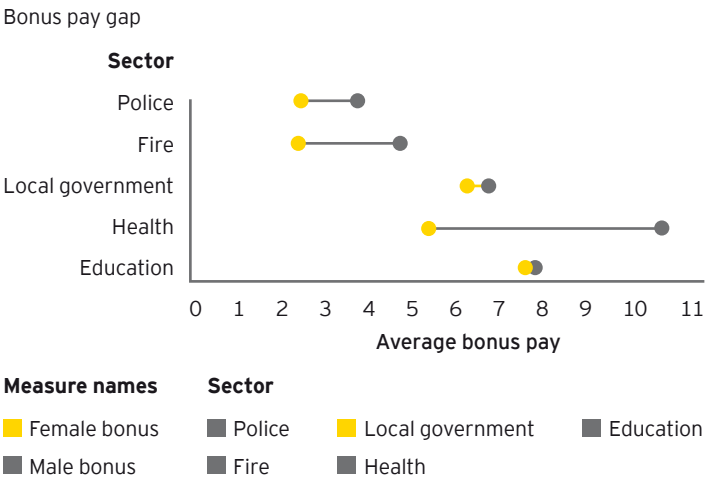
Difference in median hourly pay in fire sector, %



Difference in Median hourly pay as report by each organisation. Yellow represents instances where the median hourly pay was higher for women, Blue represents instances where there was no gender pay gap and grey corresponds to a median hourly pay gap where men are paid higher.

Figure 4 below compares the bonus pay gap between men and women across different sectors. This shows that local authorities have the second lowest bonus pay gap.

**Figure 4: Bonus pay gap in the public sector**



**Making Tax Digital (MTD) for VAT: changes from April 2019**

From April 2019 it will be compulsory for VAT registered local authorities to comply with new requirements to be in line with HMRC regulations. Local authorities will need to:

- ▶ Keep and preserve digital tax records
- ▶ File VAT returns directly with HMRC using MTD compatible software

Whilst these requirements may not initially seem too burdensome, where a local authority is preparing VAT returns manually from legacy systems or multiple unconnected systems it may be a challenge (and time consuming) to fully understand and implement the necessary changes to be compliant with the MTD requirements.

With around only nine months before the new regulation comes into force local authorities will need to make sure that they have an appropriate readiness plan in place in order to comply with the new MTD obligations.

EY is recommending that local authorities prepare for MTD by creating a 'roadmap to April 2019' as soon as possible to allow for suitable time to implement changes before the deadline. This 'roadmap' should include:

1. An assessment of the current state and readiness for change
2. Evaluation of available technology solutions

Further information can be found at the end of this briefing although where EY is the appointed auditor to an authority; it is prohibited from providing tax advice.

## **National Minimum/Living Wage legislation**

Recent investigations from HMRC have seen an increase in Public Sector employers struggling to comply with the National Minimum/Living Wage (NMW/NLW) legislation. The NMW/NLW minimum wage for those over 25 is currently £7.83. Lower rates exist for those aged under 25 and apprentices. Whilst the NMW/NLW rates have been well publicised a number of public sector employers have been struggling to comply. A report by the Low Pay Commission, published in September 2017, raised concerns regarding the high rate of NMW/NLW breaches and specifically highlighted education support assistants and teaching assistants. Given the diverse nature of work undertaken by local authority employees it is important to review contracts and working practices across the different activities undertaken. One notable example of HMRC focus has been the payments to care workers

for sleeping time. This has resulted in an increase in enforcement activity in this sector. Other significant areas of focus include:

- ▶ Salaried workers whose hours are not actively monitored
- ▶ Defined dress code policies which may reduce the NMW/NLW pay
- ▶ Deductions, such as car parking charges paid by employees on facilities owned by the local authority
- ▶ Salary Sacrifice which may in turn reduce the base pay for NMW/NLW

The impact of reputational damage from being publically named may outweigh any financial impact, which includes penalties of up to 200% of any arrears and lengthy HMRC investigations which could cover a period of six years.

EY have employed a number of former NMW/NLW Compliance Investigators, with significant knowledge and experience that will be able to provide insights on developing an effective approach to achieve compliance with legislation and improve monitoring procedures.

Further information can be found at the end of this briefing although where EY is the appointed auditor to an authority, it is prohibited from providing tax advice.

# Key questions for the Audit Committee

- ▶ Has your authority assessed the impact of inflation and earnings growth on employee retention?
- ▶ Has your authority considered the impact of potential rises in interest rates over the next year or so, and reflected this in estimated costs of borrowing and on its broader treasury management strategy and medium term financial planning?
- ▶ How has the authority considered the impact of changes to the business rates system, and reflected these changes in its budget and financial planning?
- ▶ In the light of the NAO report on the financial sustainability of local authorities, how financially resilient is your authority? Are you confident that the authority has an appropriate policy on the level of reserves?
- ▶ Has your authority assessed the impact of the new accounting standards IFRS 9 Financial Instruments on your budgets?
- ▶ Has your authority assessed the impact IFRS 16 will have on cost, processes and system information?
- ▶ How is the effectiveness of your Audit Committee assessed and monitored?
- ▶ Have you considered the gender pay gap at your authority? Where there is a gender pay gap, what actions are being taken to reduce the gap?
- ▶ How prepared is your authority for the new Making Tax Digital (MTD) VAT requirements that will come into force from April 2019?
- ▶ How does your authority ensure that it complies with the National Minimum/Living Wage (NMW/NLW) legislation?

## Find out more

### EY Item Club forecast

<https://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy#section1>

### Financial Sustainability: NAO Report

<https://www.nao.org.uk/press-release/financial-sustainability-of-local-authorities-2018/>

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

### Code of Practice Improvements

<http://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-201819-online>

<http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/new-code-improves-transparency-of-transactions-in-local-government-finances>

<http://www.cipfa.org/policy-and-guidance/consultations/code-of-practice-on-local-authority-accounting-in-the-united-kingdom,-c,-consultation-on-ifs-16-leases>

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/local-authority-leasing-briefings>

<https://www.gov.uk/government/consultations/ifrs-16-leases-exposure-draft-1801>

### Audit Committee Effectiveness Toolkit

Please contact your local audit team

### Making Tax Digital (MTD) for VAT: changes from April 2019

<https://www.ey.com/gl/en/services/tax/digital-tax---why-digital-tax>

<https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital>

<https://www.icaew.com/en/technical/tax/making-tax-digital>

### National Minimum/Living Wage legislation Compliance

<https://www.gov.uk/government/publications/enforcing-national-minimum-wage-law>

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[ey.com/uk](http://ey.com/uk)

**WORK PROGRAMME**

20 September 2018	<ul style="list-style-type: none"><li>• Internal Audit Progress Report</li><li>• Audit Committee Self-Assessment</li><li>• EY – 2017/18 Annual Audit Letter</li></ul>
10 January 2019	<ul style="list-style-type: none"><li>• Internal Audit Progress Report</li><li>• Internal Audit Follow Up Report</li><li>• EY 2017/18 Grant Certification Report</li><li>• EY 2018/19 Audit Plan</li></ul>
14 March 2019	<ul style="list-style-type: none"><li>• Strategic and Annual Internal Audit Plan 2019/20</li><li>• Annual Fraud Update</li><li>• Treasury Management Risk Update</li></ul>



## **AUDIT COMMITTEE**

**26 July 2018**

**Final Papers**

<b>Item</b>	<b>Details</b>	<b>Page No</b>
<b>8</b>	<b><u><a href="#">Local Code of Corporate Governance</a></u></b>	<b>164 – 178</b>

### **DEMOCRATIC SERVICES**

#### **Broadland District Council**

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# Broadland District Council

## Code of Corporate Governance

Developed in accordance with the Delivering Good Governance in Local Government framework 2016 (the Good Governance Framework) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

We have published this Code to demonstrate how our governance framework conforms to the principles of good governance.

The council believes that good governance leads to good:

- management
- performance
- stewardship of public money
- public engagement
- outcomes for citizens and service users

The CIPFA/SOLACE document “*Delivering good governance in local government*” (2016 edition) sets out a Framework which defines the principles that should underpin the governance of each local government body.

Broadland District Council's code of corporate governance has been developed using that framework and sets out how the district council's own governance arrangements address the core principles.

Each year we review our governance arrangements through the preparation of an **Annual Governance Statement** ensuring these arrangements are adequate and operating effectively.

This statement is authorised by the Leader and the Chief Executive.

## **THE 7 CORE PRINCIPLES OF GOOD GOVERNANCE**

The Council aims to achieve good standards of governance by:

### **1) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law**

<b>Behaviours and actions that demonstrate this :</b>	<b>How we will achieve this/put this into practice :</b>
a) Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	Officers code of conduct and Members code of conduct are in place.
b) Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles): 1. Selflessness 2. Integrity 3. Objectivity 4. Accountability 5. Openness 6. Honesty 7. Leadership	Our Broadland Business Plan sets out our vision, values, objectives and ambitions.
c) Leading by example and using these standard operating principles or values as a framework for decision making and other actions	Our decision making processes are embedded in our Constitution.
d) Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	Various documents and policies are in place including counter-fraud, gifts and hospitality, complaints.
e) Seeking to establish, monitor and maintain the organisation's ethical standards and performance	The Standards committee promote and maintain a high standard of conduct.
f) Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	Inductions are held for all new members and staff. Personnel policies in place include Personal Relationships at Work and Officer Employment Procedure Rules.
g) Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	In addition to those identified above, the Constitution includes specific rules and procedures to follow.

Behaviours and actions that demonstrate this :	How we will achieve this/put this into practice :
h) Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	This is part of the procurement process
i) Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	We hold staff training and have a Counter Fraud Strategy and Raising concerns at work policy.
j) Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	Regular training provides staff with key legal changes where relevant. The statutory post holders meet regularly. Subscriptions to professional bodies are held.
k) Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	Our decision making process highlights all of the options available. We have a scrutiny committee and various advisory panels.
l) Dealing with breaches of legal and regulatory provisions effectively	The Monitoring Officer is informed of all key decisions to be made and any potential issues emerging – breaches of legal/regulatory provisions are very rare.
m) Ensuring corruption and misuse of power are dealt with effectively	We have an anti-fraud and corruption culture.

## 2) Ensuring openness and comprehensive stakeholder engagement

Behaviours and actions that demonstrate this :	How we will achieve this/put this into practice :
a) Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	We have a clear vision which is demonstrated in our Business Plan. Our website provides a vast amount of information for the public as well as providing information to comply with the Transparency Code.
b) Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	All committee reports are produced using pre-agreed templates. The Democratic Services team are bound by current legislative requirements when taking decisions.
c) Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.	Our Programme of Meetings is prepared yearly in advance and all committee reports are based on agreed templates and record key considerations.
d) Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	In planning there is a clear statement of community involvement which outlines how we will communicate with the public on planning decisions. Other consultation arrangements are also used at other times e.g. revision of the Business Plan.
e) Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	Engagement practices are adapted to the situation rather than having a pre-defined strategy.
f) Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	Partnerships are developed to support service delivery. We have a partnerships register which is reviewed on a regular basis by scrutiny to ensure they remain effective.
g) Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>a. trust</li> <li>b. a shared commitment to change</li> <li>c. a culture that promotes and accepts challenge among partners.</li> </ul> and that the added value of partnership working is explicit	As above

Behaviours and actions that demonstrate this :	How we will achieve this/put this into practice :
h) Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.	We do not have a defined consultation approach, each requirement is considered on a case by case basis.
i) Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	Our Communications and Engagement Strategy focusses on bringing a more collaborative, whole council approach to communications.
j) Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.	Our systems work encourages customer demand being listened to and we can then ensure the customer demands are met.
k) Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.	We welcome comments from our customers and pass these on to the relevant area.
l) Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	When our business plans are written we engage with stakeholders
m) Taking account of the interests of future generations of tax payers and service users	This would be considered on a case by case basis.

### 3) Defining outcomes in terms of sustainable economic, social and environmental benefits

Behaviours and actions that demonstrate this :	How we will achieve this/put this into practice :
a) Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions	Our Business Plan sets out our vision, values, key ambitions and objectives. The objectives and related measures are reported against on a half yearly basis.
b) Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	As above.
c) Delivering defined outcomes on a sustainable basis within the resources that will be available	Regular financial plan updates are prepared and presented annually and throughout the year to Cabinet and Council
d) Identifying and managing risks to the achievement of outcomes	Risks to achieving our desired outcomes are included within the half yearly Business Plan Performance reports and are monitored at service level by managers/Head of Service.
e) Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available	Budget monitoring occurs regularly and all budget holders are involved in budget setting
f) Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	Business plan objectives at the time they are brought forward for implementation are subject to formal evaluation by senior managers and members.
g) Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	All decision making should be linked to achieving the Councils Business Plan (over 4 years) which is monitored. Decisions are also taken with the financial situation in mind (3 year medium term financial plan and annual budget). All activities have to take account of this context and the ability to deliver over a variety of timescales. This can be evidenced through decision taken at Cabinet.
h) Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	Decisions made have to necessarily balance the public interest and achievement of outcomes, as can be evidenced through Cabinet, Committee and Council reports.
i) Ensuring fair access to services	We design our services to meet our customer's needs.

#### 4) Determining the course of action necessary to optimise the achievement of the intended outcomes

Behaviours and actions that demonstrate this :	How we will achieve this/put this into practice :
a) Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.	We engage/consult with various advisory panels including Place Shaping, Wellbeing, Economic Success, and Environmental Excellence.
b) Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	Our Business plan review process includes formal and wide ranging consultation with stakeholders and residents. Individual services receive and act on feedback at all points of contact with customers.
c) Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	Our Business Plan Performance report is reviewed every 6 months by the Overview and Scrutiny Committee and then Cabinet.
d) Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	We host partnership forums and hold staff briefings.
e) Considering and monitoring risks facing each partner when working collaboratively including shared risks	This is considered in the partnerships register
f) Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	See above.
g) Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	Our Business Plan Performance report is reported every 6 months and includes measures that are linked to purpose.
h) Ensuring capacity exists to generate the information required to review service quality regularly	This is considered by the Corporate Leadership team who meet on a monthly basis.
i) Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan	Budgets are prepared annually and the Council has a live Medium Term Financial Plan

Behaviours and actions that demonstrate this :	How we will achieve this/put this into practice :
j) Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	Budget process includes all budget holders and the Medium Term Financial Plan covers 3 years to inform the longer term strategy of the Council.
k) Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	This is achieved by the budget setting process and monitored throughout the year
l) Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.	Budget holders, Portfolio holders and scrutiny members are all involved in the budgeting process
m) Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	Our strategy allows us to respond to changes.
n) Ensuring the achievement of 'social value' through service planning and commissioning.  The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes"	Social Value will be considered as appropriate e.g. in procurement decisions, in order to achieve the Ambitions and Objectives in the Business Plan.  There will be a training event on Social Value later in the year.

**5) Developing our capacity, including the capability of our leadership and the individuals within it.**

<b>Behaviours and actions that demonstrate this :</b>	<b>How we will achieve this/put this into practice :</b>
a) Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	Our Business Plan Performance Report is reviewed every 6 months. We are a low asset holding authority.
b) Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently	We follow a "systems thinking" approach to service improvement focussed on maximising the delivery of value demands from customers, removing waste from processes and therefore increasing levels of customer service whilst simultaneously reducing cost.
c) Recognising the benefits of partnerships and collaborative working where added value can be Achieved	Partnership agreements are subject to reviews to ensure they deliver as required.
d) Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	The Council uses the Employee Development Strategy to shape its plans for employee development.
e) Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	Our Chief Executive and Deputy Chief Executive have both been in post since 2011 but have been with BDC for much longer. The new Leader of the Council has been a portfolio holder for a number of years and the relationship between Members and Officers are based on firm foundations of trust and the values in the Business Plan.
f) Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	We have a scheme of delegation in place which is reviewed annually and is endorsed each May at the annual Council meeting.
g) Ensuring the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	The Chief Executive and the new Leader of the Council have worked together for a few years. The foundation for their respective leadership roles have been built up over a number of years.

Behaviours and actions that demonstrate this :	How we will achieve this/put this into practice :
<p>h) Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>• ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul>	<p>All staff attend an induction and specific training in relation to the role they are performing is organised and maintained.</p> <p>We have adopted a Training and Development Strategy and members are encouraged to attend training.</p> <p>Members complete an induction when they are elected to the council and complete additional training when involved in committees, particularly Licensing and Planning Committees.</p> <p>The Council's Training Policy captures it's approach to developing the capabilities of staff</p>
<p>i) Ensuring that there are structures in place to encourage public participation</p>	<p>Meetings are held in public where possible and in accordance with legislation.</p>
<p>j) Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p>	<p>We have taken part in peer reviews and feedback is welcomed.</p>
<p>k) Holding staff to account through regular performance reviews which take account of training or development needs</p>	<p>Training appraisals/performance reviews are held yearly in which objectives and training needs for the year ahead are agreed.</p>
<p>l) Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</p>	<p>We place strong emphasis on H&amp;WB and have created a working environment in which the health, wellbeing and safety of staff is a priority. Our Healthy Workplace policy and Work/Life balance policy confirm this.</p>

## 6) Managing risks and performance through robust internal control and strong public financial management

Behaviours and actions that demonstrate this :	How we will achieve this/put this into practice :
a) Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	<p>The Broadland Risk Strategy was adopted by Council in January 2013 and reviewed by the Audit Committee in March 2015.</p> <p>It details how we will manage risk using a systems thinking approach</p>
b) Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	<p>Risk Registers are no longer kept. Reporting of risks to achieving the Business Plan objectives are now incorporated into the half yearly performance report.</p> <p>Service Managers are expected to evidence their management of risk through their normal management of delivering services, projects and operational tasks.</p>
c) Ensuring that responsibilities for managing individual risks are clearly allocated	We recognise that everyone needs to manage risk but this should be proportionate to their role
d) Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	Objectives and measures are included within the Business plan and reported on every six months.
e) Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	All Committee papers have a risk implication section within them and these are published online
f) Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible.	<p>Our Overview and Scrutiny committee meet to discuss all cabinet papers ahead of the cabinet meetings and take their comments to the meeting for further discussion/consideration.</p> <p>This committee has a performance management sub committee which can request clarification on any performance issue and they then report back with their comments or recommendations.</p>

<b>Behaviours and actions that demonstrate this :</b>	<b>How we will achieve this/put this into practice :</b>
g) Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	Reports on performance and finance are provided to Cabinet on a regular basis.
h) Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)	Financial reporting to Cabinet takes this into account where appropriate.
i) Aligning the risk management strategy and policies on internal control with achieving the objectives	Management of risk is an integral part of the business planning process. Risk is defined as "An uncertain event or set of events which, should it occur, will have an effect upon the achievement of purpose."
j) Evaluating and monitoring the authority's risk management and internal control on a regular basis	Our half yearly performance report includes sections on risk as do other committee reports.
k) Ensuring effective counter fraud and anti-corruption arrangements are in place	We have an anti-fraud and corruption culture at BDC. Our corporate fraud officer works closely with internal audit to monitor and combat corporate fraud and reports to the Audit Committee annually or as and when necessary.
l) Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	We are part of Eastern Internal Audit Services which is subject to external review to ensure it is delivering in accordance with best practise. Internal Audit plans are developed and the Internal Audit service is resourced according to these plans.
m) Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon	We have an Audit Committee which meets 6 times a year, they receive all the financial papers and liaise with Internal and External audit

Behaviours and actions that demonstrate this :	How we will achieve this/put this into practice :
n) Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<p>We have Data Protection and Data Retention Policy's in place and staff are kept aware of legislation changes.</p> <p>Our data protection policy has just been reviewed following the new GDPR regulations, we share a Data Protection Officer with South Norfolk Council and our policies are up to date, staff and member training has taken place across the council to increase awareness of the new regulations.</p>
o) Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	Information sharing is subject to defined information sharing protocols.
p) Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	An audit takes place to check the source and accuracy of the information presented in the Business Plan Performance report every six months.
q) Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	<p>This is embedded into the Medium Term Financial Plan.</p> <p>Financial reporting is strongly linked to performance and risk reporting to ensure it correlates to service delivery.</p>
r) Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Financial management is monitored on a monthly basis as part of the budget monitoring process.

**7) Implementing good practices in transparency, reporting and audit to deliver effective accountability.**

<b>Behaviours and actions that demonstrate this :</b>	<b>How we will achieve this/put this into practice :</b>
a) Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	We have a standard format of Report templates which provide guidance to authors. Committee reports are available on the website with contact details provided for the key officers.
b) Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	All committee reports undertake a review process or clarity by senior management via the 'orange route'.
c) Reporting at least annually on performance, value for money and the stewardship of its resources	Performance reports are presented half yearly and each ambition and objective has clear measures and a narrative which also includes risk implications The end of year accounts includes a report giving details of the financial position
d) Ensuring members and senior management own the results	The Business Plan Performance report is compiled using information provided directly from Heads of Service and formally considered and approved by members in committee.
e) Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	This document (the Code of Corporate Governance) is formally considered by the Audit committee and any improvement activities will be identified by them.
f) Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	Shared services are subject to separate legal agreements.
g) Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations	Internal checks take place to check the accuracy of the data being reported and the reports also include comparative data for referring back to.

Behaviours and actions that demonstrate this :	How we will achieve this/put this into practice :
h) Ensuring that recommendations for corrective action made by external audit are acted upon	Recommendations made by external and internal auditors are reported to Audit Committee on a regular basis. Individual internal audits are owned within each service area and the recommendations are discussed with managers and implemented accordingly. Internal audit review the progress of the recommendations.
i) Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	The Head of Internal Audit has direct access to the Audit Committee.
j) Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	Peer challenge is undertaken periodically to evaluate how we are performing, we are also open to other reviews and assessments such as the Best Companies survey.
k) Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	Risks arising from contracted services are managed by regular reviews of performance against specification.
l) Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	Partnerships are subject to agreements to ensure the objectives are clear.

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