

Finance, Resources, Audit and Governance Committee

Members of the Finance, Resources, Audit and Governance Committee:

Mr P Hardy (Chairman)
Mr S Ridley (Vice Chairman)
Ms V Clifford-Jackson
Mr A Dearnley
Mr B Duffin
Mr D Elmer
Mr T Laidlaw
Dr N Legg
Mr R Savage

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Agenda

Date

Friday 27 September 2019

Time

9.30 am

Place

Colman Room
South Norfolk House
Cygnet Court
Long Stratton
Norwich
NR15 2XE

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**If you have any special requirements in order to attend this meeting,
please let us know in advance**

Large print version can be made available

A G E N D A

- 1. To report apologies for absence and identify substitute voting members (if any);**
- 2. Any items of business the Chairman decides should be considered as matters of urgency pursuant to Section 100B (4) (b) of the Local Government Act, 1972.**
Urgent business may only be taken if, "by reason of special circumstances" (which will be recorded in the minutes), the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency;
- 3. To Receive Declarations of Interest from Members;**
(Please see guidance form and flow chart attached – page 7)
- 4. Minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 21 June 2019;** (attached – page 9)
- 5. Statement of Accounts 2018/19;** (attached – page 14)
- 6. Audit Results Report;** (attached – page 115)
- 7. Contract Standing Orders;** (attached - page 159)
- 8. Finance, Resources, Audit & Governance Committee Work Programme;**
(attached – page 176)

Glossary

General Terms

AGS – *Annual Governance Statement* – This is a statement prepared by the Council each year to summarise the governance and assurance framework, and highlight any significant weaknesses in that framework

BAD DEBT PROVISION - To take account of the amount of debt which the Council estimates it will not be able to collect.

Build Insight – The Council's Approved Inspector company, authorised under the Building Act 1984 to carry out building control work in England and Wales.

CIPFA – *the Chartered Institute of Public Finance and Accountancy* – the accountancy body for public services

CoCo - *Code of Connection* – a list of security controls that the Council has to have in place in order to undertake secure transactions with other government bodies

CNC - a joint venture established with Norwich City Council, Broadland Council and Kings Lynn and West Norfolk Borough Council to deliver the Council's building control functions, ensuring buildings and developments comply with building regulations

CNC CS – CNC consultancy services, the private company administered by CNC

CREDITOR - A person or organisation which the Council owes money to for a service or goods.

CSO – *Contract Standing Orders* – outline the Council's rules when entering into contracts and buying large value goods

GIG - Gaining Independence Grant – a small grant to support residents with adaptations to allow them to live independently

GNDP – *Greater Norwich Development Partnership* – a partnership with Norwich City and Broadland Councils that manages delivery of the Government's growth strategies

GNGB – *Greater Norwich Growth Board* – a partnership with Broadland Council, Norwich City Council, Norfolk County Council and New Anglia Local Enterprise Partnership providing strategic direction, monitoring and coordination of both the City Deal and the wider growth programme for the Greater Norwich area

JCS – *Joint Core Strategy* – sets out the general vision and objectives for delivering the local development framework

JOURNAL - The transfer of a transaction to either a different cost centre or a different categorisation within the finance system e.g. transfer of an item of expenditure between HR and Planning or the transfer of expenditure from electricity to water. These are used to correct input errors, share costs/income between cost centres or to record expenditure or income which has not yet been invoiced.

KPI - Key Performance Indicator

LASAAC – *Local Authority (Scotland) Accounts Advisory Committee* – this Committee develops proper accounting practice for Scottish Local Authorities

LDF – *Local Development Framework*- outlines the management of planning in the Council

LEDGER - A module within the finance system e.g. Sales Ledger, Purchase Ledger, General Ledger.

LGA – *Local Government Association* – a lobbying³ organisation for local councils

LGPS – *Local Government Pension Scheme*- Pension Scheme for all public-sector employees

LSVT - *Large Scale Voluntary Transfer* - the transfer of the Council's housing stock to Saffron Housing Trust

Moving Forward Together – The Council's internal programme to improve performance in a number of key areas

NFI – *National Fraud Initiative* – A national exercise to compare data across public sector organisation to aid identifying potential frauds

NHB – New Homes Bonus - grant paid by central government to local councils for increasing the number of homes and their use

NI – *National Indicator* – a measure used to identify how the Council is performing that is determined by central government

NNDR/NDR – (*National*) *Non-Domestic Rates* – commonly known as Business Rates

PI – *Performance Indicator* – measure used to identify how the Council is performing

PSN – *Public Services Network* - provides a secure private internet for organisations across Central Government and the Wider Public Sector and standardised ICT infrastructure

RAD - Rent Assisted Deposit scheme.

RFG – *Rules of Financial Governance* – the Council's rules governing the day-to-day financial activities undertaken

SLA – *Service Level Agreement* – an agreement that sets out the terms of reference for when one organisation provides a service to another

MTP – *Medium Term Plan* – sets out the future forecast financial position of the Council

SOLACE – *Society of Local Authority Chief Executives* – society promoting public sector management and development

SPARSE – *Sparsity Partnership for Authorities Delivering Rural Services* – an organisation that benchmarks and supports local rural councils

SUNDRY DEBTOR - A customer who owes the Council money for a service they have received prior to payment, this excludes Council Tax or NDR. The term can also refer to the system used to record money owed to the council e.g. the Sundry Debtors system which is a module within the financial system.

Audit Terminology

APB – *Auditing Practices Board* – the body that sets the standards for auditing in the UK

COUNT – *Count Once, Use Numerous Times* – a system used for data collection and analysing, which works to avoid duplication by assuming the principle that a piece of data should be recorded once but used several times in different ways

ISA – *International Auditing Standard* – Provides external auditors with a required framework that dictates work to be undertaken before awarding an opinion on the statement of accounts

VFM Conclusion – *Value for Money Conclusion* – the Audit Commission are required to give an annual conclusion on the Council's arrangements for providing value for money in addition to the opinion given on the statement of accounts.

Accounting Terminology

BRRS – *Business Rates Retention Scheme* - provides a direct link between business rates growth and the amount of money councils have to spend on local people and local services (the Council retains a proportion of the income collected as well as growth generated in the area)

CFR – *Capital Financing Requirement* – a calculated figure that establishes the amount of money the Council needs to borrow

Collection Fund – a separate account statement that records the transactions relating to the collection and redistribution of council tax and business rates

GAAP – *Generally Accepted Accounting Practice* – this provides the overall framework for accounting principles prior to IFRS adoption in local government (also "UK GAAP" – specific to the United Kingdom)

IAS – *International Accounting Standards* – these were the precursors for international financial reporting standards (see below).

IFRS – *International Financial Reporting Standards* – the underlying standards for the Council's accounting policies and treatment of balances

IPSAS – *International Public-Sector Accounting Standards* – these set out the accounting standards for public sector bodies and are based on the international financial reporting standards.

MRP – *Minimum Revenue Provision* – the amount of money the Council needs to set aside each year to fund activities from revenue balances

Non-current assets – assets from which benefit can be derived by the Council for more than one year (formerly known as Fixed Assets)

RSG – *Revenue Support Grant* - one source of Council funding from Central Government

SeRCOP – *Service Reporting Code of Practice* – outlines how Council should classify income and expenditure across different services

SSAP – *Statement of Standard Accounting Practice* – preceded the financial reporting standards in the UK

The Code – *Code of Practice on Local Authority Accounting in the UK* – main guidance on accounting treatment required for the statement of accounts

Virement – The process of transferring a sum of money from one part of the Council's budget to another, subject to appropriate approval.

WGA – *Whole of Government Accounts* – an exercise undertaken to consolidate all the accounting records of government bodies

International Accounting and Financial Reporting Standards Reference Numbers

IAS1 – *Presentation of Financial Statements* – sets out the prescribed format for statements of accounts

IAS19 – *Employee Benefits* – essentially provides the basis for accounting for the pension fund

IAS20 – *Accounting for Government Grants* – establishes the accounting treatment for receiving government grants

IAS40 – *Investment Property* – how organisations should account for properties held as an investment

IPSAS16 – *Investment Property* – how public-sector organisations should account for properties held as an investment

IPSAS23 – *Revenue from non-exchange transactions (taxes and transfers)* – this determines how monies from taxes should be treated in the accounts

Council Systems

ALBACS CS – The Council's system to make payments to other organisations

AXIS - Income receiving system which interacts directly with Integra

Clubrunner – System used to manage bookings and activities at the leisure centres

eXpress – the electoral registration system

FAM – the system used by the accountancy team to record the Council's assets and associated transactions

IBS – the Revenues system, maintains all Council Tax, Business Rates and Benefits records

IDOX Uniform – IT platform covering Planning, Building Control, Environmental Services, Land Charges, Licensing, Estates, Street Naming and Numbering and Address Gazetteer.

Integra – general ledger used to record all accounting transactions, including purchases made by the Council and income received by the Council

LALPAC – system used to record licensing details



DECLARATIONS OF INTEREST AT MEETINGS

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

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

Does the interest directly:

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

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

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

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

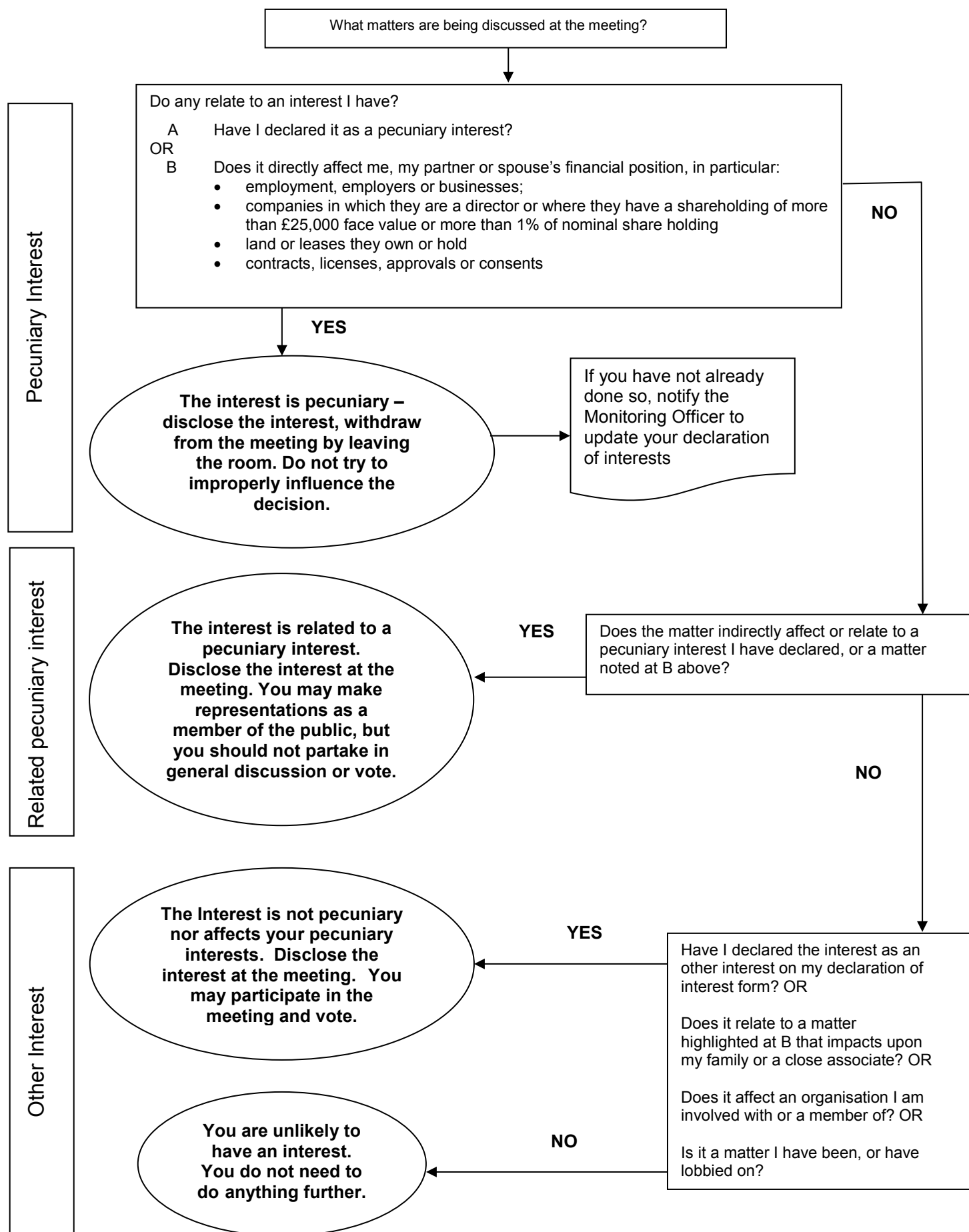
If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public but you should not partake in general discussion or vote.

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

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

**FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF.
PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER IN THE FIRST
INSTANCE**

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF





FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE

Minutes of a meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk Council held at South Norfolk House, Long Stratton, on Friday, 21 June 2019 at 9.30am.

- Committee Members Present:** Councillors: P Hardy (Chairman), V Clifford-Jackson, A Dearnley, B Duffin, D Elmer, N Legg, S Ridley and R Savage
- Apologies:** Councillor: T Laidlaw
- Substitutes:** Councillor: S Blundell for T Laidlaw
- Cabinet Member in Attendance:** Councillor: A Thomas
- Officers in Attendance:** The Director of Resources (D Lorimer), the Assistant Director of Governance & Business Support (E Hodds), the Head of Internal Audit (S Storm), the Internal Audit Manager (F Haywood), the Group Accountant (J Brown) and the Capital and Management Accountant (H Craske)
- Also in Attendance:** Mark Hodgson - Ernst & Young (EY)

201 MINUTES

The minutes of the meeting held on 8 March 2019 were confirmed as a correct record and signed by the Chairman.

202 EXCLUSION OF THE PUBLIC AND PRESS

It was;

RESOLVED: To exclude the public and press from the meeting under Section 100A of the Local Government Act 1972 for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the Act (as amended)

203 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Internal Audit Manager updated members with her report which examined the progress made between 14 November 2018 and 16 April 2019 in relation to the Annual Internal Audit Plan for 2018/19. The Committee was provided with a summary of the three completed audits that had been finalised and was pleased to note that two of these audits, for Building Control and Payroll & Human Resources, had concluded in positive opinions being awarded. The third area, Cyber Crime, had been awarded a limited assurance, as detailed in the *exempt* report.

Officers responded to a number of queries regarding the reconciliation and checking of building control fees, and members were pleased to note that the aged debt figures were not substantial and did not indicate any significant issues.

In response to a member's query regarding changes to payroll, the Internal Audit Manager advised that she had spoken to the Human Resources team, who had agreed that reports were now being generated by Suffolk County Council on a monthly basis, as recommended.

After a brief discussion, it was;

RESOLVED: to note the outcomes of the three completed audits in the period covered by the report, and the position of the internal audit plan for 2018/19.

The Chairman announced that the meeting had now returned to public session.

204 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

The Internal Audit Manager presented her report which sought to assist the Authority in discharging its responsibilities in relation to the internal audit activity.

A member raised concerns regarding the rejected recommendation that investment reconciliations should be checked by a staff member who is not able to authorise investment account transfers. Officers explained that measures had been put in place to mitigate this issue but that, due to the difficulties and impracticalities of implementing this process, managers had accepted this risk.

In response to a query regarding the fixed asset management system, as discussed in the previous meeting of the Committee, officers advised that they were still awaiting a resolution from the external supplier, and were still running a manual system alongside the software to ensure that any errors would be picked up.

Regarding the outstanding recommendations around disaster recovery and the service desk, members were advised that, if needed, the ICT Manager could be present at the next meeting of the Committee to clarify the position.

It was then;

RESOLVED: to note the position in relation to the completion of agreed internal audit recommendations as at 31 March 2019.

205 ANNUAL REPORT AND OPINION 2018/19

The Head of Internal Audit summarised her annual report which detailed the outcomes of the Internal Audit work undertaken in 2018/19. Members were advised that the report also sought to inform members of the Effectiveness of Internal Audit and to provide key information for the Annual Governance Statement.

In response to a member's query regarding the performance indicator set for 90% of recommendations to be accepted by management, the Director of Resources explained that this was not a management target but was a mechanism to ensure that Internal Audit was raising recommendations which were achievable and reasonable. She reassured members that, where management did not accept audit recommendations, reasons to justify these decisions were reported to the Committee.

Officers clarified the process for determining the strategic three-year audit work plan, explaining that some areas, such as the Early Help Hub, were in the process of undergoing significant changes due to the collaboration with Broadland District Council and that it was felt there would be little value in reviewing these areas until changes had been implemented. The Director of Resources assured members that the process would be further explained when the work plan was presented to the Committee.

It was then;

- RESOLVED:**
1. to note the contents of the Annual Report and Opinion of the Head of Internal Audit;
 2. to note that a reasonable audit opinion had been given in relation to the overall adequacy and effectiveness of the Council's framework of governance, risk management and control to the framework for the year ended 31 March 2019;
 3. to note that the opinions expressed, together with significant matters arising from internal audit work and contained within the report, would be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2018/19;
- and
4. to note the conclusions of the Review of the Effectiveness of Internal Audit.

206 ANNUAL GOVERNANCE STATEMENT 2018/19

Members considered the report of the Director of Governance and Business Support, which presented the Committee with the Annual Governance Statement for 2018/19.

In response to a member's query regarding confidentiality within whistleblowing, the Head of Governance reassured the Committee that the Council's Whistleblowing Policy was clear on confidentiality and advised that a review of the Policy would be brought to a future meeting of the Finance, Resources, Audit and Governance Committee.

Regarding compliance with data protection, members were reassured that although a risk had previously been highlighted that some managers were only able to offer partial compliance with the new GDPR legislation as they had not completed training, the Council had now fully met these requirements, as detailed within the report.

It was then;

RESOLVED: to approve the Annual Governance Statement for 2018/19.

207 EXTERNAL AUDIT PLAN 2018/19

Mark Hodgson presented the External Audit Plan for the year ending March 2019, advising the Committee of the key risks identified and the planned audit strategy. Members were advised of two new areas of focus, as detailed in the report. It was noted that the new accounting standards, IFRS 9 – Financial Instruments and IFRS 15 – Revenue for Contracts with Customers, would usually have minimal impact on Local Government but there could be some impact on South Norfolk Council due to its commercial ventures and ambitions.

In response to a question from the Chairman regarding the delay in the audit process, Mark Hodgson apologised to the Committee, explaining that, due to resource issues, it had not been possible for EY to undertake the audit in time to meet the deadline to sign off the Council's accounts by 31 July 2019. Members were advised that, as officers had anticipated an earlier audit and booked annual leave during the summer, the audit would now take place during a three-week period commencing in early August 2019 and completing by mid-September. The auditor stressed that his responsibility was for the audit to be accurate and was not prepared to start the process until he was confident that he had sufficient resource to complete the audit.

Members raised concerns that South Norfolk Council's audit had been delayed but other authorities, such as Broadland District Council, had not been affected. In response, the Committee was advised that South Norfolk Council's audit for the previous year had been lengthy and complicated, due to issues around the Build Insight group restructuring, which had resulted in delays. EY advised that a decision had been made to utilise their limited resources to complete audit work for those whose accounts had been more straightforward to ensure that more companies met their deadlines. The Director of Resources clarified that, although South Norfolk Council had not met its deadline in 2018, this was a 'one off' due to extreme complications and stressed that South Norfolk Council had an excellent track record of producing its accounts on time and often early.

In response to a concern regarding any reputational damage to the Council, Mark Hodgson reassured members that South Norfolk Council will have met its statutory deadlines and that a statement would be issued on the Council's website which would admit that the delay was due to auditor responsibility. Cllr Thomas raised a query regarding the fee payable and questioned whether this would be reduced due to the delays in service. In response, the auditor advised that audit fees had reduced nationally which had contributed to the lack of resources. He assured the Committee that, although the timing was poor, the quality and service of the audit would not be affected so, regretfully, the fee could not be reduced.

The Chairman thanked Mark Hodgson for his report, and it was then;

RESOLVED: to note the External Audit Plan for the year ending March 2019.

208 WORK PROGRAMME

Members considered the Finance, Resources, Audit & Governance Committee's Work Programme, and noted that, due to the delayed audit, the meeting scheduled for 26 July 2019 would be postponed until 27 September 2019.

It was suggested and agreed that an interim update on the issue of Cyber Crime should be brought for consideration to the 27 September 2019 meeting.

The meeting concluded at 10.55 am.

Chairman

STATEMENT OF ACCOUNTS 2018/19

Report Author(s): Julie Brown
Group Accountant
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Portfolio: Finance and Resources

Ward(s) Affected: All

Purpose of the Report:

This report updates Members on progress on finalising the Council's Statement of Accounts for the financial year 2018/19. This report provides a high-level commentary on significant changes to the Statement of Accounts since the Draft Statement of Accounts was published.

Recommendations:

1. Note the adjustments to the Statement of Accountants 2018/19 identified to date.
2. Delegate to the Group Accountant to make any necessary adjustments to the Statement of Accounts for sign-off and publication.
3. Delegate to the Chair of the Finance, Resources, Audit and Governance Committee to sign the letter of representation alongside the Director of Resources.

1 SUMMARY

- 1.1 This report updates Members on progress on finalising the Council's Statement of Accounts for the financial year 2018/19. The report provides a high-level commentary on significant changes to the Statement of Accounts since the Draft Statement of Accounts was published in May. EY are still to complete their audit at the time of writing this report, which may result in further changes, but they currently expect to give unqualified opinions on both the financial statements and value for money conclusion.
- 1.2 The Council's draft accounts were presented to FRAG at its last meeting on 21st June 2019. There have been some adjustments made to the accounts since the draft was published. The transfer from General Reserves, as shown in the Draft Statement of Accounts (Note 23, Page 56), was £(1.528) million. There is one adjustment that results in an increase of £79,000. This means that the transfer from General Reserves has now reduced to £(1.449) million.
- 1.3 There has been a further adjustment increasing the pensions liability by £1,073,000, compared to the draft accounts. The effect of this is to increase the negative pensions reserve by £1,073,000, from (£67.741m) in the draft accounts to (£68.814m) in the final accounts.
- 1.4 The overall effect of the amendments outlined above is to decrease the net worth of the Council by £0.994 million from £13.222 million to £12.228 million.
- 1.5 Members are aware of delays to the audit process this year due to EY resourcing issues and due to this, despite originally agreeing a 3 week audit period, the audit has been carried out over 7 weeks from 5th August and is still ongoing at the time of writing this report.

2 BACKGROUND

- 2.1 The Council's Draft Statement of Accounts was approved by the Director of Resources on 31st May 2019 and was reviewed by the Finance, Resources, Audit and Governance Committee at its meeting on 21st June 2019. The Statements were available for public inspection up to 22nd July 2019, although officers did not receive any queries or requests for any supporting information.
- 2.2 The external auditor's work on the Statements is expected to be complete by the time this Committee meets. The findings of this audit are contained within the Draft Audit Results Report which features elsewhere on this agenda and a further update will be provided at the meeting.
- 2.3 The auditors currently expect to give an unqualified opinion for the financial statements and value for money.

3 CURRENT POSITION - 2018/19 FINAL ACCOUNTS

- 3.1 The audit has not, at the time of writing, identified any significant errors or adjustments required to the accounts.
- 3.2 2 adjustments have been made since the draft accounts, one of which was identified by officers as requiring amendment and one that was as a result of an update to the McCloud legal case around pensions, which has required a revised calculation of the Council's pension liabilities to be carried out by the actuary. Local authorities across the country have been affected by this as it is a national ruling.

| | £000s |
|--|---------------|
| (Surplus) on provision of services for the year as per the draft accounts | (340) |
| Over-accrual of lump sum pension costs | (79) |
| Revised IAS 19 pensions entries for McCloud/GMP ruling: | |
| - Past service costs | 641 |
| - Pension interest cost on defined benefit obligation | 9 |
| Deficit on provision of services for the year as per the final accounts | 231 |
| | |
| Total Comprehensive Income and Expenditure as per the draft accounts | 9,840 |
| Movement on surplus/deficit on provision of services (above) | 571 |
| Adjustment to remeasurement of the pensions net defined benefit liability/(asset) for McCloud/GMP ruling | 423 |
| Total Comprehensive Income and Expenditure as per the final accounts | 10,834 |

The effect of these changes impact on general revenue reserves (an increase of £79k) and the pensions reserve (a decrease of £1.073m) from the draft accounts.

- 3.3 The cashflow statement has also been adjusted to reflect the movements above. There is no effect on the level of cash held by the Council at 31 March 2019.

4 SIGNING OF THE STATEMENT OF ACCOUNTS

- 4.1 The audit work is expected to be completed by the time of the Committee meeting and EY will provide an update at the meeting. The Committee is requested to delegate any further amendments to the Statement of Accounts for 2018/19 to the Group Accountant and to delegate the signing of the letter of representation and the Statement of Accounts to the Chair of the FRAG committee alongside the Director of Resources.

5 VALUE FOR MONEY

- 5.1 The Auditors are required to conclude whether the Council has put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 5.2 EY have indicated that they anticipate issuing an unqualified value for money conclusion stating that the Council has made proper arrangements to secure economy, efficiency, and effectiveness in its use of resources.

6 CONCLUSION

- 6.1 The audit of the Statement of Accounts is almost complete. It is currently anticipated that unqualified audit opinions will be given on both the financial statements and the value for money conclusion. 2 amendments have been made to the accounts to date.

7 RECOMMENDATIONS

- 7.1 Note the adjustments to the Statement of Accountants 2018/19 identified to date.
- 7.2 Delegate to the Group Accountant to make any necessary adjustments to the Statement of Accounts for sign-off and publication.
- 7.3 Delegate to the Chair of the Finance, Resources, Audit and Governance Committee to sign the letter of representation alongside the Director of Resources.

Statement of Accounts 2018/2019



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NARRATIVE REPORT

1. Introduction to South Norfolk

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

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

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

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

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

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

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

2. The Council's Performance

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

| How We Performed in 2018/19 | | |
|---|--|--|
| Economic Growth, Productivity and Prosperity | Health, Well-being and Early Help | Place, Communities and Environment |
| <ul style="list-style-type: none">• Rented out 26 units through our property management company• Provided advice and guidance to 438 Small and Medium-sized Enterprises• Supported 80 new business start-ups in South Norfolk• Brought £3.1 million of external funding into the local economy• Helped make 63 new apprenticeships placements available in local businesses | <ul style="list-style-type: none">• Completed the redevelopment of Long Stratton Leisure Centre• Assisted 2,046 vulnerable people to stay in their own homes• Helped 2,805 residents in need of support from our Early Help Hub to achieve positive outcomes | <ul style="list-style-type: none">• Recycled and composted 38% of domestic waste• Delivered 741 new affordable homes in one year• Processed 100% of major planning applications and 96% of householder applications within agreed timescales |

3. Financial Performance

An uncertain financial environment

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

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

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

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

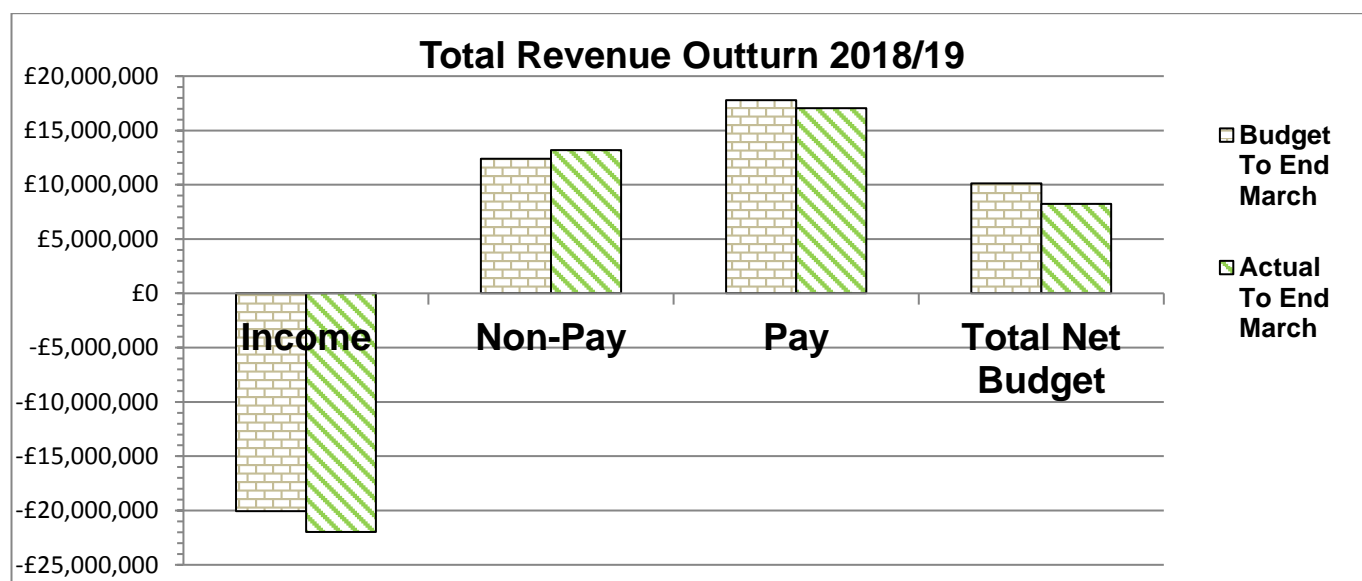
The Council is faced with a potential "perfect storm" of changes to business rates, the funding formula and New Homes Bonus, all in 2020/21. It has responded to this by detailed scenario planning and challenging its staff to deliver at least £1 million in budget savings, efficiencies and new income in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

Robust financial standing

Due to prudent financial management, the financial position of the Council is strong. The outturn for the Council is a deficit on provision of services of £0.231 million (shown on page 30), which covers both capital and revenue income and expenditure.

Revenue

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



Analysis of major variances

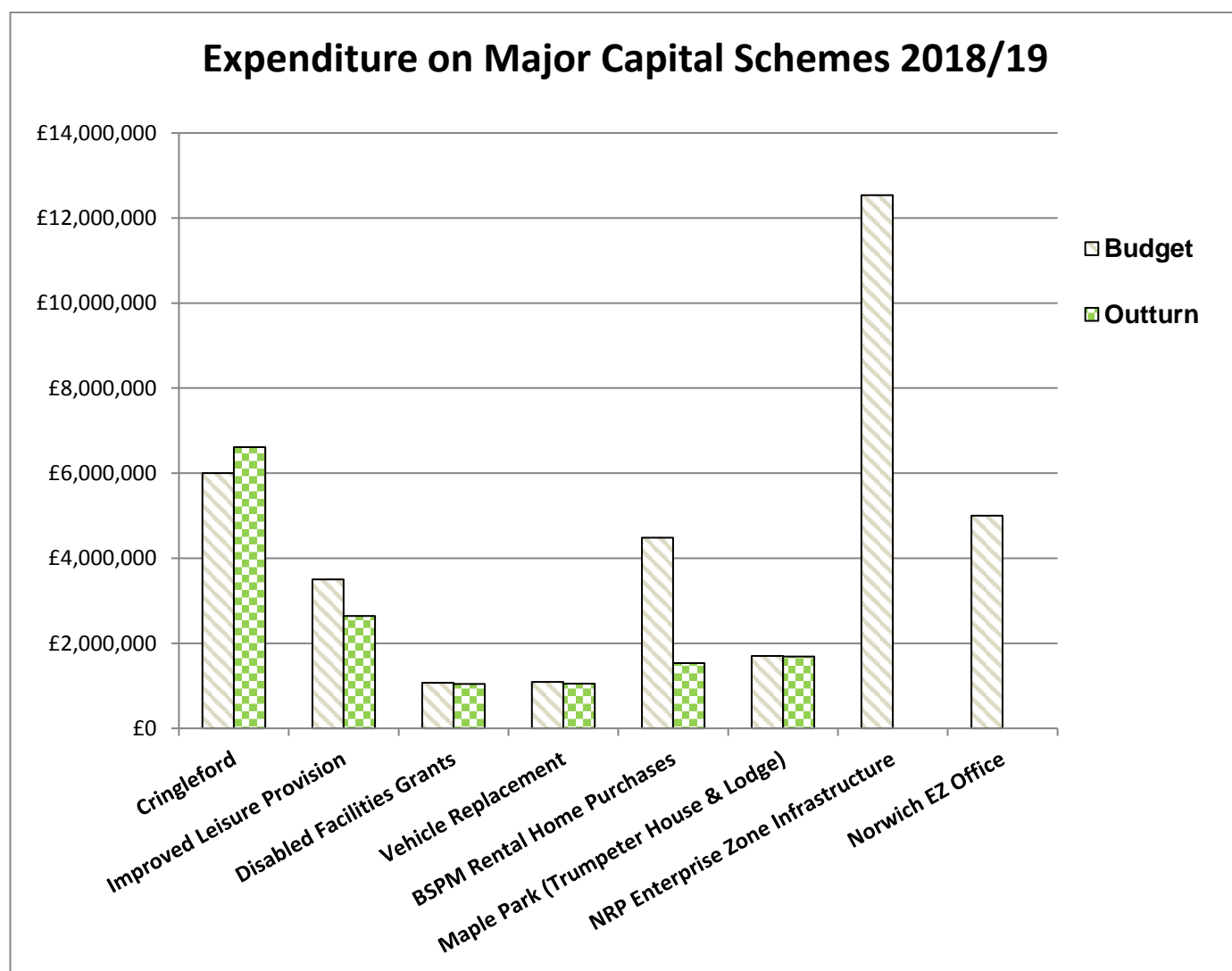
- The revenue surplus is caused by a combination of positive variances against pay and income budgets. Positive variances on pay budgets reflect effective management of the staff budget, including management of staff vacancies. The Council experienced an increase in income, principally from increases in business rates income as detailed in the Collection Fund section, specific government grants for mandatory business rate reliefs and an increase in major planning applications. The negative variance on non-pay budgets

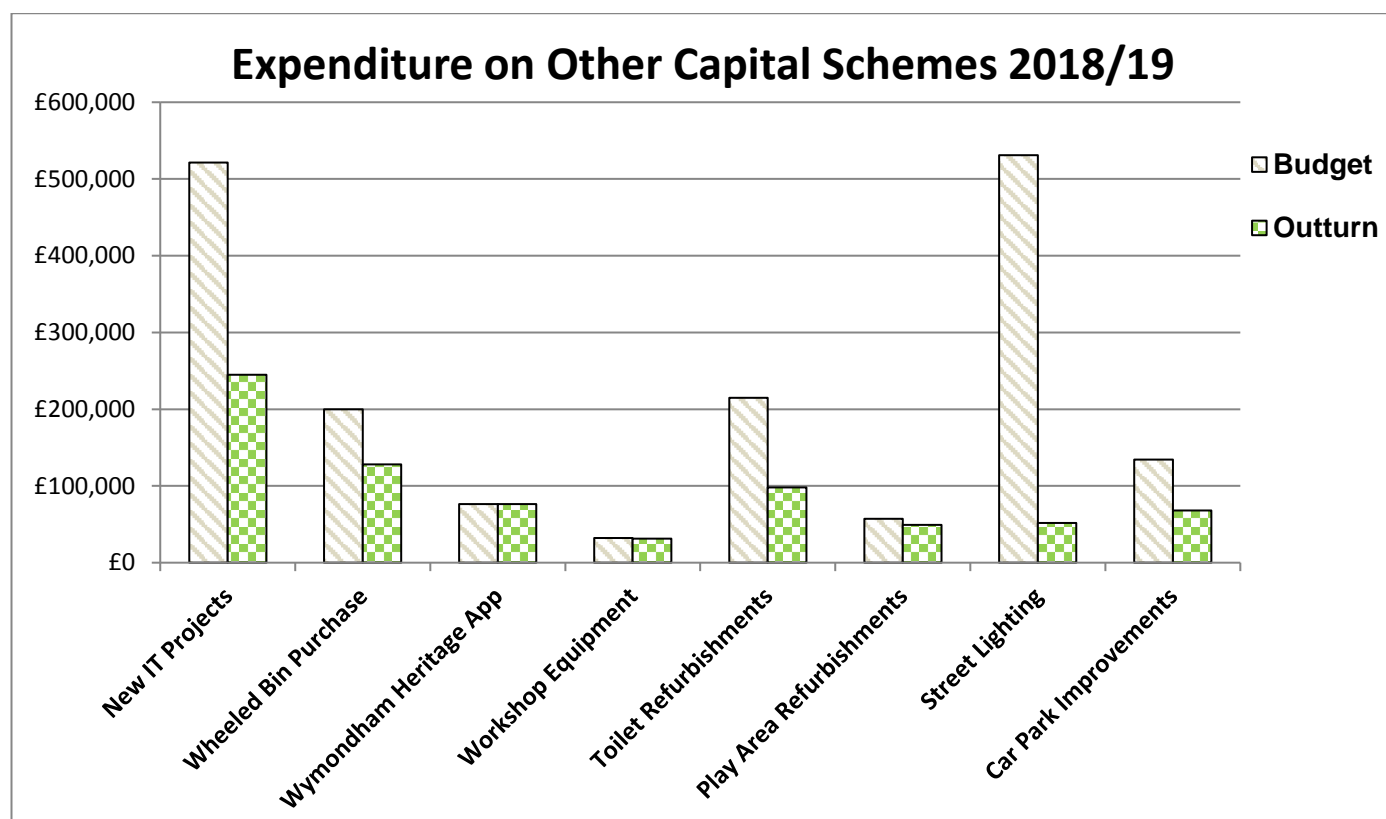
was mainly due to higher than anticipated costs for transport fleet, economic development and development management, including IFRS 15 adjustments detailed in Note 9.

- The Council's usable revenue reserves have reduced by £1.4 million during the year, which includes capital funding and was a planned reduction in the Medium Term Financial Strategy. The Council used much of its capital receipts during the year and therefore the capital receipts reserve reduced by £2.022 million. Total usable reserves have therefore reduced by £3.209 million during the year to a total of £22.080 million.

Capital

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



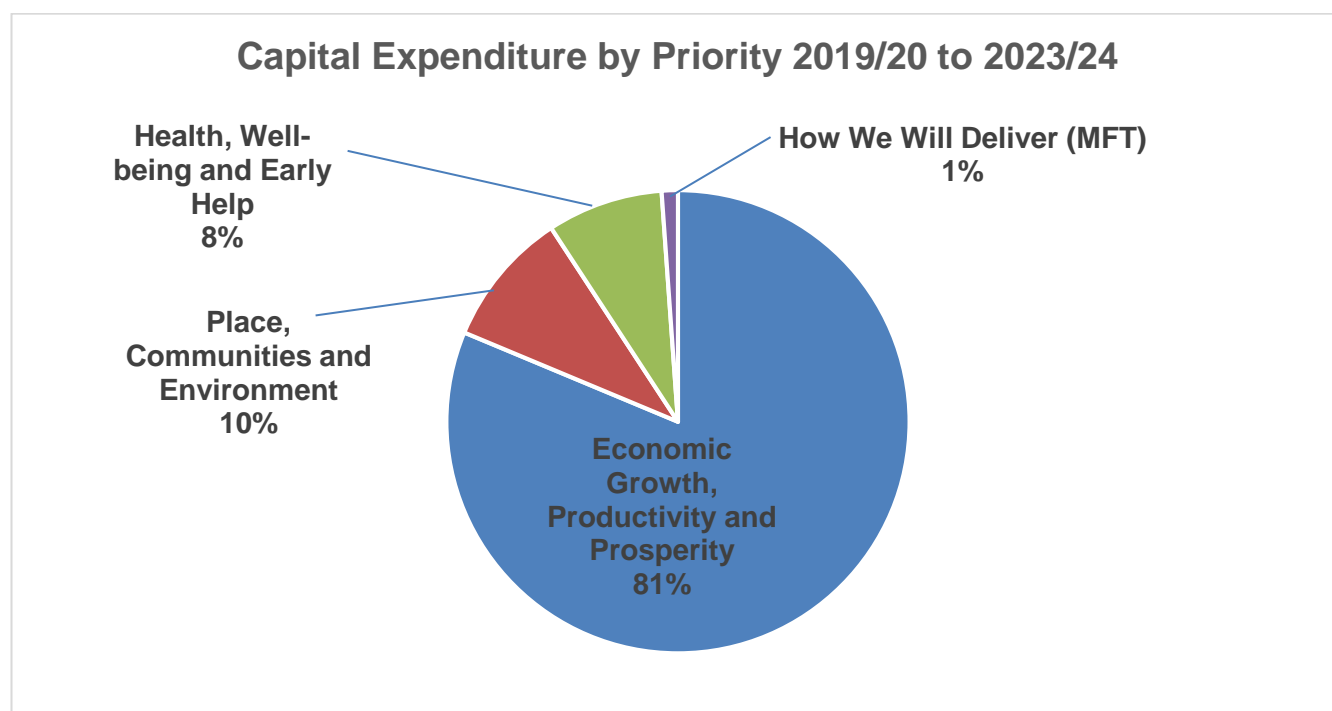


The main areas of capital expenditure during the financial year were:

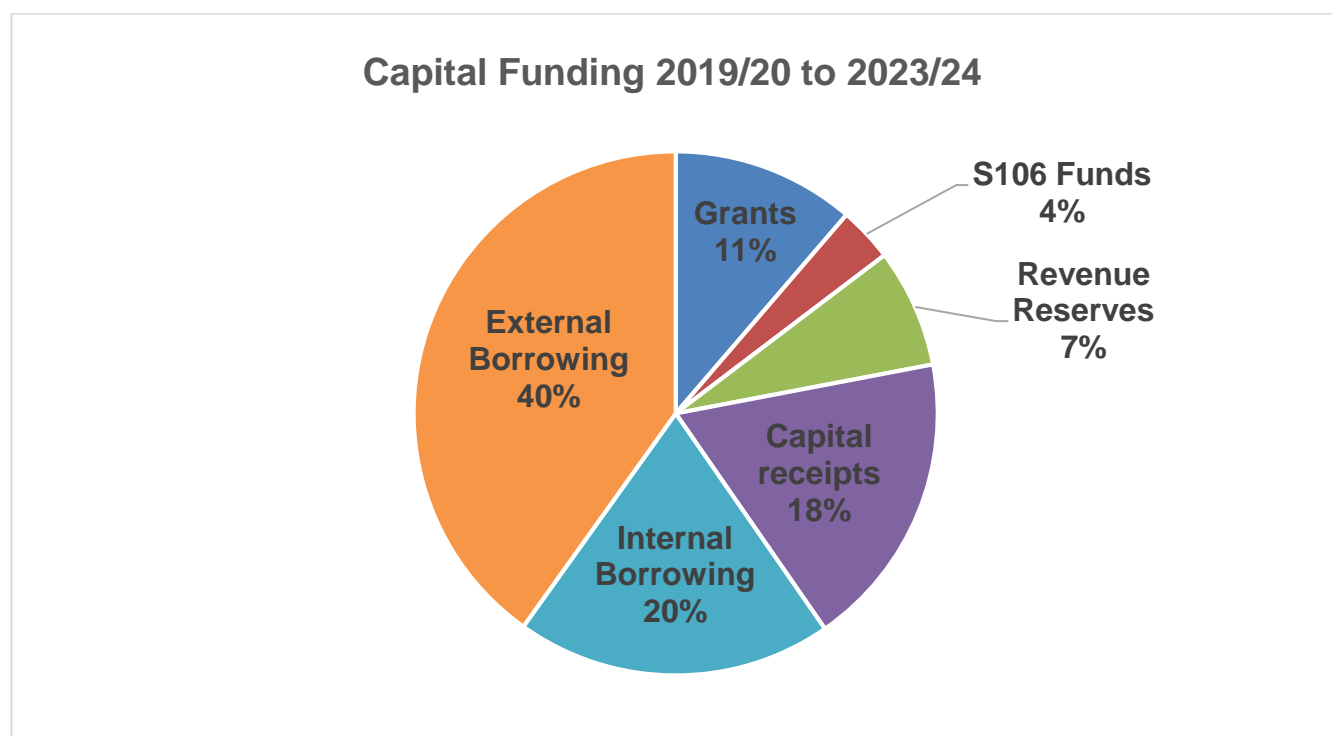
- A £6m loan to Big Sky Developments Ltd, the Council's wholly owned property development company, for the purchase of development land at Cringleford. A further £613k was spent on highways improvements, however, this was fully recovered with funding acquired from Homes England and from also reclaiming funds from Pooled Business Rates.
- The Council also transferred the costs of construction for Trumpeter House to Big Sky Developments Ltd, this will be used as a Commercial Investment Property to provide ongoing rental income.
- The refurbishment of Long Stratton Leisure Centre was completed during the year with the centre re-opening in March 2019. This centre now has new changing rooms, an upgraded gym, a café and a soft play area.
- The construction of a new 3G pitch at Ketts Park, Wymondham to enhance the leisure offering to the community.
- Expenditure on plant and equipment including the purchase of new refuse vehicles to update the refuse fleet.
- Grants to support people remaining in their homes. These have been treated as Revenue Expenditure Funded from Capital Under Statute.
- The investment of £1.533 million in Big Sky Property Management Ltd, the Council's wholly owned residential lettings company, to allow it to purchase properties at the Big Sky developments at Poringland and Long Stratton for rental. This investment is a mixture of loans and equity and is reflected as capital expenditure in the Council's accounts.

The Council has an ambitious five-year capital programme of £82.7 million. Key areas for investment are: the Enterprise Zone on Norwich Research Park; further property development in the district, vehicle replacement and grants to support people remaining independently in their

own homes. As shown in the chart below, the main corporate priority that is delivered through the capital programme is Economic Growth, Productivity and Prosperity.



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



Balance Sheet and Pensions

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

| | At 31 March 2019 | At 31 March 2018 |
|--------------------------------------|------------------|------------------|
| | £000s | £000s |
| Non-current assets | 61,833 | 50,377 |
| Current assets | 36,566 | 40,294 |
| Current liabilities | (12,555) | (9,581) |
| Long term liabilities and provisions | (73,616) | (58,028) |
| Net Assets | 12,228 | 23,062 |
| Represented by: Usable reserves | 22,080 | 25,289 |
| Represented by: Unusable reserves | (9,852) | (2,227) |

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

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

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

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

Cashflow

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

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

Group Accounts

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

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

Future Financial Outlook

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

Service Delivery

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

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

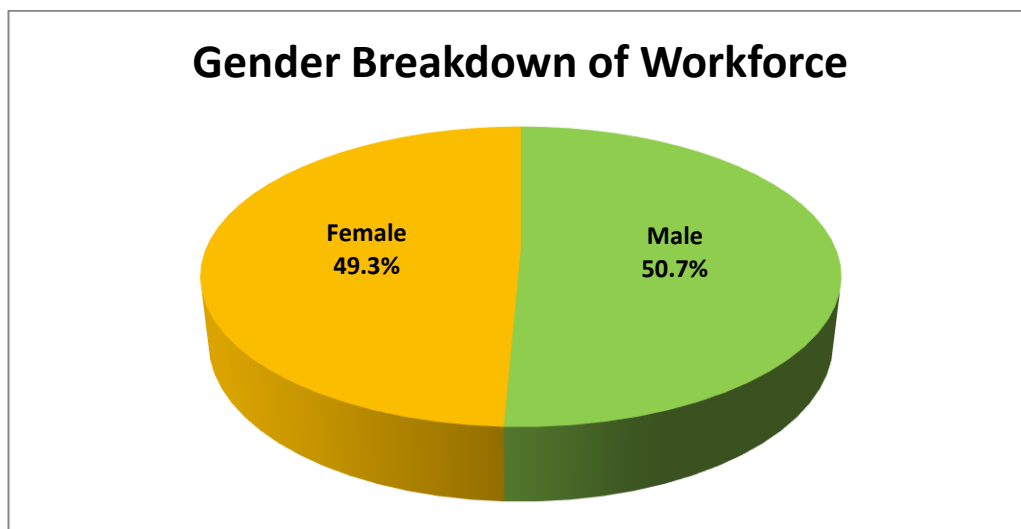
| | |
|------------------------|---|
| | nationally, to boost economic growth and further improve services. |
| Digital Transformation | This is part of the Council's ongoing programme of continuous improvement and cultural change, Moving Forward Together (MFT). Digital transformation aims to ensure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

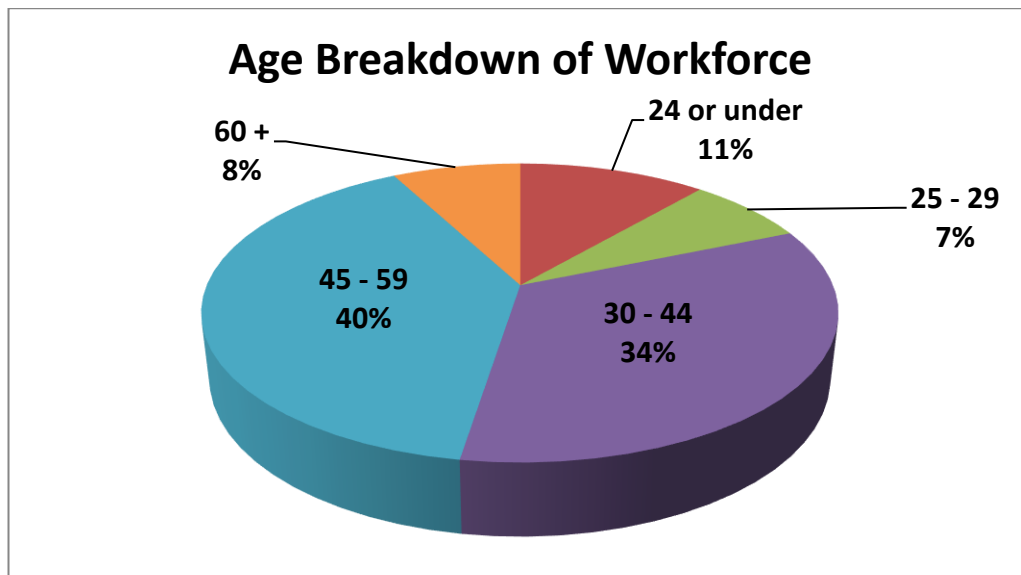
4. Employees

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

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

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





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

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

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

5. Explanation of accounting statements

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

The **Core Statements** are:

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

- services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and,
- discretionary expenditure focussed on local priorities and needs.

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

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

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

The **Supplementary Financial Statements** are:

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

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

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

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

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

A copy of the Code is available on our website, within the Constitution, and can be downloaded [here](#).

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

The Purpose of the Governance Framework

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

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

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

The Governance Framework

An annual review of the Governance Framework at South Norfolk Council was completed prior to the preparation of the Annual Governance Statement, with key officers completing full

assurance statements for their area of responsibility, and these being signed off by the relevant member of the Corporate Management Leadership Team (CMLT). These are in place to ensure the governance arrangements across the Council are adequate, and to also recognise where any further work needs to be done.

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

The Council's Vision and Priorities:

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



The main aims of the Corporate Plan are to:

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

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

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

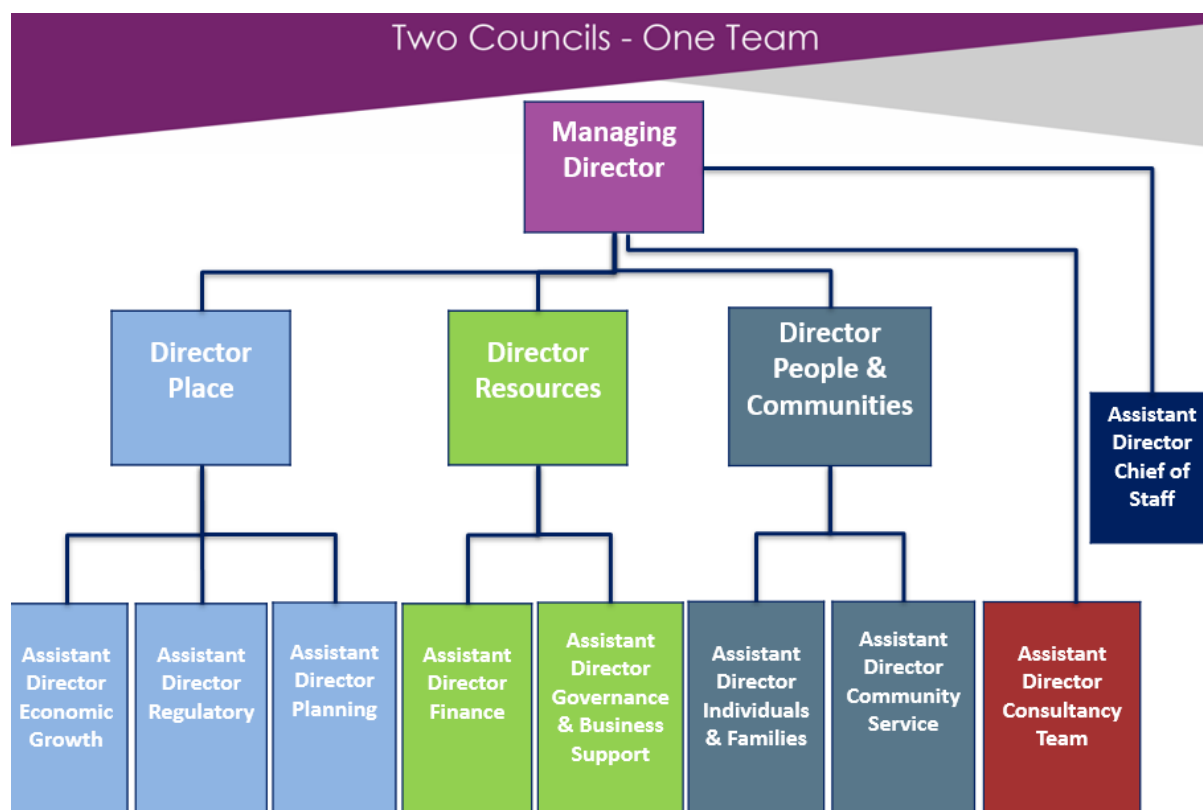
The 2016-2020 Corporate Plan identifies three priority areas where we will focus our resources and efforts. These areas are supported by our customer focussed, collaborative and commercial approach to service delivery.



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

Review of the Council's Governance Arrangements:

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



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

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

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

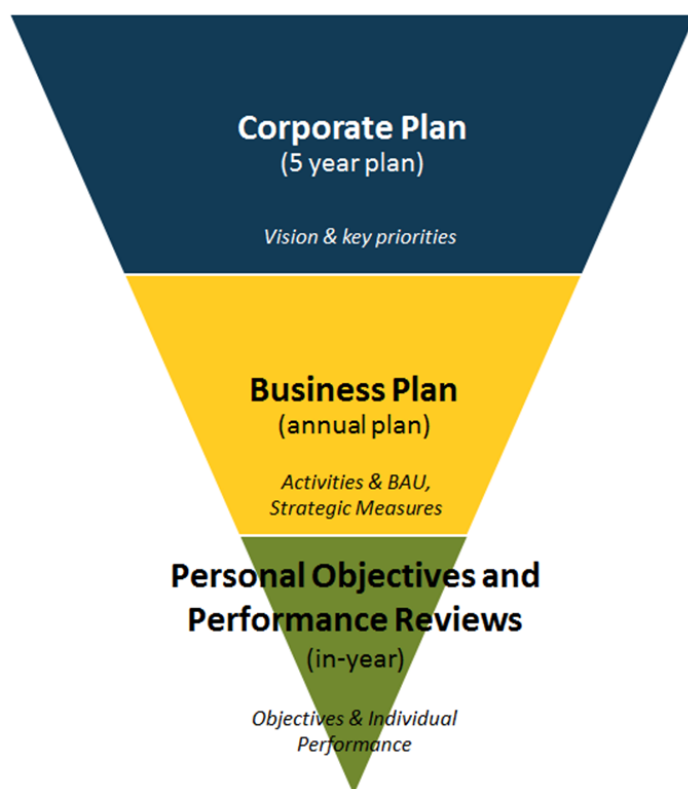
The Council was assessed by Investors In People in March 2017 and was accredited with the Platinum standard. The Council was re-assessed in early 2018 and it was concluded that we had got even better by continuing to focus on strategies to maintain and enhance the service to the community, by equipping,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

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

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

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

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



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

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

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

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

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

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

The Finance, Resources, Audit and Governance Committee

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

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

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

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

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

Whistle-blowing Policies and Investigating Complaints:

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

Tackling Fraud and Corruption:

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

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

Development Needs of Councillors and Officers:

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

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

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

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

Good Governance Arrangements with Partnerships:

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

The CIPFA Framework for Corporate Governance places a high degree of emphasis on partnership working. In practice, the Council takes a collaborative approach to working, recognising that there are a variety of means to engage with third parties.

In addition, as the feasibility study is being progressed for collaborative working with Broadland District Council, appropriate governance arrangements have been put in place to ensure that Councillors and Officers are involved in the progression of this work.

Review of Effectiveness

The Role of the Council

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

The Role of the Cabinet

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

combined performance, risk and finance reports and delegates policy development to four policy committees.

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

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

The Role of the Scrutiny Committee

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

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

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

Role of the Monitoring Officer

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

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

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

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

The Role of the Chief Financial Officer

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

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

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

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

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

The Role of Internal Audit

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

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

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

The Role of External Review Bodies

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

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

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

Effectiveness of Other Organisations

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

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

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

Governance Issues

Looking back on the issues raised in 2017/18

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

- There was one specific area whereby improvement in awareness was needed and this is in terms of risk management. There was a number of new managers in post and it appeared that awareness of the risk management framework needed to be raised. Risk management was not raised as an issue within the assurance statements in relation to 2018/19, which is positive. The framework itself is being reviewed (particularly in light of collaborative working with Broadland District Council), and will be updated as needed, with further training to be provided to key members of staff as required across the Council.
- A number of managers last year were only able to provide partial compliance in relation to data protection in light of the imminent introduction of the General Data Protection Regulation (GDPR) and ongoing work required to comply with the new legislation. The Statements now reflect a position whereby the Council has met these requirements and departments can provide assurances that adequate measures are in place and followed.
- Staff realignments continued to deliver a more effective and efficient service to customers, however this is well managed and clear processes are in place. Larger scale changes to the senior management structure have been implemented in the last year to progress the collaboration with Broadland District Council and realise the *Two Councils – One Team* approach. Governance regarding this has been carefully considered, with joint procedures and terms of reference established for joint appointment panels as appropriate. Furthermore, shared officer employment rules have also been adopted by both authorities.

Managers’ Assurance Statements for 2018/19

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

The Assurance Statement asked specific questions about; policy and procedure; effectiveness of key controls, alignment of services with the business plan, human resources, finance, risks

and controls, health and safety, procurement, insurance, information technology, data protection, freedom of information, business continuity, partnerships and equalities. A yes / partial / no response was required with evidence and action needed noted. Each Manager also needed to note any issues that they felt represented a significant control item or governance issue.

Overall, governance regarding closer working relationships with Broadland District Council emerged as a key theme, as referenced above. Although not resulting in non-compliance, officers noted in their responses that policies, procedures etc would require review in light of the collaboration with Broadland District Council. This will be an area of work that is progressed in the coming year as the two Councils' officers begin to work closer together as one team. Alignment of key policies will be prioritised, particularly those that relate to staff eg, terms and conditions.

Procurement has been raised across some areas of the Council as requiring some attention, particularly as exemptions have been required in some cases. The Procurement Consortium Manager has already begun to address these issues with further guidance provided to specific teams and meetings planned to review annual forward plans of work so that issues do not arise in future.

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

Internal Audit

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

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

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

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

Risk Management

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

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

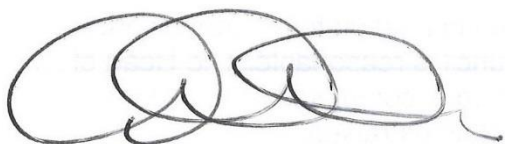
Risks are added to the register as and when they are identified and all risks are reviewed regularly with further consideration by CMLT.

Review and Approval of the Annual Governance Statement

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

Certification

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

A handwritten signature in black ink, appearing to read 'Trevor Holden', written over a horizontal line.

Trevor Holden, Managing Director

A handwritten signature in blue ink, appearing to read 'Hardy', written over a horizontal line.

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

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Director of Resources Responsibilities

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

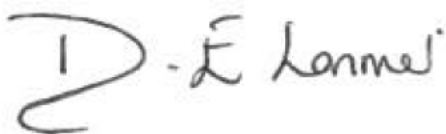
In preparing this Statement of Accounts, the Director of Resources has:

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

The Director of Resources has also:

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

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



Deborah Lorimer FCCA
(Director of Resources)

Date: 27th September 2019

EXPENDITURE AND FUNDING ANALYSIS

Year ended 31 March 2018

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

Year ended 31 March 2019

| | Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding and Accounting Basis (Note 8) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--|--|--|---|
| | £000s | £000s | £000s |
| Chief Executive directorate | 5,778 | 628 | 6,406 |
| Communities and Wellbeing directorate | 1,969 | 1,999 | 3,968 |
| Growth and Business Development directorate | 3,690 | 228 | 3,918 |
| Corporate Management | 1,979 | 701 | 2,680 |
| Net Cost of Services | 13,416 | 3,556 | 16,972 |
| Other Income and Expenditure | (11,967) | (4,774) | (16,741) |
| (Surplus)/Deficit for the Year | 1,449 | (1,218) | 231 |
| Opening General Fund (including Earmarked Reserves) | (22,702) | | |
| (Surplus)/Deficit on General Fund Balance for the Year | 1,449 | | |
| Closing General Fund Balance (including Earmarked Reserves) | (21,253) | | |

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

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

| | General Fund Balance £000s | Capital Receipts Reserve £000s | Capital Grants Unapplied Account £000s | Total Usable Reserves £000s | Unusable Reserves £000s | Total Council Reserves £000s |
|---|-------------------------------|-----------------------------------|---|--------------------------------|----------------------------|---------------------------------|
| Balance brought forward as at 1 April 2017 | 18,363 | 4,008 | 0 | 22,371 | (6,185) | 16,186 |
| Movement in Reserves during 2017/18: | | | | | | |
| Total Comprehensive Expenditure and Income | 2,127 | 0 | 0 | 2,127 | 4,749 | 6,876 |
| Adjustments between accounting basis & funding basis under regulations (Note 8) | 2,212 | (1,421) | 0 | 791 | (791) | 0 |
| Increase/Decrease in Year | 4,339 | (1,421) | 0 | 2,918 | 3,958 | 6,876 |
| Balance carried forward at 31 March 2018 | 22,702 | 2,587 | 0 | 25,289 | (2,227) | 23,062 |
| Movement in Reserves during 2018/19: | | | | | | |
| Total Comprehensive Expenditure and Income | (231) | 0 | 0 | (231) | (10,603) | (10,834) |
| Adjustments between accounting basis & funding basis under regulations (Note 8) | (1,218) | (2,022) | 262 | (2,978) | 2,978 | 0 |
| Increase/Decrease in Year | (1,449) | (2,022) | 262 | (3,209) | (7,625) | (10,834) |
| Balance carried forward at 31 March 2019 | 21,253 | 565 | 262 | 22,080 | (9,852) | 12,228 |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | Year ended 31 March 2019 | | | Year ended 31 March 2018 | | |
|---|--------------------------|-----------------|---------------|--------------------------|-----------------|----------------|
| | Gross Expenditure | Gross Income | Net | Gross Expenditure | Gross Income | Net |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Gross expenditure, gross income and net expenditure of continuing operations:- | | | | | | |
| Chief Executive directorate | 7,554 | (1,148) | 6,406 | 7,669 | (1,593) | 6,076 |
| Communities and Wellbeing directorate | 33,853 | (29,885) | 3,968 | 34,540 | (30,957) | 3,583 |
| Growth and Business Development directorate | 12,432 | (8,514) | 3,918 | 10,973 | (7,612) | 3,361 |
| Corporate Management | 2,750 | (70) | 2,680 | 1,300 | (17) | 1,283 |
| Cost of Services | 56,589 | (39,617) | 16,972 | 54,482 | (40,179) | 14,303 |
| Other Operating Expenditure: | | | | | | |
| Precepts paid to Parish Councils | | | 3,632 | | | 3,361 |
| (Gain)/Loss on disposal of non-current assets | | | (232) | | | (1,290) |
| Payments to Housing capital receipts pool | | | 0 | | | 1 |
| Financing and Investment Income and Expenditure:- | | | | | | |
| Interest payable or similar charges | | | 20 | | | 10 |
| (Gain)/Loss on trading accounts | | | (347) | | | (331) |
| Other investment property income | | | (30) | | | (30) |
| Pensions interest (income)/expenditure | | | 1,510 | | | 1,466 |
| Investment interest income | | | (927) | | | (653) |
| (Gain)/Loss on revaluation of investments | | | 0 | | | 490 |
| (Gain)/Loss on revaluation of Investment Property and Assets Held for Sale | | | 952 | | | 402 |
| Taxation and Non-Specific Grant Income and Expenditure:- | | | | | | |
| Council Tax Income | | | (10,695) | | | (9,957) |
| Business Rates Income and Expenditure | | | (4,886) | | | (4,388) |
| Capital Grants (Note 28) | | | (1,274) | | | (90) |
| General Grants (Note 28) | | | (4,464) | | | (5,421) |
| (Surplus)/Deficit on provision of service for the Year | | | 231 | | | (2,127) |
| (Surplus)/deficit on revaluation of property, plant and equipment assets (Note 24) | | | 398 | | | (824) |
| Remeasurement of the pensions net defined benefit liability/(asset) | | | 10,205 | | | (3,925) |
| Other Comprehensive Income and Expenditure | | | 10,603 | | | (4,749) |
| Total Comprehensive Income and Expenditure | | | 10,834 | | | (6,876) |

BALANCE SHEET

| | As at 31 March 2019 £000s | As at 31 March 2018 £000s |
|--|---------------------------------|---------------------------------|
| Non Current Assets | | |
| Property, Plant & Equipment (Note 10) | 31,152 | 28,342 |
| Intangible Fixed Assets | 341 | 307 |
| Investment Properties (Note 11) | 12,596 | 11,901 |
| Long Term Investments (Note 16) | 6,493 | 5,880 |
| Long Term Debtors (Note 15) | 11,251 | 3,947 |
| Total Non-Current Assets | 61,833 | 50,377 |
| Current Assets | | |
| Cash and cash equivalents (Note 18) | 13,194 | 17,803 |
| Debtors (Note 17) | 6,350 | 16,984 |
| Short Term Investments (Note 19) | 17,017 | 5,500 |
| Inventories | 5 | 7 |
| Total Current Assets | 36,566 | 40,294 |
| Current Liabilities | | |
| Creditors (Note 20) | (10,565) | (8,554) |
| Revenue Grants Receipts in Advance (Note 28) | (152) | (355) |
| Capital Grants Receipts in Advance (Note 28) | (72) | 0 |
| Short Term Provisions (Note 21) | (1,766) | (672) |
| Total Current Liabilities | (12,555) | (9,581) |
| Long Term Liabilities | | |
| Long Term Creditors (Note 22) | (1,174) | (1,024) |
| Grants Receipts in Advance (Note 28) | (3,257) | (1,756) |
| Provisions (Note 21) | (371) | (399) |
| Pension Scheme Liability (Note 32) | (68,814) | (54,849) |
| Total Long Term Liabilities | (73,616) | (58,028) |
| Net Assets | 12,228 | 23,062 |
| Usable Reserves | | |
| General Fund Balance | 1,400 | 1,400 |
| General Reserves (Note 23) | 19,853 | 21,302 |
| Usable Capital Receipts Reserve | 565 | 2,587 |
| Capital Grants Unapplied | 262 | 0 |
| Unusable Reserves (Note 24) | | |
| Capital Adjustment Account | 51,263 | 45,079 |
| Collection Fund Adjustment Account | (98) | (599) |
| Deferred Capital Receipts Reserve | 12 | 12 |
| Pension Reserve | (68,814) | (54,849) |
| Revaluation Reserve | 7,849 | 8,405 |
| Short Term Accumulated Absences Account | (64) | (275) |
| Total Net Worth | 12,228 | 23,062 |

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

27th September 2019

CASHFLOW STATEMENT

| | 31 March 2019 £000s | 31 March 2018 £000s |
|--|---------------------------|---------------------------|
| Net Surplus/(Deficit) on the provision of services | (231) | 2,126 |
| Adjustment to surplus or deficit on the provision of services for noncash movements | 10,685 | 1,875 |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (4,029) | (2,467) |
| Net Cash flows from Operating activities | 6,425 | 1,534 |
| Net Cash flows from Investing Activities | (18,009) | 1,267 |
| Net Cash flows from Financing Activities | 6,975 | (99) |
| Net increase or (decrease) in cash and cash equivalents | (4,609) | 2,702 |
| Cash and cash equivalents at the beginning of the reporting period | 17,803 | 15,101 |
| Cash and cash equivalents at the end of the reporting period (Note 18) | 13,194 | 17,803 |

The cash flows for operating activities include the following items:

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

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

| | 31 March 2019 £000s | 31 March 2018 £000s |
|--|---------------------------|---------------------------|
| Depreciation | 1,481 | 1,405 |
| Impairment and downward valuations | (723) | (247) |
| Amortisation | 159 | 135 |
| Movement in contract assets, liabilities and costs (IFRS 15) | 657 | 0 |
| Increase/(decrease) in creditors | (665) | 1954 |
| (Increase)/decrease in debtors | 4,608 | (4799) |
| (Increase)/decrease in inventories | 2 | (2) |
| Movement in pension liability | 3,758 | 3,126 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 6 | 34 |
| Other non-cash items charged to the net surplus on the provision of services | 1,402 | 269 |
| | 10,685 | 1,875 |

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

| | 31 March 2019 £000s | 31 March 2018 £000s |
|--|------------------------------------|------------------------------------|
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (239) | (1,319) |
| Any other items for which the cash effects are investing or financing cash flows | (3,790) | (1,148) |
| | <u>(4,029)</u> | <u>(2,467)</u> |

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

- IAS 40 Investment Property: Transfers of Investment Property
- Amendments to IFRS 9 Financial Instruments: Prepayment features with Negative Compensation
- IFRIC 22 Foreign Currency Transactions and Advance consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

The preparation of the Statement of Accounts requires the Council to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key adjustments and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows :-

Pension Liability

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

NNDR Appeals and Localisation of Business Rates

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

4. MATERIAL ITEMS OF INCOME AND EXPENSE

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

- Housing Benefit subsidy of £23.676 million is included in the Cost of Services section in the top half of the Comprehensive Income and Expenditure Statement. This income is the result of a claim made to the Department of Work and Pensions and reimburses the expenditure incurred by the authority for those amounts paid to recipients of housing benefit in the local community. (See Note 28).
- Pension costs charged to the Comprehensive Income and Expenditure Statement on page 30 are shown in Note 32.

5. EVENTS AFTER BALANCE SHEET DATE

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

6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Year ended 31 March 2018

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

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

Year ended 31 March 2019

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

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

(1) Adjustments for Capital Purposes

- Adjustments for capital purposes – this column adds in depreciation, amortisation, impairment and revaluation gains and losses in the services line, and for:
 - Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - Financing and Investment income and expenditure – the statutory charges for capital financing i.e. Revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

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

(2) Net Change for Pensions Adjustments

- Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
 - For services this represents the removal of the employer pensions contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs,
 - For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

(3) Other Differences

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

7. EXPENDITURE AND INCOME ANALYSED BY NATURE

| | 2018/19 £000s | 2017/18 £000s |
|---|------------------|------------------|
| Expenditure/Income | | |
| Expenditure | | |
| Employee benefits expenses | 18,994 | 17,752 |
| Depreciation, amortisation, impairment & REFCUS | 3,500 | 2,749 |
| Interest payments | 1,530 | 1,476 |
| Precepts and levies | 3,632 | 3,361 |
| Gain on disposal of assets | (232) | (1,290) |
| Gain/loss on revaluation | 952 | 892 |
| Other expenditure | 43,509 | 43,131 |
| Total expenditure | 71,885 | 68,071 |
| Income | | |
| Fees, charges and other income | (14,192) | (14,044) |
| Interest and investment income | (221) | (160) |
| Income from Council Tax and Non-Domestic Rates | (24,367) | (23,021) |
| Government grants and contributions | (32,875) | (32,973) |
| Total income | (71,654) | (70,198) |
| (Surplus)/Deficit on Provision of Services | 231 | (2,127) |

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with generally accepted accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

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

Year ended 31 March 2018:

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

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

9. DISCLOSURE ON TRANSITION TO IFRS 15

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

| | Impact of change in accounting policies | | |
|--|---|--------------|---|
| | As reported (2018/19) | Adjustments | Amounts without adoption of IFRS 15 |
| | £000s | £000s | £000s |
| Comprehensive Income and Expenditure Statement for the year ended 31 March 2019 | | | |
| Gross expenditure | | | |
| Growth and Business Development directorate | 12,432 | 700 | 13,132 |
| Cost of Services - gross expenditure | 56,589 | 700 | 56,727 |
| Cost of Services - net | 16,972 | 700 | 17,672 |
| (Surplus)/Deficit on provision of service for the Year | 231 | 700 | 931 |
| Total Comprehensive Income and Expenditure | 9,840 | 700 | 10,540 |
| Balance Sheet as at 31 March 2019 | | | |
| Creditors | (10,565) | 700 | (9,944) |
| General Reserves | 19,853 | (700) | 19,153 |
| Net Assets | 12,228 | 700 | 12,928 |
| Cashflow Statement for year ended 31 March 2019 | | | |
| Non-cash movements: | | | |
| Contract Liabilities | 657 | (657) | 0 |
| Net cashflows from Operating Activities | 6,425 | (657) | 5,768 |

10. PROPERTY, PLANT & EQUIPMENT

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

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

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

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

Analysis of Property, Plant & Equipment

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

Vehicles, Plant & Equipment

| | | |
|--|--------------|--------------|
| Vehicles | 2,766 | 2,388 |
| Wheeled Bins | 660 | 653 |
| Other | 2,024 | 1,018 |
| Vehicles, Plant & Equipment Total | 5,450 | 4,059 |

Infrastructure assets

| | | |
|--------------------------|---------------|---------------|
| Access road | 0 | 0 |
| Operational Total | 29,672 | 26,651 |

Non Operational**Surplus Assets**

| | | |
|-----------------------------|--------------|--------------|
| Land Awaiting Development | 1,425 | 1,425 |
| Surplus Assets Total | 1,425 | 1,425 |

Assets Under Construction

| | | |
|--|-----------|------------|
| Assets Under Construction | 55 | 266 |
| Assets Under Construction Total | 55 | 266 |

Non Operational Total

| | |
|--------------|--------------|
| 1,480 | 1,691 |
|--------------|--------------|

Total Property, Plant & Equipment

| | |
|---------------|---------------|
| 31,152 | 28,342 |
|---------------|---------------|

Depreciation of Vehicles, Plant & Equipment

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

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

Capital Commitments and Revaluations

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

- Refuse Collection Vehicles £373,000

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

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

Fair Value Hierarchy

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

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

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

Highest and Best Use of Surplus Assets

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

Valuation Process for Surplus Assets

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

11. INVESTMENT PROPERTIES

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

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

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

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

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

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

Fair Value Hierarchy

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

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

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

Highest and Best Use of Investment Properties

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

Valuation Process for Investment Properties

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

12. FINANCE LEASES

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

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

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

13. OPERATING LEASES

Lessor

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

| | 2018/19 | 2017/18 |
|------------------|------------|------------|
| | £000s | £000s |
| Industrial Units | 527 | 538 |
| Land | 11 | 10 |
| Car Parks | 59 | 33 |
| | 597 | 581 |

The gross value of assets held and leased out under operating leases was £10,054,068. As these assets are held for investment purposes, in accordance with the Code no depreciation is charged to them.

The Council leases out property under operating leases for the following purposes:

- for economic development purposes to provide local business with affordable premises and agricultural land to local farmers.
- for the provision of community services such as town council premises, garage/garden plots and travellers site.

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

| | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| | £000s | £000s |
| Not later than 1 year | 453 | 405 |
| Later than 1 year but not later than 5 years | 980 | 992 |
| Later than 5 years | 5081 | 5,195 |
| Total Payments Receivable | 6514 | 6,592 |

14. FINANCIAL INSTRUMENTS

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

| Note 14.1 Financial Assets | Non-Current | | | | Totals | |
|---|---------------|---------------|--------------|---------------|---------------|---------------|
| | Investments | | Debtors | | 31 | 31 |
| | 31 March | 31 March | 31 March | 31 March | March | March |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Financial Assets | | | | | | |
| Amortised cost | 0 | 0 | 0 | 2,197 | 0 | 2,197 |
| Fair Value through other comprehensive income-other | 25 | 25 | 0 | 0 | 25 | 25 |
| Total Financial Assets | 25 | 25 | 0 | 2,197 | 25 | 2,222 |
| Non-financial assets | 6,468 | 5,855 | 9,160 | 1,750 | 15,628 | 7,605 |
| Total | 6,493 | 5,880 | 9,160 | 3,947 | 15,653 | 9,827 |
| | | | | | | |
| Note 14.1 - Financial Assets | Current | | | | Totals | |
| | Investments | | Debtors | | 31 | 31 |
| | 31 March | 31 March | 31 March | 31 March | March | March |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Financial Assets | | | | | | |
| Amortised cost | 28,876 | 23,303 | 0 | 0 | 28,876 | 23,303 |
| Total Financial Assets | 28,876 | 23,303 | 0 | 0 | 28,876 | 23,303 |
| Non-financial assets | 0 | 0 | 0 | 9,193 | 0 | 9,193 |
| Total | 28,876 | 23,303 | 0 | 9,193 | 28,876 | 32,496 |
| TOTAL FINANCIAL ASSETS | 35,369 | 29,183 | 9,160 | 13,140 | 44,529 | 42,323 |

| Note 14.2 Financial Liabilities | Non-Current | | Total | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | Creditors | | | |
| | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 |
| | £000s | £000s | £000s | £000s |
| Financial Liabilities | | | | |
| Amortised cost | 3,307 | 1,806 | 3,307 | 1,806 |
| Total Financial Liabilities | 3,307 | 1,806 | 3,307 | 1,806 |

| Note 14.2 Financial Liabilities | Current | | Total | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | Creditors | | | |
| | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 |
| | £000s | £000s | £000s | £000s |
| Financial Liabilities | | | | |
| Amortised cost | 5,227 | 5,859 | 5,227 | 5,859 |
| Total Financial Liabilities | 5,227 | 5,859 | 5,227 | 5,859 |

| | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|
| Total Financial Liabilities | 8,613 | 7,665 | 8,613 | 7,665 |
|------------------------------------|--------------|--------------|--------------|--------------|

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

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

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

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

Fair Values of Financial Assets

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

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

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

Level 3 inputs – unobservable inputs for the asset.

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

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

Fair Values of Financial Assets and Liabilities

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

| Note 14.3 Fair Value disclosures Financial Liabilities | 31 March 2019 | | 31 March 2018 | |
|---|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| | Carrying Amount £000s | Fair Value £000s | Carrying Amount £000s | Fair Value £000s |
| Financial Liabilities held at amortised cost | 5,227 | 5,227 | 5,859 | 5,859 |
| Long Term creditors | 3,307 | 3,307 | 1,806 | 1,806 |
| Total Financial Liabilities | 8,534 | 8,534 | 7,665 | 7,665 |

Note 14.3 Fair Value disclosures Financial Assets

| Financial Assets | 31 March 2019 | | 31 March 2018 | |
|---|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| | Carrying Amount £000s | Fair Value £000s | Carrying Amount £000s | Fair Value £000s |
| Financial Assets held at amortised cost | 28,876 | 28,876 | 23,303 | 23,303 |
| Short Term Debtors | 0 | 0 | 9,193 | 9,193 |
| Long Term Investments in Shareholding companies | 0 | 0 | 5,855 | 5,855 |
| Long Term Investments | 25 | 25 | 25 | 25 |
| Long Term Debtors Intercompany loans | 0 | 0 | 1,750 | 1,750 |
| Other Long Term Debtors | 0 | 0 | 2,197 | 2,197 |
| Total Financial Assets | 28,901 | 28,901 | 42,323 | 42,323 |

Income Expenses Gains and Losses – Financial Instruments

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

Risk

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

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

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

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

Procedures for managing Risk

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

Credit risk

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

Impairment Losses in accordance with the Expected Credit Loss Model

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

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

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

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

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

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

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

Liquidity risk

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

Market Risk

Interest rate risk

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

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;

Investments at fixed rates – the fair value of the assets will fall.

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

Price Risk

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

Foreign exchange risk

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

15. LONG TERM DEBTORS

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

16. LONG TERM INVESTMENTS

The investment figure is made up as follows:

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

17. SHORT TERM DEBTORS

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

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

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

18. CASH AND CASH EQUIVALENTS

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

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

19. SHORT TERM INVESTMENTS

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

20. SHORT TERM CREDITORS

| | 31 March 2019 £000s | 31 March 2018 £000s |
|---|---------------------------|---------------------------|
| Trade creditors | 1,257 | 650 |
| Local ratepayers - Council Tax and Business Rates | 522 | 644 |
| Receipts in advance | 1,125 | 828 |
| Business Rates preceptors | 2,713 | 1,118 |
| Community Infrastructure Levy | 2,489 | 3,840 |
| Other | 2,459 | 1,474 |
| Total Creditors | 10,565 | 8,554 |

21. PROVISIONS

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

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

Further details can be found in note 33.

The Council's share of the NDR appeals provision totals £1,527,000. The total movement in provision for appeals can be found in the Collection Fund Statement on page 70.

22. LONG TERM CREDITORS

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

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

23. USABLE RESERVES

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

| Name of Reserve | Balance as at 31 March 2018 | Movement in Year | Balance as at 31 March 2019 |
|---|-----------------------------|------------------|-----------------------------|
| | £000s | £000s | £000s |
| Revenue | 10,938 | (2,906) | 8,032 |
| Infrastructure Reserve | 3,525 | (118) | 3,407 |
| Localisation of Business Rates Reserve | 2,489 | 1512 | 4,001 |
| Localisation of Council Tax Benefit | 500 | 0 | 500 |
| Neighbourhood Grants Reserve | 22 | (22) | 0 |
| Vehicle and Equipment Procurement and Replacement Reserve | 949 | (178) | 771 |
| District and Parish Elections Reserve | 142 | 40 | 182 |
| Land Charges | 152 | (152) | 0 |
| Local Development Reserve | 855 | 0 | 855 |
| 3G Pitch Renewal Reserve | 11 | 15 | 26 |
| Non-Commercial Assets Replacement Reserve | 593 | 300 | 893 |
| Low Cost Housing (New Homes Bonus) Reserve | 876 | 0 | 876 |
| Communities and Localism Reserve | 191 | (10) | 181 |
| Enterprise Zone Reserve | 59 | 0 | 59 |
| Car Parks Reserve | 0 | 70 | 70 |
| Total | 21,302 | (1,449) | 19,853 |

24. UNUSABLE RESERVES

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement, as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised

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

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

Pensions Reserve

See Note 32 on page 63.

25. MEMBERS ALLOWANCES

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

26. OFFICER REMUNERATION

Banding Note

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

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

Senior Employee Note

In 2018/19, the remuneration of senior employees who have the power to direct or control the major activities of the body, in particular activities involving the expenditure of money, and whose annual salaries were between £50,000 and £150,000 were as per the table below.

Disclosed are annualised salaries of £50,000 or more: amounts paid are shown below.

Please note that this reflects the structure at 31st March 2019 prior to the official commencement of the restructured senior management hierarchy from 1st April 2019.

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

Payments made to the Chief Executive and Assistant Director - Resources that relate to their separate roles as Directors of Big Sky Developments Ltd during 2018/19 (as described in Note 29) are disclosed in the Group Accounts Note 7.

27. EXTERNAL AUDIT COSTS

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

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

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

28. GRANT INCOME

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

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

The Council has also received a number of grants that have yet to be recognised as income as they have conditions attached to them that will require monies to be returned if the conditions are not met.

These sums are included in the Balance Sheet at year end as follows:

| 31 March 2019 £000s | Balance Sheet | 31 March 2018 £000s |
|---------------------------|---|---------------------------|
| 152 | Revenue Grants Receipts in Advance (Short Term) | 355 |
| 72 | Capital Grants Receipts in Advance (Short Term) | 0 |
| 3,257 | Grants Receipts in Advance (Long Term) | 1,756 |
| 3,481 | | 2,111 |

29. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent

to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

31. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

| 2018/19 | | | 2017/18 | | |
|--------------|-----------------|---------------------------------------|--------------|-----------------|---------------------------------------|
| Expenditure | Grants Received | Expenditure funded from other sources | Expenditure | Grants Received | Expenditure funded from other sources |
| £000s | £000s | £000s | £000s | £000s | £000s |
| 686 | (686) | 0 | 527 | (527) | 0 |
| 356 | (256) | 100 | 378 | (332) | 46 |
| 533 | (533) | 0 | 184 | (184) | 0 |
| 0 | 0 | 0 | 11 | 0 | 11 |
| 0 | 0 | 0 | 10 | (5) | 5 |
| 1 | (1) | 0 | 11 | (11) | 0 |
| 613 | (613) | 0 | 0 | 0 | 0 |
| 98 | 0 | 98 | 17 | 0 | 17 |
| 76 | (76) | 0 | 0 | 0 | 0 |
| 52 | 0 | 52 | 0 | 0 | 0 |
| 0 | 0 | 0 | 69 | 0 | 69 |
| 10 | 0 | 10 | 250 | 0 | 250 |
| 2,425 | (2,165) | 260 | 1,457 | (1,059) | 398 |

32. DEFINED BENEFIT PENSION SCHEME

As part of the terms and conditions of employment of its Officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme. Until 31 March 2014, this was a defined benefit final salary scheme, administered by Norfolk County Council. From 1 April 2014, the scheme changed to an average salary scheme, details of which can be found on page 67.

This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

**Local Government
Pension Scheme**

2018/19 2017/18
£000s £000s

Comprehensive Income and Expenditure Statement

Cost of Services:

Service cost comprising:

| | | |
|------------------------|---------|---------|
| - Current service cost | (4,213) | (4,167) |
| - Past service cost | (641) | 0 |

Financing and Investment Income and Expenditure

| | | |
|------------------------|---------|---------|
| - Net interest expense | (1,501) | (1,466) |
|------------------------|---------|---------|

*Total Post-employment Benefits charged to the Surplus or
(Deficit) on the Provision of Services*

| | | |
|--|---------|---------|
| | (6,355) | (5,633) |
|--|---------|---------|

2018/19 2017/18
£000s £000s

*Other Post-employment Benefits charged to the
Comprehensive Income and Expenditure Statement*

Remeasurement of the new defined benefit liability
comprising:

| | | |
|--|----------|-------|
| - Return on plan assets (excluding amount included in the net interest expense) | 2,243 | 1,043 |
| - Actuarial gains and losses arising on changes in demographic assumptions | 0 | 0 |
| - Actuarial gains and losses arising on changes in financial assumptions | (12,459) | 2,826 |
| - Other | (43) | 5 |

*Total Post-employment Benefits charged to the
Comprehensive Income and Expenditure Statement*

| | | |
|--|----------|----------|
| | (10,259) | (22,376) |
|--|----------|----------|

Movement in Reserves Statement

- Reversal of net changes made to the Surplus or Deficit on
the Provision of Services for post-employment benefits in
accordance with the Code

| | | |
|--|---------|---------|
| | (6,416) | (5,683) |
|--|---------|---------|

- Actual amount charged against the General
Fund Balance for pensions in year

| | | |
|--|-------|-------|
| | 3,758 | 3,177 |
|--|-------|-------|

Employers' contributions payable to the scheme

| | | |
|--|---------|---------|
| | (2,658) | (2,506) |
|--|---------|---------|

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

Local Government Pension Scheme assets comprised:

| | Fair value of scheme assets | | | |
|-----------------------------------|--------------------------------|-------------------------|------------------|-------------------------|
| | 2018/19 £000s | % of total assets | 2017/18 £000s | % of total assets |
| Cash and cash equivalent | | | | |
| Equity instruments: | | | | |
| By industry type | | | | |
| Consumer | 5,240 | 6.0% | 5,255 | 6.6% |
| Manufacturing | 4,329 | 5.0% | 4,482 | 5.6% |
| Energy and utilities | 1,893 | 2.0% | 1,426 | 1.8% |
| Financial institutions | 4,583 | 5.0% | 4,459 | 5.6% |
| Health and care | 2,034 | 2.0% | 1,465 | 1.8% |
| Information Technology | 4,137 | 5.0% | 2,506 | 3.1% |
| Other | 3 | 0.0% | 0 | 0.0% |
| Sub-total equity | 22,219 | | 19,593 | |
| Debt securities: | | | | |
| UK Government | 969 | 1.0% | 1,203 | 1.5% |
| | 969 | | 1,203 | |
| Property: | | | | |
| By type | | | | |
| UK property | 8,368 | 10.0% | 7,011 | 8.8% |
| Overseas property | 1,615 | 2.0% | 1,149 | 1.4% |
| Sub-total property * | 9,983 | | 8,160 | |
| Private equity: | | | | |
| All | 5,219 | 6.2% | 4,416 | 5.5% |
| Sub-total private equity * | 5,219 | | 4,416 | |
| Investment Funds and Unit Trusts: | | | | |
| Equities | 14,546 | 17.0% | 21,398 | 26.8% |
| Bonds | 29,271 | 35.0% | 22,116 | 27.7% |
| Sub-total other investment funds | 43,817 | | 43,514 | |
| Derivatives: | | | | |
| Foreign Exchange | (24) | 0.0% | 122 | 0.2% |
| Other | 241 | 0.0% | (61) | -0.1% |
| | 217 | | 61 | |
| Cash and Cash Equivalents: | | | | |
| All | 2,111 | 2.0% | 2,978 | 3.7% |
| | 2,111 | | 2,978 | |
| Total assets | 84,535 | | 79,925 | |

Basis for Estimating Assets and Liabilities

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

The Principal assumptions used by the actuary have been:

Local Government Pension Scheme 2018/19 2017/18

Mortality assumptions:

Longevity at 65 for current pensioners:

| | | |
|---------------|------|------|
| Men (years) | 22.1 | 22.1 |
| Women (years) | 24.4 | 24.4 |

Longevity at 65 for future pensioners:

| | | |
|---------------|------|------|
| Men (years) | 24.1 | 24.1 |
| Women (years) | 26.4 | 26.4 |

| | | |
|---|------|------|
| Rate of increase in salaries | 2.8% | 2.7% |
| Rate of increase in pensions | 2.5% | 2.4% |
| Rate for discounting scheme liabilities | 2.4% | 2.7% |

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

Impact on the Defined Benefit Obligation in the Scheme

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

Impact on the Council's Cash Flows

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

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

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

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

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

33. CONTINGENT ASSETS & LIABILITIES

McCloud/Sargeant case

The McCloud/Sargeant case was brought to an employment tribunal to ascertain whether the transitional arrangements for public sector staff (for one scheme) transferring to a new (less generous) scheme, discriminated on an age basis. Whereas protected members had limited exposure, unprotected members suffered a severe adverse impact. There was no evidence that appropriate evidence had been gathered to support the transitional arrangements. The Employment Tribunal ruled in January 2017 that “...*there was no legitimate aim behind the transitional provisions, and they were not proportionate...*”

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement, the Government has applied to the Supreme Court for permission to appeal this judgement, if the appeal is unsuccessful the case would be referred back to the Employment Tribunal and it would be prudent to assume the remedy would be equivalent to extending the 'best of both' underpin to all members.

The Government Actuary's Department (GAD), under instruction of the LGPS Scheme Advisory Board, has calculated a potential IAS 19 accounting liability expected to be 0.5% to 1.0% of defined benefit obligation, should the government be unsuccessful in its application to appeal or if the Court of Appeal's judgement is upheld by the Supreme Court and the agreed remedy for the LGPS is to extend the 'underpin' protections to all members. This estimate is at Scheme level encompassing a range of different assumptions typically used by employers to report pension costs, until further information is forthcoming no estimate of the eventual liability is included in these accounts. The eventual impact on the Council's accounts will depend on the remedy chosen by government to compensate members (which may not be the scenario modelled by the GAD); the membership profile (age/sex/salary) or the Council's membership and the assumptions used to report pension costs at time of recognition.

GMP Indexation and Equalisation

In March 2016 the Government introduced an 'interim solution' which made the LGPS responsible for paying the full increases on Guaranteed Minimum Pensions (GMPs) for

individuals reaching State Pension Age (SPA) before December 2018. The costs were accounted for in 2017. In January 2018 Government extended this to individuals reaching state pension age after 5 April 2021, passing further costs on to the LGPS. This has not yet been accounted for. Separately the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. HM Treasury responded to confirm that public sector schemes already have a method to equalise guaranteed minimum pension benefits. Hymans Robertson, as the Fund's actuary, has estimated that the potential IAS 19 accounting liability of full GMP indexation (and equalisation) for members reaching state pension age from 6 December 2018 to be in the region of 0.3% of the defined benefit obligation. This estimate has been calculated for a typical LGPS Fund and is indicative of an additional liability for a typical employer and does not reflect the individual characteristics of the Council's membership. Costs could be higher for employers with a membership that is older than average (who predominantly accrued service between 1978 and 1997 when GMPs were being accrued).

NHS Trust

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

Other

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

No contingent assets have been identified.

34. INFRASTRUCTURE INVESTMENT FUND

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

COLLECTION FUND STATEMENT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

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

NOTES TO THE COLLECTION FUND

1 GENERAL

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

2 INCOME FROM BUSINESS RATES

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

3 COUNCIL TAX

The Council's tax base was calculated as follows:

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

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

4 COUNCIL TAX PRECEPTS AND DEMANDS

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

5 SURPLUS/(DEFICIT)

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

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

6 COLLECTION FUND BALANCE

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

1. General Principles

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

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

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

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where Statements debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

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

4. Prior Period Adjustments

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

Changes in accounting policies are only made when required by proper accounting practices, or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5. Charges to Revenue for Non-Current Assets

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

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

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

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

6. Employee Benefits

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

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

employment of an Officer or group of Officers or making an offer to encourage voluntary redundancy.

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

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

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

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% based on the yield available on a basket of AA- rated bonds with long terms to maturity (the iBoxx Sterling Corporates AA over 15 years Index).
- The assets of the Norfolk Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost, being the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
 - past service cost, being the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - net interest cost, being the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
 - Remeasurements comprising:
 - return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) and charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses, being changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is

charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the Norfolk pension fund, being cash paid as employer's contributions to the pension fund; not accounted for as an expense.

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

7. Events after the Balance Sheet Date

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

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

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

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

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

Financial liabilities

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

Financial assets

Financial assets are subsequently measured as:

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

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

The expected credit loss model is not applicable to the Fair value at profit and loss model.

Impairment losses, where material, are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

9. Government Grants and Other Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non-ring fenced Revenue Grants and all Capital Grants) in the Comprehensive Income and Expenditure Statement.

Where Capital Grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance Capital Expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied to fund Capital Expenditure, it is posted to the Capital Adjustment Account.

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

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

10. Intangible Assets

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

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

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

11. Inventories

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

12. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement. The same treatment applies to gains and losses on disposal.

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

13. Leases

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

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

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

The Council as Lessee:

Finance Leases

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

Rentals payable are apportioned between:

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

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

Operating Leases

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

The Council as Lessor:

Operating Leases

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

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

14. Overhead and Support Services

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

15. Property, Plant & Equipment

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

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

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

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

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

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

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

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

Assets included on the Balance Sheet at current value are valued on a rolling 5-year programme or when there has been a material change in the value. Where there has been a

market condition affecting property values, indexation will be applied only if the change in values is found to be material.

Where decreases in value are identified, they are accounted for, as below:

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

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

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

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

An asset shall not be depreciated:

- until it is available for use;
- when the residual value of an asset is equal or greater than the asset's carrying amount.

For all assets that are depreciated, depreciation is calculated on the following bases:

- Buildings – straight line allocation over the useful economic life of the property as estimated by the valuer (ranges from 25 to 57 years)
- Vehicles, plant and equipment – straight line allocation using internally assessed useful economic life, usually defined by the service user (ranges from 3 to 20 years)

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

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

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

Where impairment losses/revaluation losses are identified, they are accounted for as below:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains).

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

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

Disposals and Non Current Assets Held for Sale – A non-current asset is classified as held for sale, and therefore becomes a current asset, if it is probable that the carrying amount will be recovered principally through a sale transaction rather than through continued use.

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

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax, as the cost of Property, Plant and Equipment and intangible non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

16. Fair Value Measurement

The Council measures some of its non-financial assets, such as investment properties and significant surplus assets, and some of its financial instruments, such as equity shareholdings,

at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

17. Provisions and Contingent Liabilities

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

18. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

19. Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movements in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

20. Value Added Tax

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

21. Council Tax and Non-Domestic Rate Income

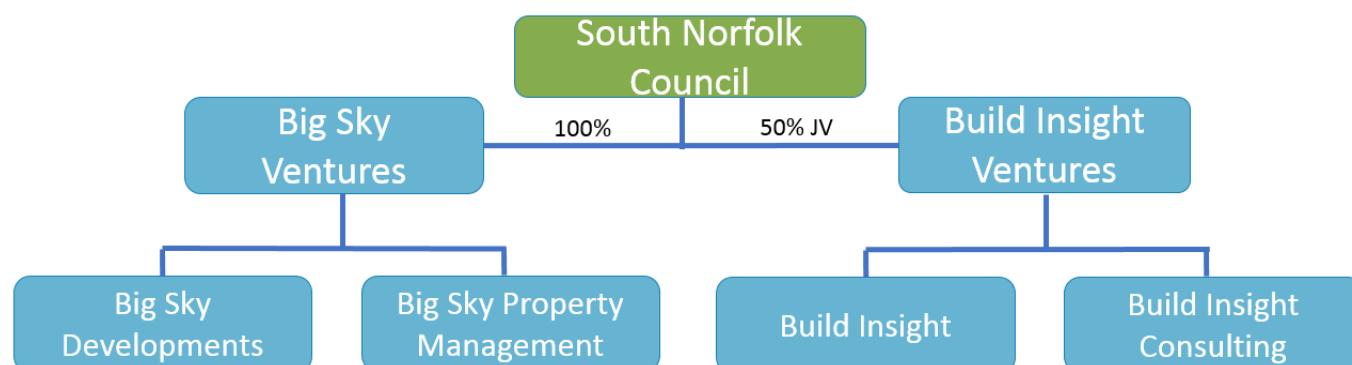
Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). In its capacity as a billing authority, the Council acts as an agent collecting and distributing Council Tax and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

GROUP ACCOUNTS

1. INTRODUCTION

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

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



- Big Sky Ventures Ltd** – This is the top level holding company for Big Sky Developments Ltd and Big Sky Property Management Ltd. The Council is sole shareholder of this company which in turn is sole owner of the other companies in the group.
 The results for the year show a loss of £1,201 (2017/18: loss of £126,626) with net assets of £6,339,243 (2017/18: £5,727,244).
 The group accounts of this company are consolidated into the Council's group accounts.
- Big Sky Developments Ltd** – This is a property developments company and was formerly named Rosebery Park Developments Limited.
 The results for the year show a profit of £23,198 (2017/18: £240,593) with net assets of £4,003,226 (2017/18: £3,980,029).
- Big Sky Property Management Ltd** – This company manages properties retained for private sector rental.
 The results for the year show a profit of £155,494 (2017/18: profit of £62,839) with net assets of £3,009,175 (2017/18: £2,246,565).

- **Build Insight Ventures Ltd** – This is a holding company (50% owned by South Norfolk Council) for the Council's Approved Inspector operations. For the avoidance of doubt, CNC is not part of this structure.
The results for the year show an operational loss of £1,128 (2017/18: loss of £616,381). The net liabilities of the company were £3,639 (2017/18: net liabilities of £2,511). The group accounts of this company are consolidated on an equity basis onto the Council's group accounts.
- **Build Insight Ltd** – This is the Approved Inspector company.
The results for the year show a loss of £155,446 (2017/18: profit of £37,518) with net liabilities of £42,782 (2017/18: £112,664 assets).
- **Build Insight Consulting Ltd** – This is the company that can be used to provide consultancy services relating to Approved Inspector work.
The results for the year show a profit of £79,483 (2017/18: loss of £15,463) with net assets of £81,147 (2017/18: £1,664 assets).

2. BASIS OF CONSOLIDATION

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

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

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

GROUP MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|--|----------------------|--------------------------|----------------------------------|-----------------------|-------------------|------------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Balance brought forward as at 1 April 2017 | 17,963 | 4,008 | 0 | 21,971 | (6,082) | 15,889 |
| Movement in Reserves during 2017/18: | | | | | | |
| Total Comprehensive Expenditure and Income (Council single entity) (page 30) | 2,127 | 0 | 0 | 2,127 | 4,749 | 6,876 |
| Total Comprehensive Expenditure and Income (Group companies) | 657 | 0 | 0 | 657 | 0 | 657 |
| Adjustments between accounting basis & funding basis under regulations | 1,637 | (1,421) | 0 | 216 | (216) | 0 |
| Increase/Decrease in Year | 4,421 | (1,421) | 0 | 3,000 | 4,533 | 7,533 |
| Balance carried forward at 31 March 2018 | 22,384 | 2,587 | 0 | 24,971 | (1,549) | 23,422 |
| Movement in Reserves during 2018/19: | | | | | | |
| Total Comprehensive Expenditure and Income (Council single entity) (page 30) | (231) | 0 | 0 | (231) | (10,603) | (10,834) |
| Total Comprehensive Expenditure and Income (Group companies) | 198 | 0 | 0 | 198 | 0 | 198 |
| Adjustments between accounting basis & funding basis under regulations | (877) | (2,022) | 262 | (2,637) | 2,637 | 0 |
| Increase/Decrease in Year | (910) | (2,022) | 262 | (2,670) | (7,966) | (10,636) |
| Balance carried forward at 31 March 2019 | 21,474 | 565 | 262 | 22,301 | (9,515) | 12,786 |

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | Year ended 31 March 2019 | | | Year ended 31 March 2018 | | |
|---|--------------------------|-----------------|---------------|--------------------------|-----------------|----------------|
| | Gross Expenditure | Gross Income | Net | Gross Expenditure | Gross Income | Net |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Gross expenditure, gross income and net expenditure of continuing operations:- | | | | | | |
| Chief Executive directorate | 7,512 | (1,099) | 6,413 | 7,580 | (1,499) | 6,081 |
| Communities and Wellbeing directorate | 33,838 | (29,885) | 3,953 | 34,521 | (30,957) | 3,564 |
| Growth and Business Development directorate | 12,432 | (8,514) | 3,918 | 10,948 | (7,483) | 3,465 |
| Corporate Management | 10,223 | (8,232) | 1,991 | 6,305 | (5,738) | 567 |
| Cost of Services | 64,005 | (47,730) | 16,275 | 59,354 | (45,677) | 13,677 |
| Other Operating Expenditure: | | | | | | |
| Precepts paid to Parish Councils | | | 3,632 | | | 3,361 |
| (Gain)/Loss on disposal of non-current assets | | | (232) | | | (1,290) |
| Payments to Housing capital receipts pool | | | 0 | | | 1 |
| Financing and Investment Income and Expenditure:- | | | | | | |
| Interest payable or similar charges | | | 20 | | | 10 |
| (Gain)/Loss on trading accounts | | | (347) | | | (331) |
| Other investment property income | | | (30) | | | (30) |
| Pensions interest (income)/expenditure | | | 1,510 | | | 1,466 |
| Investment interest income | | | (224) | | | (157) |
| (Gain)/Loss on revaluation of Investment Property and Assets Held for Sale | | | 768 | | | 299 |
| Taxation and Non-Specific Grant Income and Expenditure:- | | | | | | |
| Council Tax Income | | | (10,695) | | | (9,957) |
| Business Rates Income and Expenditure | | | (4,886) | | | (4,388) |
| Capital Grants | | | (1,274) | | | (90) |
| General Grants | | | (4,464) | | | (5,421) |
| (Surplus)/Deficit on provision of service for the Year | | | 53 | | | (2,850) |
| Joint Venture accounted for on an equity basis | | | (26) | | | 26 |
| Taxation expenses of subsidiaries | | | 6 | | | 40 |
| Group (Surplus)/Deficit | | | 33 | | | (2,784) |
| (Surplus)/deficit on revaluation of property, plant and equipment assets | | | 398 | | | (824) |
| Remeasurement of the pensions net defined benefit liability/(asset) | | | 10,205 | | | (3,925) |
| Other Comprehensive Income and Expenditure | | | 10,603 | | | (4,749) |
| Total Comprehensive Income and Expenditure | | | 10,636 | | | (7,533) |

GROUP BALANCE SHEET

| | As at 31 March 2019 £000s | As at 31 March 2018 £000s |
|---|------------------------------------|------------------------------------|
| Non Current Assets | | |
| Property, Plant & Equipment | 31,164 | 28,342 |
| Intangible Fixed Assets | 341 | 307 |
| Investment Properties (Group Note 4) | 19,089 | 16,502 |
| Investments in Joint Ventures | 17 | 0 |
| Long Term Investments (Group Note 2) | 25 | 25 |
| Long Term Debtors (Group Note 1) | 2,091 | 2,197 |
| Total Non-Current Assets | 52,727 | 47,373 |
| Current Assets | | |
| Cash and cash equivalents | 13,652 | 18,973 |
| Debtors (Group Note 5) | 6,110 | 9,971 |
| Short Term Investments | 17,017 | 5,500 |
| Inventories (Group Note 3) | 16,439 | 10,291 |
| Total Current Assets | 53,218 | 44,735 |
| Current Liabilities | | |
| Creditors | (17,512) | (9,605) |
| Revenue Grants Receipts in Advance | (152) | (355) |
| Capital Grants Receipts in Advance | (72) | 0 |
| Liabilities in Joint Ventures | 0 | (26) |
| Short Term Provisions | (1,766) | (672) |
| Total Current Liabilities | (19,502) | (10,658) |
| Long Term Liabilities | | |
| Long Term Creditors | (1,174) | (1,024) |
| Grants Receipts in Advance | (3,257) | (1,756) |
| Provisions | (412) | (399) |
| Pension Scheme Liability | (68,814) | (54,849) |
| Total Long Term Liabilities | (73,657) | (58,028) |
| Net Assets | 12,786 | 23,422 |
| Usable Reserves | | |
| General Fund Balance | 1,623 | 1,082 |
| General Reserves | 19,853 | 21,302 |
| Usable Capital Receipts Reserve | 565 | 2,587 |
| Capital Grants Unapplied | 262 | 0 |
| Unusable Reserves | | |
| Capital Adjustment Account | 51,598 | 45,757 |
| Collection Fund Adjustment Account | (98) | (599) |
| Deferred Capital Receipts Reserve | 12 | 12 |
| Pension Reserve | (68,814) | (54,849) |
| Revaluation Reserve | 7,849 | 8,405 |
| Short Term Accumulated Absences Account | (64) | (275) |
| Total Net Worth | 12,786 | 23,422 |

GROUP CASHFLOW STATEMENT

| | 31 March 2019 £000s | 31 March 2018 £000s |
|--|------------------------------|------------------------------|
| Net Surplus/(Deficit) on the provision of services | (53) | 2,784 |
| Adjustment to surplus or deficit on the provision of services for noncash movements | 11,516 | 1,569 |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (4,029) | (2,467) |
| Net Cash flows from Operating activities | 7,434 | 1,886 |
| Net Cash flows from Investing Activities | (19,730) | 1,173 |
| Net Cash flows from Financing Activities | 6,975 | (128) |
| Net increase or (decrease) in cash and cash equivalents | (5,321) | 2,931 |
| Cash and cash equivalents at the beginning of the reporting period | 18,973 | 16,042 |
| Cash and cash equivalents at the end of the reporting period | 13,652 | 18,973 |

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. GROUP LONG TERM DEBTORS

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

2. GROUP LONG TERM INVESTMENTS

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

3. GROUP INVENTORIES

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

4. GROUP INVESTMENT PROPERTIES

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

5. GROUP DEBTORS

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

6. GROUP CASHFLOW STATEMENT – NOTES

The cash flows for operating activities include the following items:

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

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

| | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| | £000s | £000s |
| Depreciation | 1,482 | 1,405 |
| Impairment and downward valuations | (539) | (247) |
| Amortisation | 158 | 135 |
| Movement in contract assets, liabilities and costs (IFRS 15) | 657 | 0 |
| Increase/(decrease) in creditors | 6,603 | (793) |
| (Increase)/decrease in debtors | 4,546 | (1,964) |
| (Increase)/decrease in inventories | (6,149) | 146 |
| Movement in pension liability | 3,758 | 3,177 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 6 | 34 |
| Other non-cash items charged to the net surplus on the provision of services | 993 | (324) |
| | 11,516 | 1,569 |

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

| | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| | £000s | £000s |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (239) | (1,319) |
| Any other items for which the cash effects are investing or financing cash flows | (3,790) | (1,148) |
| | (4,029) | (2,467) |

7. OFFICER REMUNERATION

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

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

Disclosed are annualised salaries of £50,000 or more: amounts paid are shown below.

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

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

GLOSSARY OF FINANCIAL TERMS

Accounting Period

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

Accruals

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

Amortisation

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

Assets Held for Sale

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

Capital Charges

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

Capital Expenditure

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

Capital Receipts

The money received from the sale of assets.

Carrying Value

See 'Net Book Value' below.

Community Infrastructure Levy

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

Creditors

Amounts incurred by the Council but not yet paid.

Contingency

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

Current Assets

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

Current Liabilities

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

Current Value

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

Debtors

Amounts due to the Council but not yet received.

Deferred Capital Receipts

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

Depreciation

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

Direct Revenue Financing

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

Fair Value

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

Finance Lease

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

General Fund

The main account of the Council which records the cost of services.

Government Grants

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

Gross Book Value

The gross value of an asset prior to depreciation.

Intangible Asset

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

Market Value

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

Net Book Value

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

Net Realisable Value

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

Non-Current Assets (formerly Fixed Assets)

Assets which can be expected to be of use or benefit the Council in providing its service for more than one accounting period.

Operating Lease

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

Operational Assets

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

Precepts

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

Present Value

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

Provisions

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

Residual Value

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

Revenue Expenditure Funded from Capital under Statute

Capital expenditure for which the Council either never had, or no longer holds a capital asset.

Reserves

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

Revenue Expenditure

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

Revenue Support Grant

Paid by central government to assist in the provision of local government services.

Support Service Costs

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

GLOSSARY OF ABBREVIATIONS

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

**South Norfolk
District Council
Audit Results Report**
Year ended 31 March 2019

19 September 2019



**Finance, Resources, Audit and Governance Committee
South Norfolk District Council**

19 September 2019

Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Finance, Resources, Audit and Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of South Norfolk District Council for 2018/19.

We have substantially completed our audit of South Norfolk District Council for the year ended 31 March 2019. 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 set out in Section 3. 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 Finance, Resources, Audit and Governance 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 Finance, Resources, Audit and Governance Committee meeting on 27 September 2019.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money



06 Other reporting issues

07 Assessment of Control Environment

08 Independence

09 Appendices

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This 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 April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute. 117



01

Executive Summary



Executive Summary

Scope update

In our Audit Plan presented at the 21 June 2019 Finance, Resources, Audit and Governance 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, with the following exceptions:

- ▶ Changes in materiality: We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.223 million (Audit Plan – £1.186 million). This results in updated performance materiality, at 50% of overall materiality, of £0.612 million, and an updated threshold for reporting misstatements of £0.061 million.

Status of the audit

We have substantially completed our audit of South Norfolk District Council's financial statements for the year ended 31 March 2019 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:

- Finalisation of our debtors and creditors testing;
- Finalisation of our work on pensions (IAS 19);
- Finalisation of our income and expenditure testing;
- Employee expenses testing;
- Related party transaction testing;
- Financial instruments testing;
- Finalising our Journals testing;
- 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 will update the Finance, Resources, Audit and Governance Committee on progress of these items at the meeting on the 27 September 2019.

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



Executive Summary

Status of the audit

In addition to the above, there was a national issue which has required a late and pervasive change to the accounts and related IAS19 Pensions liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling.

The draft accounts recognised this matter as a contingent liability in line with the recognised position as at the year-end and sector guidance on the matter. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27 June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included within the financial. In addition, there has been some movement on the Guaranteed Minimum Pension ruling, which has also had an impact on the pension liability.

In summary, the changes have increased the past service costs and in turn the pensions liability figure by approximately £0.641 million.

Audit differences

There are currently no unadjusted audit differences arising from our audit.

There are currently no adjusted audit differences to the primary statements with the exception of the above change in respect of the McCloud ruling. We have identified a limited number of disclosure adjustments, none of which we deem so significant as to merit bringing to your attention. Further details can be found in Section 4 Audit Differences.

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

Areas of audit focus

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

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

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

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



Executive Summary

Control observations

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

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. Our audit planning procedures 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 Council. 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. The Council is below the testing threshold set by the NAO for detailed procedures on the consolidation return, we therefore did not have any issues to report.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Correspondence from the Public

We have not received any correspondence from members of the public. We did not receive any formal objections or questions from members of the public.

However, we did identify that the Council had set the incorrect inspection period under the Account & Audit Regulations 2015. A revised notice and correct inspection period was then advertised which allowed members of the public the full quantum of inspection days, albeit it not in the key period required by the Regulations.



02

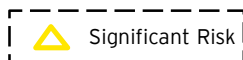
Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error



What is the risk?

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

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

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme. The specific procedures undertaken to address this are set out on the next page. This page details the standard procedures we undertake to respond to the risk of fraud and error on every engagement.

What did we do and what judgements are we focused on?

In order to address this risk we undertook the following audit procedures:

- ▶ Identified fraud risks during the planning stages;
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ Documented our understanding of the oversight given by those charged with governance of management's processes over fraud;
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewed the accounting estimates for evidence of management bias; and
- ▶ Evaluated the business rationale for significant unusual transactions.

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.

What are our conclusions?

From our work to date, we have not identified any material weaknesses in controls or evidence of material management override, any instances of inappropriate judgements being applied or any management bias in accounting estimates or any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

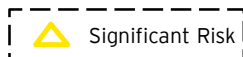
We are currently concluding our work in this area and will provide an update at the Finance, Resources, Audit and Governance Committee on 27 September 2019.



Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure



What is the risk?

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

As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme (£30.9 million planned for 2018/19).

What did we do and what judgements are we focused on?

In order to address this risk we carried out a range of procedures including:

- ▶ A walk through of controls designed and implemented to address the significant risk;
- ▶ Review of expenditure capitalised in the year and review the GL to identify whether there are any potential transactional items that should be revenue in nature;
- ▶ Sample testing of additions to a higher degree than would otherwise be the case if the risk was not present; and
- ▶ Design of specific journal procedures to review adjustment journals from across the financial year that move amounts from revenue to capital codes.

What are our conclusions?

Our testing did not identify any items incorrectly classified as capital expenditure.



Areas of Audit Focus

Other Areas of Audit Focus

Valuation of land and buildings – inherent risk

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Council engage an external expert (Wilks Head & Eve) who apply a number of complex assumptions to these assets. Assets are assessed annually to identify whether there is any indication of impairment.

As the Council's asset base is significant (PPE = £31.2 million and IP = £12.6 million), and the outputs from the valuer are subject to estimation, there is a risk that these assets may be misstated.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What did we do and what judgements are we focused on?

In order to address this risk we carried out a range of procedures including:

- ▶ We have considered the work performed by the Council's valuer (Wilks Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ We have undertaken sample testing key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ We have considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered whether there were any specific changes to assets and that these had been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2018/19 and confirmed that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries had been correctly processed in the financial statements.

What are our conclusions?

Following full consideration of their work, we have placed reliance on the Council's valuation expert.

Our testing has not identified any material misstatements from inappropriate judgements being applied to the property valuation estimates. We are comfortable that assets not subject to valuation in 2018/19 are not materially misstated.



Areas of Audit Focus

Other Areas of Audit Focus

Pension Liability Valuation - inherent risk

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totals £68.814 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

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.

What did we do and what judgements are we focused on?

We have performed the following procedures:

- ▶ Liaised with the auditors of Norfolk Pension Fund, and obtain assurances over the information supplied to the actuary in relation to South Norfolk District Council;
- ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within South Norfolk District Council's financial statements in relation to IAS19.

What are our conclusions?

We have assessed and are satisfied with the competency and objectivity of the Council's actuary. EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries and have deemed the assumptions used to be reasonable.

In addition, there has been a national issue in relation to IAS19 pension fund liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling.

The draft financial statements had recognised this matter as a contingent liability. However, since the year-end there have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has led to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes. The Guaranteed Minimum Pension ruling has also had an impact on the pension liability.

In summary, the changes have increased the past service costs and in turn the pensions liability figure by approximately £0.641 million.



Areas of Audit Focus

Other Areas of Audit Focus

New Accounting Standards – inherent risk

What is the risk?

The CIPFA Code of Practice on Local Authority Accounting (the Code) requires the Council to comply with the requirements of two new accounting standards for 2018/19. These standards are:

IFRS 9 financial instruments

This new accounting standard will change how financial assets are classified and measured, how the impairment of financial assets are calculated; and the disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Code provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

IFRS 15 Revenue from contracts

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Code provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What did we do and what judgements are we focused on?

- ▶ Assessed the Council's implementation arrangements and impact assessment of the application of the new standard, transitional adjustments and accounting for 2018/19;
- ▶ Considered the classification and valuation of financial instrument assets;
- ▶ Reviewed the new expected credit loss model impairment calculations for assets;
- ▶ Considered the application to the Council's revenue streams, and where relevant tested to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ Checked additional disclosure requirements.

What are our conclusions?

We are currently concluding our work on the implementation of the new standards, and will provide an update at the Finance, Resources, Audit and Governance Committee on 27 September 2019.



Areas of Audit Focus

Other Areas of Audit Focus

Finance Team Capacity - inherent risk

What is the risk?

The 2017/18 Statement of Accounts were not signed off until 28 September 2018 due mainly to complications with production of the group accounts, though there were other corrected and uncorrected misstatements.

This year the Council has lost an experienced member of the finance team who is yet to be replaced and interim arrangements are in place for the Statutory Finance Officer post.

We are aware that the Accountancy Manager, who has been a key contact for the audit team in previous years, left the Council in February 2019 prior to the preparation of the 2018/19 Statement of Accounts.

There is a risk that the level of audit adjustments may be repeated due to reduced capacity of the finance team.

What did we do and what judgements are we focused on?

- ▶ Assessed the Council's plans for preparing the 2018/19 statement of accounts;
- ▶ Reviewed the quality of the draft financial statements prepared for the deadline of 31 May 2019;
- ▶ Assessed the quality of the general ledger data analytics provided in advance of the audit commencement date; and
- ▶ Assessed the quality of the working papers provided for the audit start date on 3 June 2019, which was later delayed until 5 August 2019.

What are our conclusions?

We did not identify any specific issues with the Council's plans for preparing the 2018/19 statement of accounts or the quality or timeliness of the information provided for audit.



Areas of Audit Focus

Other Areas of Audit Focus

NNDR Appeals Provision – inherent risk

What is the risk?

Billing Authorities such as South Norfolk District Council are required to account for NDR on a full accrual basis. This requires Billing Authorities to consider establishing a provision under IAS 37 in respect of the potential adverse impact of successful appeals against valuations.

The appeals provision for South Norfolk District Council is material in 2018/19 at £1.527 million (2017/18 £0.971 million). We have therefore raised this inherent risk after receipt of the 2018/19 draft financial statements.

The calculation of the appeal provision is an estimation which requires management to make judgements around the potential future liability of the Council. This includes assessing the historic level of successful appeals and estimating the number of future claims and their value. We therefore deem this to be a higher risk estimate due to its size and complexity.

What did we do and what judgements are we focused on?

- ▶ Established and reviewed the approach to the appeals provision calculation;
- ▶ Reviewed and assessed the sources of information the Council used to ensure that they have provided sufficient evidential support for the calculation of the provision;
- ▶ Established and reviewed how the Council has met the requirements for full disclosure of the provision in accordance with IAS 37 and the Code of Accounting Practice including an appropriate note in respect of estimation procedures used complete with sensitivity analysis.

What are our conclusions?

We have completed our work on the NNDR appeals provision and have not identified any issues.



03 Audit Report



Audit Report

Our proposed opinion on the financial statements

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

Opinion

We have audited the financial statements of South Norfolk District Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement;
- Authority and Group Comprehensive Income and Expenditure Statement;
- Authority and Group Balance Sheet;
- Authority and Group Cash Flow Statement;
- the related notes 1 to 34 to the Authority Accounts and 1 to 7 to the Group Accounts; the Authority Expenditure and Funding Analysis;
- the Accounting Policies; and
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of South Norfolk District Council and Group as at 31 March 2019 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 2018/19.

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 and 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.



Audit Report - continued

Our proposed opinion on the financial statements

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 Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources 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.

Other information

The other information comprises the information included in the Statement of Accounts 2018/2019, other than the financial statements and our auditor's report thereon. The Director of Resources is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, South Norfolk District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.



Audit Report - continued

Our proposed opinion on the financial statements

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.

Responsibility of the Director of Resources

As explained more fully in the Statement of the Responsibilities set out on page 28, the Director of Resources 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Resources 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.



Audit Report - continued

Our proposed opinion on the 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 November 2017, as to whether South Norfolk District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Norfolk District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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, South Norfolk District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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

Certificate

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

Use of our report

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



04

Audit Differences



Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £0.061 million which have been corrected by management that were identified during the course of our audit:

We have not identified any misstatements in the financial statements during the audit above this level, with the exception of the adjustments to the IAS 19 Pension adjustments set out on the following page.

Disclosure Adjustments

The level of disclosure adjustments is limited, and we do not deem any to merit being included in this report.

Summary of unadjusted differences

There are no unadjusted differences to report.



Audit Differences

McCloud ruling

As noted in the Executive Summary a national issue has resulted in a relatively late change to the pension fund accounts and IAS 19 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts did recognise this matter as a contingent liability.

However, since the year-end there have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has lead to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes.

The Guaranteed Minimum Pension (GMP) ruling has also had an impact on the pension liability. This was also uncertain how the equalisation would be carried out. This has now been finalised.

A final impact on the liability related to a reduction in asset values as a result of changes in the valuation of the pension fund assets at 31 March 2019.

Revised actuarial reports provided by the actuary show an increase in the liability of £0.641 million to the Pension Liabilities as a result of the total adjustments, with further associated disclosure added to recognise this as a source of estimation uncertainty and an adjusted Post Balance sheet event.



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.

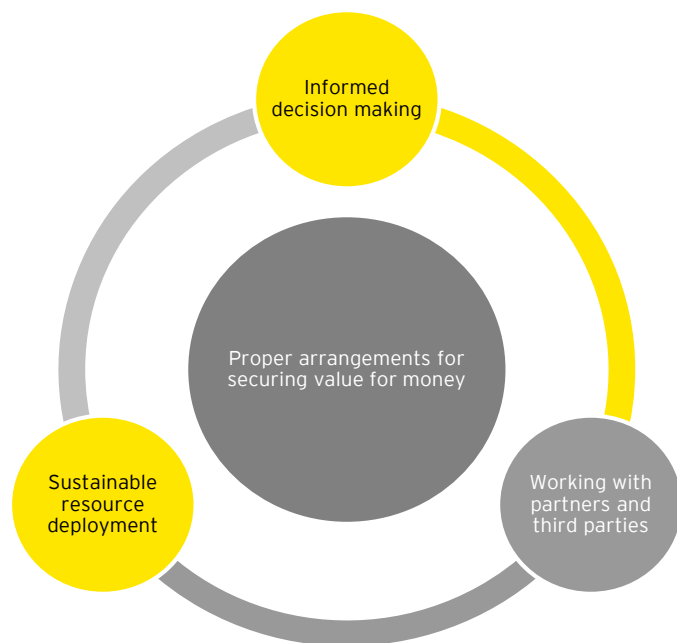
For 2018/19 this is based on the overall evaluation criterion:

"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 Council's financial resilience over the medium term and the impact on the level of General Fund balances at the 31 March 2019 and at the 31 March 2022.

Overall conclusion

We have not identified 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.



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 2018/19 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 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and 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 Council falls below the £500 million threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule.

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 Council 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 Council, 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 and have not had course to use this duty.

Other reporting 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 Council'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; and
- Group considerations.

Public Inspection Period

The Council did not advertise the public inspection period in accordance with the Account and Audit Regulations 2015. The notice, ran from 10 June 2019 to 22 July 2019 which did not include the first 10 days of June as required by the Account and Audit Regulations 2015.

We have no other matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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



08

Independence

Confirmation




We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 31 January 2019.

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 Finance, Resources, Audit and Governance 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 Finance, Resources, Audit and Governance Committee on 27 September 2019.

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 1 April 2018 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 2019 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, with the exception of our Reporting Accountant role, set out below, 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 2019.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements to date, though we are engaged to act as reporting accountant in respect of the Housing Benefit Subsidy claim, as set out below.

| | Final Fee 2018/19 | Scale Fee 2018/19 | Final Fee 2017/18 |
|------------------------------------|-----------------------|-------------------|-------------------|
| | £'s | £'s | £'s |
| Total Audit Fee - Code work | Note 1 | 39,231 | 69,013 |
| Grant Claims | 9,500 - Note 2 | N/A | 14,236 |
| Total Fees | | 39,231 | 83,249 |

Note 1 - Audit Fee - 2018/19 Code work

The Council produces consolidated financial statements which in prior years have incurred a scale fee variation to reflect the additional work required for the consolidation including instructing and relying upon the component auditor and in reviewing the disclosures required to meet the group consolidation requirements of the Code of Practice and International Accounting Standards. This will incur an additional fee of £3,743. We will also be seeking a further scale fee variation because of our reduced performance materiality level (50% of Planning Materiality) in 2018/19. This is due to the scale and nature of errors found in the 2017/18 audit. As a consequence of these errors, we will need to increase our sample sizes to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality. We have not included this further scale fee variation in the table above at this stage.

Note 2 - From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim. There is therefore no scale fee prescribed by PSAA as it is now no longer within their remit.

The planned fee shown, is based on the level of error within the current claim and the work required to certify that. This may change dependent on the level of error within the claim under review.

We will confirm our final fees following the completion of our work and report this either within our Annual Audit Letter or separately to this Committee..







09

Appendices





Appendix A

Required communications with the Finance, Resources, Audit and Governance 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 Finance, Resources, Audit and Governance 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 - 12 April 2019 presented to the Finance, Resources, Audit and Governance Committee on 21 June 2019 |
| Planning and audit approach | Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. | Audit Plan - 12 April 2019 presented to the Finance, Resources, Audit and Governance Committee on 21 June 2019 |
| Significant findings from the audit | <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process | Audit Results Report presented to the Finance, Resources, Audit and Governance Committee on 27 September 2019 |





Appendix A - 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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | No conditions or events were identified, either individually or together to raise any doubt about South Norfolk District Council's ability to continue for the 12 months from the date of our report. |
| Misstatements | <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management | Audit Results Report presented to the Finance, Resources, Audit and Governance Committee on 27 September 2019 |
| Subsequent events | <ul style="list-style-type: none"> ▶ Enquiry of the Finance, Resources, Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. | We made enquiries of management and those charged with governance. We have no matters to report. |
| Fraud | <ul style="list-style-type: none"> ▶ Enquiries of the Finance, Resources, Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Finance, Resources, Audit and Governance Committee responsibility. | We made enquiries of management and those charged with governance. We have not become aware of any fraud or illegal acts during our audit. |





Appendix A - 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"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Council | We have no matters to report. |
| Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> | <p>Audit Plan - 12 April 2019 presented to the Finance, Resources, Audit and Governance Committee on 21 June 2019</p> <p>Audit Results Report presented to the Finance, Resources, Audit and Governance Committee on 27 September 2019</p> |
| External confirmations | <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures | We have no matters to report. |
| Consideration of laws and regulations | <ul style="list-style-type: none"> ▶ 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 ▶ Enquiry of the Finance, Resources, Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance, Resources, Audit and Governance Committee may be aware of | <p>We made enquiries of management, the Monitoring Officer and those charged with governance.</p> <p>We have not identified any material instances or non-compliance with laws and regulations.</p> |

Appendix A - continued

| | |  Our Reporting to you |
|--|--|---|
| Required communications |  What is reported? | |
| | |   When and where |
| Internal controls | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit | Audit Results Report presented to the Finance, Resources, Audit and Governance Committee on 27 September 2019 |
| Group Audits | <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. | <p>Audit Plan - 12 April 2019 presented to the Finance, Resources, Audit and Governance Committee on 21 June 2019</p> <p>Our procedures confirmed that there was no risk of material misstatement within the group consolidation of Big Sky Developments, Big Sky Property Management and Big Sky Ventures.</p> |
| Written representations we are requesting from management and/or those charged with governance | <ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance | Audit Results Report presented to the Finance, Resources, Audit and Governance Committee on 27 September 2019 |
| Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | <ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit Results Report presented to the Finance, Resources, Audit and Governance Committee on 27 September 2019 |

Appendix A - continued

| | |  Our Reporting to you |
|---|--|--|
| Required communications |  What is reported? |   When and where |
| Significant deficiencies in internal controls identified during the audit | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. | Audit Results Report presented to the Finance, Resources, Audit and Governance Committee on 27 September 2019 |
| Auditors report | <ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report | Audit Results Report presented to the Finance, Resources, Audit and Governance Committee on 27 September 2019 |
| Fee Reporting | <ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work | <p>Audit Plan - 12 April 2019 presented to the Finance, Resources, Audit and Governance Committee on 21 June 2019</p> <p>Audit Results Report presented to the Finance, Resources, Audit and Governance Committee on 27 September 2019</p> |
| Certification work | Summary of certification work undertaken | Annual Certification report - expected October 2019. |



Appendix B

Request for a Management Representation Letter



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Debbie Lorimer
Director of Resources
South Norfolk District Council
South Norfolk House
Swan Lane,
Long Stratton
Norwich
NR15 2XE

18 September 2019

Ref:
Your ref:

Direct line: 01223 394547
Email: MHodgson@uk.ey.com

Dear Debbie,

South Norfolk District Council – 2018/19 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 consolidated and council financial statements of South Norfolk District Council ("the Group and Council") for the year ended 31 March 2019.

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 consolidated and council financial statements give a true and fair view of the Group and Council financial position of South Norfolk District Council as of 31 March 2019 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC309001 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 consolidated and council financial statements is to express an opinion thereon and that our audit was conducted in accordance with International Standards on Auditing, 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. You have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. You acknowledge, as members of management of the Group and Council, your responsibility for the fair presentation of the consolidated and council financial statements. You believe the consolidated and 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 Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. You have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, you believe that the Group and Council have 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 2018/19 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

or;

That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.

Please use appropriate statement.



Appendix B – continued

Request for a Management Representation Letter



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

1. You acknowledge that you are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. You have disclosed to us the results of your assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Group or 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 consolidated or 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 Group or 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 you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that we have requested from you for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.



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3. You have made available to us all minutes of the meetings of the Group, Council, and 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: 27 September 2019.
4. You confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Group and Council's 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 year 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 consolidated and council financial statements.
5. You believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. You have disclosed to us, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council 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 consolidated and council financial statements.
2. You have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. You have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than described in the relevant note to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.
3. You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.



Appendix B – continued

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G. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Statement of Accounts 2018/19.
2. You confirm that the content contained within the other information is consistent with the financial statements.

H. Going Concern

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

I. Ownership of Assets

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

J. Reserves

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

K. Use of the Work of a Specialist – Property, plant and equipment

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Property Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Valuation of Property, Plant and Equipment Assets

1. 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 2018/19.
2. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the consolidated and 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 2018/19.



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4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

5. 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.

6. You confirm that for assets carried at historic cost that no impairment is required.

M. Retirement benefits

1. 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.

N. Use of the Work of a Specialist – Pension Liabilities

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

O. Valuation of Pension Liabilities

1. 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 2018/19.
2. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the consolidated and 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 2018/19.
4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.



Appendix B – continued

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P. Expenditure Funding Analysis

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

Q. Specific Representations

We do not require any specific representations in addition to those above, as at today's date. If this changes through to the conclusion of the audit, we will inform you.

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

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

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ED None

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CONTRACT STANDING ORDERS

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Portfolio: Finance & Resources

Ward(s) Affected: None

Purpose of the Report:

The Contract Standing Orders have been reviewed to align the framework within which both South Norfolk Council and Broadland Council operate in terms of spending on goods and services. This update has been undertaken in line with best practice and discussions with suppliers, to enable a focus on, wherever appropriate, enabling social value, encouraging participation by local businesses to support the local economy and to assist in protecting the environment when bidding for Council procurement opportunities

Recommendations:

1. Finance, Resources, Audit and Governance Committee to recommend to Full Council to approve the Contract Standing Orders.

1 SUMMARY

- 1.1 The collaboration with Broadland has provided an opportunity to review the council's current Contract Standing Orders to align and improve these so that the process of purchasing goods and services is as efficient and effective as possible for both Officers and the businesses who the Councils' purchase from. These revised Contract Standing Orders also enable a focus on, wherever appropriate, enabling social value, encouraging participation by local businesses to support the local economy and to assist in protecting the environment when bidding for Council procurement opportunities.

2 BACKGROUND

- 2.1 The Council's Contract Standing Orders form part of the Council's constitution and provide the framework within which the purchase of goods and services are undertaken.

3 CURRENT POSITION/FINDINGS

- 3.1 The proposed joint Contract Standing Orders provide a single, comprehensive summary of the procurement processes which the Councils need to go through to demonstrate value for money, competitiveness and legal compliance. They set out clearly what officers need to do from project appraisal, tender evaluation, award of contract and through to ongoing contract management. They are also up-to-date in their references to framework agreements, which are commonly used now for large contracts, and in relation to risk management, bribery (following the introduction of the Bribery Act 2010, Public Services (Social Value) Act 2012), collaborative working, and in relation to the European Union legislative requirements and associated UK regulations
- 3.2 The main changes are listed below:

Current Contract Procedures:

| | |
|--------------------------------------|----------------------------|
| South Norfolk | |
| Under £20,000 | 3 Informal Quotes |
| £20,001-£100,000 | 2 Formal quotations/tender |
| £100,001 – OJEU Financial Thresholds | 5 Formal tenders |

Proposed Contract Procedures:

| Estimated Total Value | Selection procedure | Selection recommendations |
|---|--|--|
| Less than £20,000 | Single quotation in writing including demonstration of value for money | Officer |
| £20,001 to £75,000 | At least three quotations in writing | Officer or Procurement Team |
| Above £75,001 but below the Public Contract Regulations 2015 Financial Threshold* see QSG | Invitation to Tender issued to a minimum of three suppliers or an open tender. | Officer or Procurement Team |
| At or above the Public Contract Regulations 2015 Financial Threshold* | Advice must be sought from the Procurement Team and/or Director | Consult with the Procurement Team and the Director |

*OJEU Financial Thresholds
Supplies and Services £181,302
Works £4,551,413

Contract Award Approvals

Current Contract Award Approvals

| South Norfolk Council | | | |
|--|----------|----------------|---------------------------------|
| Value | Approval | Type | Report |
| £100,001 - £172,514 (OJEU Limit Goods/Services) | SLT | Goods/Services | Retrospective report to Cabinet |
| £100,001 - £250,000 | SLT | Works | Retrospective report to Cabinet |
| £250,000 - £4,320,120 (OJEU Limit Works) | Cabinet | Works | |

Proposed Contract Award Approvals

| | |
|----------------|--------------------|
| Up to £25,000 | Assistant Director |
| Up to £50,000 | Director |
| Up to £100,000 | CMLT |
| Above £100,000 | Cabinet |

Disposal of assets (Stock)

Current Disposal of Assets

| South Norfolk Council | | |
|-----------------------|-------------------|-----------------------------------|
| Value | Procedure | Authority |
| Less than £20,000 | Relevant Director | Director |
| Greater than £20,000 | Tender/Auction | Head of Finance and Head of Audit |

Proposed Disposal of Assets

| Total Value | Method |
|-------------------|--|
| Up to £20,000 | By whatever means the relevant Director shall decide consistent with the asset disposal rules |
| £20,000 and above | Tender sought by public advertisement, by public auction or such other means as the Section 151 Officer shall approve after consultation with the Monitoring Officer |

3.3 Other Changes Include:

- Pre-Market Consultation
- Contract Terms and Conditions
- Contract Register and Forward Plans
- Waivers of CPR
- Guarantees and Insurance
- Contract Management

4 PROPOSED ACTION

4.1 The proposed Contract Standing Orders are attached as appendix A.

4.2 Consistent thresholds are proposed across Broadland, South Norfolk Councils and the other Norfolk local authorities. This will enable shared procurement to be carried out more easily across Norfolk /Suffolk and should also enable the procurement team to more easily carry out additional procurement work for other authorities. For example, the team recently traded its services to Great Yarmouth Borough Council and likely to expand into North Norfolk District Council early 2020.

- 4.3 The proposed Contract Standing Orders have been considered in conjunction with other Norfolk and Suffolk District Councils, Preston, Norfolk and Suffolk County Councils.

5 OTHER OPTIONS

- 5.1 The Council could retain its existing Contract Standing Orders but this would not align with those of Broadland Council and would not assist efficiency of procurement. More importantly there would be a missed opportunity to , to enable a focus on, wherever appropriate, enabling social value, encouraging participation by local businesses to support the local economy and to assist in protecting the environment when bidding for Council procurement opportunities

6 ISSUES AND RISKS

- 6.1 **Resource Implications** – Approving the proposed Contract Standing Orders will enable more efficient use of resources.
- 6.2 **Legal Implications** – The proposed Contract Standing Orders have been complied in line with best practice.
- 6.3 **Equality Implications** – There are no equality implications to consider.
- 6.4 **Environmental Impact** – The proposed Contract Standing Orders will enable a focus to be placed on the impact on the environment when purchasing goods and services, where appropriate.
- 6.5 **Crime and Disorder** – No impact upon crime and disorder?
- 6.6 **Risks** – There are no other risks to consider.

7 CONCLUSION

- 7.1 Members are requested to review the proposed Contract Standing Orders to align the framework within which both South Norfolk Council and Broadland Council operate in terms of spending on goods and services. The proposed Contract Standing Orders have been written in line with best practice and discussions with suppliers, to enable a focus on, wherever appropriate, enabling social value, encouraging participation by local businesses to support the local economy and to assist in protecting the environment when bidding for Council procurement opportunities

8 RECOMMENDATIONS

- 8.1 Finance, Resources, Audit and Governance Committee to recommend to Full Council to approve the Contract Standing Orders.

Broadland and South Norfolk Councils

Contract Procedure Rules

Statement of Intent

Subject to the overriding principles in section 2 below, there will be a focus on, wherever appropriate, enabling social value, encouraging participation by local businesses to support the local economy and assist to protect the environment when bidding for Council procurement opportunities.

1. COMPLIANCE

- 1.1 These Contract Procedure Rules (CPR) are the Council's contract standing orders under section 135 of the Local Government Act 1972. They must be followed every time the Council enters into a contract for works, supplies or services.
- 1.2 All public procurement and other applicable laws (including any European Union law directly or indirectly in force in England at the relevant time) must be followed. Such laws override any conflicting provision of the CPR.
- 1.3 These, the CPR must be read in conjunction with the Council's Constitution, including its Financial Procedure Rules, Procurement Quick Step Guide, (QSG) decision making processes and delegated authorities.
- 1.4 These CPR are the minimum standards which must be adhered to. Particular procurements may require a more thorough procedure than one defined by value alone, depending on the identifiable risks to the Council, or it may be beneficial to the Council to secure greater competition. If in any doubt as to the position on any procurement, consult the Procurement Team.
- 1.5 The CPR aim to promote the highest standards of probity, integrity and impartiality using the key procurement principles of transparency, equal treatment, non-discriminatory and proportionate manner. They thereby offer the best justification against allegations of purchases having been made fraudulently or incorrectly.
- 1.6 If it comes to notice of an Officer that there has been non-compliance with these CPR in respect for any contract which s/he is responsible as the Officer of the procuring section, s/he shall without delay notify the Director of Resources who shall take such action as deemed necessary.

2. PROCUREMENT PRINCIPLES:

- 2.1 The aim of every procurement process should be to achieve Value for Money, compliance with all legal requirements and support the Council's policies and objectives as part of the general requirement to secure Best Value.
- 2.2 Contractual arrangements should be made, wherever possible, on the Council's standard general terms or standard form contracts. When appropriate it is acceptable to use industry standard model contracts, with supplemental terms for contracts. Contracting on the supplier's terms should be avoided and only done when agreed with (and with the changes to those terms required by) Director of Resources and the Procurement Team.

- 2.3 These CPR apply to the appointment of Consultants, sub-contractors and any other legal entity (when acting on behalf of the Council) and must be followed in accordance with.
- 2.4 Approval for any advance payments to the supplier before receiving the relevant works, supplies or services, must be sought from the Director of Resources before proceeding to ensure protection of the Council's interests.
- 2.5 Tenders and Quotations received by fax or email must be rejected if above £20001 as detailed in 2.7.
- 2.6 Tenders over the value of £20,001 must be returned electronically via the Council's e-tendering system and opened by the procurement team and/or nominated officer.
- 2.7 All contracts except where lowest price was predetermined to be the appropriate contract award criterion shall be awarded based on the offer that represents the Most Economically Advantageous offer to the Council.

3. EXCLUDED CONTRACTS

Contracts are not subject to these CPR if they are of the following and will be managed by the relevant specialist team at the Council in accordance with the Council's Constitution:

- 3.1 Contracts of employment which make an individual a direct employee of the Council;
- 3.2 Agreements regarding the acquisition, disposal or transfer of land only (i.e. without any connected development);
- 3.3 Contracts where the price of the goods or materials is wholly controlled by government order or otherwise and no reasonably satisfactory alternative is available;
- 3.4 For other reasons where there would be no genuine competition, or where the requirements of the competition have already been met e.g. frameworks;
- 3.5 The disposal of obsolete assets (see Financial Procedure Rules).

4. COMPLEX PROCUREMENTS

Where the procurement involves any of the following criteria the Procurement Team and the Director must be consulted:

- 4.1 Where the Total Value exceeds the relevant Public Procurement Thresholds (see QSG);-
- 4.2 Where the opportunity is likely, in view of its characteristics, to be of cross-border interest and therefore attract potential suppliers from outside the UK;-
- 4.3 Where any staff of the Council or an existing supplier spend the majority of their time providing the services which are to be procured (investigation would be needed to identify any potential TUPE implications in advance and obtain/provide employee liability information);-
- 4.4 The procurement involves leasing agreements;
- 4.5 Where it is proposed to use a supplier's own terms or any other form of contract which is not one of those normally used by the Council for other matters;-
- 4.6 Procurement of application software with a Total Value above £75,000;-

- 4.7 Agreements involving the development of land for public benefit;-
- 4.8 Where it is proposed to extend or vary an existing contract;-
- 4.9 Any collaborative procurements where the Council is working with other authorities to procure.
- 4.10 Where it is proposed to enter into a new contract with an existing supplier without competition (such as a new contract for a line of business software system);-
- 4.11 Where the procurement is complex in any other way or involves unusual risks.

5. PRE-PROCUREMENT PROCEDURE

Before commencing a procurement process, it is essential that the Officer leading the procurement is fully aware of the QSG. Consideration shall be given to the Council's Procurement Strategy.

6. PRELIMINARY MARKET CONSULTATION

Before commencing a procurement process the Officer may conduct market consultations with a view to preparing the procurement and informing potential suppliers of the Council procurement plans and requirements. This should be proportionate to the value of the contract.

- 6.1 Before commencing preliminary market consultation advice must be sought from the Procurement Team ensuring that the market consultation, would not have the effect of distorting competition and would not result in a violation of the principles of non-discrimination and transparency.

7. CONTRACTS PROCEDURES

The following table outlines the minimum selection procedure to be used where the procurement is within these CPR and is not complex (see Rule 4 above) and a suitable existing corporate contract or appropriate framework is not being used.

Minimum Contracts Procedures for Works Supplies or Services:

| Estimated Total Value | Selection procedure | Selection recommendations |
|--|--|-----------------------------|
| Less than £20,000 | Single quotation in writing including demonstration of value for money | Officer |
| £20,001 to £75,000 | At least three quotations in writing | Officer or Procurement Team |
| Above £75,001 but below the Public Contract Regulations 2015 Financial Threshold see QSG | Invitation to Tender issued to a minimum of three suppliers or an open tender. | Officer or Procurement Team |

| | | |
|--|---|--|
| At or above the Public Contract Regulations 2015 Financial Threshold | Advice must be sought from the Procurement Team and/or Director | Consult with the Procurement Team and the Director |
|--|---|--|

Estimating the Contract Value

The Council should make the best use of its procurement power by aggregating purchases wherever possible. It is not acceptable to split Works, Services or Supplies in attempt to avoid these CPR or the Public Contract Regulations.

Estimating the contract value must consider the value of the total contract duration. To determine the contract process, consult with the Procurement Team.

8. SINGLE QUOTATION PROCEDURE (Value less than £20,000):

Single quotes can be obtained in a variety of ways which may include phone, internet, letter, face to face, however the information needs to be recorded. Where quotations are obtained via phone or face to face interaction, these should be confirmed in writing (e.g. send e-mail or through third party providing written quote)

All quotes are subject to the following processes;

- 8.1 Although a formal procurement process does not need to be followed, value for money needs to be demonstrated.
- 8.2 Officers should select a supplier by any reasonable means.
- 8.3 Request a final written quote from the supplier.
- 8.4 Reasons for the selection are to be recorded centrally.
- 8.5 Raise an appropriate Purchase Order to the supplier using the Councils financial software, prior to placing the order ensuring this refers to or incorporates the relevant contract document(s).

9. MULTIPLE QUOTATION PROCEDURE (Value £20,001 to £75,000):

Having followed QSG:

- 9.1 Identify the appropriate contract to be used or contact the Procurement Team.
- 9.2 Develop and include in the relevant sections of the Council's invitation to bid documents, so that prospective suppliers (including at least one local supplier where practicable without improperly excluding other suppliers) can provide their quotations based on:

The evaluation criteria and

Specification of services/supplies/works required by the Council);- and

Performance indicators (if appropriate).

The Procurement Team can assist with developing the relevant criteria/specification/performance indicators.

Open quotation opportunities should use the Council's e-sourcing system if appropriate and publishing the opportunity nationally using Contracts Finder with or without any other advertisement. Best practice would be to publish the opportunity for contracts over £20,000.

- 9.3 The period allowed for responses should be adequate, considering the complexity of the Council's requirements, to provide a reasonable opportunity for suppliers to prepare and submit a quotation. This will normally be at least 10 working days.
- 9.4 Invitation to bid documents should be sent or made available to the suppliers via the Council's e-sourcing system either to the selected suppliers or in an open opportunity. Access to the Council's e-sourcing system will be arranged by the Procurement Team on request.
- 9.5 Any bids received after the appointed date/time will not be considered and advice must be obtained from the Procurement Team as to next steps.
- 9.6 Bids will remain electronically sealed until the appointed time and date and will be opened by the Procurement Team and nominated officer.
- 9.7 Bids must be evaluated against the specified evaluation criteria, liaising with the Procurement Team and the Finance Team to check the information provided by the suppliers and when appropriate investigate the financial status of the supplier(s).
- 9.8 If less than two bids are received, consult with the Procurement Team and follow their recommendations as to whether to arrange a new invitation to bid or obtain other evidence demonstrating that (because of the nature of the opportunity, an absence of suitable competitor suppliers or otherwise) the bid(s) received represent Value for Money.
- 9.9 Record centrally the details of the procurement, including reasons for the selection of the winning bid and/or bids received.

10. **TENDER PROCEDURE (Value more than £75,001 but below the Public Contract Regulations 2015 Financial Threshold):**

Having followed the QSG

Identify the appropriate contract to be entered by using the QSG.

- 10.1 Officers should engage the assistance of the Procurement Team as soon as it is anticipated that a tender may be required.
- 10.2 The Procurement Team will assist Officers with the following steps, including design of scope, evaluation criteria, performance indicators (if appropriate) and mitigation of risks/costs.
- 10.3 Officers should then either:
 - Select three or more specific potential suppliers to invite to tender (including at least one local supplier, where practicable without or
 - improperly excluding other suppliers, or

Open tender opportunities should use the Council's e-sourcing system if appropriate and publishing the opportunity nationally using Contracts Finder with or without any other advertisement. Best practice would be to publish the opportunity for contracts over £20,000.

- 10.4 Justification for inviting only selected potential suppliers must be approved by the Procurement Team and recorded with procurement documentation.
- 10.5 The period allowed for responses should be adequate, considering the complexity of the Council's requirements; to provide a reasonable opportunity for suppliers to prepare and submit a tender. This will normally be at least 20 working days.
- 10.6 Invitation to tender documents should be sent or made available to the suppliers via the Council's e-sourcing system either to the selected suppliers or in an open opportunity. Access to the Council's e-sourcing system will be arranged by the Procurement Team on request.
- 10.7 Any bids received after the appointed date and time will not be considered and advice must be obtained from the Procurement team as to next steps.
- 10.8 Bids will remain electronically sealed until the appointed time and date and will be opened by the Procurement Team and nominated officer.
- 10.9 The Procurement Team will manage evaluation of tenders against the specified evaluation criteria and liaise with the Finance Team to check the information provided by the suppliers and if appropriate investigate the financial status of the supplier(s).
- 10.10 The Procurement Team will assist in seeking approval, awarding the contract and completion of the procurement process.
- 10.11 Record centrally the details of the procurement, including reasons for the selection of the winning bid and/or bids received.

11. TENDER PROCEDURE FOR ABOVE PUBLIC CONTRACT REGULATIONS 2015.

Advice must be sought from the Council's Procurement Team where the estimated value is likely to exceed the PCR 2015 Financial Thresholds.

The Procurement Team will manage the procurement process to ensure compliance of the PCR 2015.

The evaluation criteria and weightings must be prepared to enable the most economically advantageous tender or bid (MEAT), to be identified, ensuring that all such criteria are appropriate for and proportionate to the relevant contract.

A report for Corporate Management Team Leadership Team must be prepared for all procurements over the PCR to include and not limited to:

- Nominated contract manager,
- Risk assessments and risk register,
- Contingency measures (including early termination and exit strategy)
- Annual review of insurance policy
- Contractual performance
- Innovations
- Social Value delivery
- Complaints and compliments

- Data Protection issues (if appropriate).

12. TENDER EVALUATION

Tenders must be evaluated in accordance with the evaluation criteria as set out in the invitation to tender documents.

The arithmetic in tenders must be checked by the appropriate officer as defined in the procurement documentation. If arithmetical errors are found they should be notified to the supplier, who should be requested to confirm or withdraw their tender.

13. DECLARATION OF INTEREST

If it comes to the knowledge of a Member or Officer (or other appropriate person) of the Council that a contract in which they have a pecuniary interest has been, or is to be, entered by the Council then they must immediately give written notice to the Monitoring Officer. This needs to be recorded on the annual return.

The Monitoring Officer shall maintain records of all declaration of interests notified by Members and Officers (or other appropriate person).

14. POST TENDER NEGOTIATION

Post tender negotiation is to be the exception and such negotiations shall be conducted strictly in accordance with the following:

- They shall take place at predetermined times and places;
- The Procurement team, Monitoring Officer and the Section 151 Officer or their Deputies, must be notified of the time and venue of all negotiations;
- More than one officer of the Council shall always be present, including either the Monitoring Officer or the Section 151 Officer or their Deputies, or their senior representative.
- The signed record of all meetings shall be kept on file.
- In the event of a contract being awarded, the relevant signed records of meetings shall be bound into the contract.

15. CONTRACT AWARD

15.1 The approval level for accepting tenders and quotations is as follows:

| | |
|---------------------|--------------------|
| Up to £20,000 | Assistant Director |
| £20,001 to £50,000 | Director |
| £50,001 to £100,000 | CMLT |
| Above £100,001 | Cabinet |

15.2 Officers in conjunction with the Procurement Team must notify all suppliers simultaneously and as soon as possible of the intention to award the contract to the successful supplier and stipulating the standstill period (if any) applied in the notification. If an unsuccessful supplier challenges the decision, the Officer shall not award the contract and shall immediately seek the advice of the Procurement Team and Director of Resources.

15.3 Where a contract has been tendered below the PCR 2015 and above £20,000 the Council shall publish a contract award notice on Contract Finder.

- 15.4 Where a contract has been tendered pursuant to the PCR 2015 the Council shall publish a contract award notice as detailed by the PCR 2015.

16. CONTRACT TERMS AND CONDITIONS

Contracts shall be entered on the Council's terms and conditions, which shall be included with each purchase order and invitation to quote or tender. Exceptions to this rule must be approved in advance by the Director of Resources including terms and conditions used under Framework Agreements.

- 16.1 Every formal contract in writing within the meaning of CPR shall specify or contain (as a minimum) wherever possible:

- (a) the services, supplies or works to be provided;
- (b) the price to be paid, with a statement of discounts or other deductions;
- (c) the time or times within which the contract is to be performed;
- (d) that all relevant health and safety legislation and codes of practice must be complied with and that any specific health and safety requirements set out in the invitation to tender prior to contract award have been satisfied;-
- (e) in appropriate cases (to be determined by the Director of Resources) provide for the payment of liquidated damages by the supplier where they fail to complete the contract within the time specified in the contract or any amendment thereto made in accordance with the terms of the contract;-
- (f) a clause empowering the Council to cancel the contract and recover from the supplier the amount of any loss resulting from such cancellation, if the Supplier or any person acting on their behalf shall, in relation to the obtaining or execution of the contract or any other contract with the Council, have committed any offence under the Prevention of Corruption Acts 1889 to 1916, or shall have given any fee or reward the receipt of which is an offence under Section 117(2) and (3) of the Local Government Act 1972, Bribery Act 2010, Data Protection Act 2018 and Modern Slavery Act 2015;-
- (g) a clause requiring the supplier to provide information to the Council for the Council to fulfil its obligations under the Freedom of Information Act 2000 and Environmental Information Regulations 2004;-
- (h) appropriate Employers Liability Insurance minimum of £10,000,000 or lower figure based on Officer's risk assessment in consultation with Finance (but not less than £5,000,000);-
- (i) appropriate Public Liability Insurance minimum of £10,000,000 or lower figure based on Officer's risk assessment in consultation with Finance (but not less than £5,000,000);- and
- (j) appropriate Professional Indemnity Insurance minimum of £1,000,000 or lower or higher depending on the risks and based on Officer's risk assessment in consultation with Finance.

17. EXECUTION OF CONTRACTS

Any contracts valued at above £100,000 shall be formal, made in writing and executed as a deed by the affixing of the Council's common seal or signed by the Director of Resources or other person duly authorised in this regard (as considered appropriate). All other contracts i.e.

less than £100,000) may be signed by the relevant Director or other person duly authorised in this regard (as considered appropriate) of the section.

18. CONTRACT REGISTER AND FORWARD PROCUREMENT PLANS

All Directors shall be responsible for the Contracts Register and Forward Procurement Plans and all prospective contracts entered into by the Council in excess of £5,000 unless the contract is less than three months duration.

Information required for maintaining the Contracts Register and Forward Procurement Plans will be provided in a timely manner to meet quarterly publication requirements.

19. FRAMEWORK AGREEMENTS AND DYNAMIC PURCHASING SYSTEMS

Framework Agreements and Dynamic Purchasing Systems (DPS) will contain instructions for use within its terms, and potentially include a requirement for a further competitive process between those suppliers who are parties to the Framework Agreements and DPS. In these cases, a Framework Agreement and DPS shall be tendered in accordance with these CPR and the Public Contract Regulations. Where the Council has entered into a Framework Agreement and/or through procurement or is able to place orders from existing Framework Agreements and/or procured by central government agencies, other local authorities or other third parties, then the Council may benefit from using those contracts without entering into a separate procurement. Procurement Team advice should be sought in advance before awarding a contract to a supplier using a Framework Agreement or DPS not procured directly by the Council.

If an appropriate Framework Agreement is available, it must be considered.

20. COLLABORATIVE PROCUREMENT

These CPR shall apply to any procurement where tenders are invited by the Council on behalf of any partnership, consortium, association or similar body of which the Council is a member, unless such tenders are invited in accordance with the method prescribed by such consortium, association or body and where necessary with the requirements of the PCR 2015.

21. CONTRACT EXTENSIONS

No contract may be extended except in accordance with its terms (subject to financial resources and satisfactory value for money assessment) and comply with the PCR 2015.

Prior to any contract extensions advice should sought from the Procurement Team.

22. WAIVERS OF CONTRACT PROCEDURE RULES

Waivers of any of these CPR shall only be given in exceptional circumstances provided the value does not exceed the PCR financial thresholds. Waivers may not be made retrospectively.

- 22.1 An Officer empowered to let a contract may seek a waiver from a Director and Section 151 Officer or their deputies and if above £100,000 Cabinet. All waivers shall be recorded on the Waiver Form and saved centrally.

23. BONDS, GUARANTEES AND INSURANCE

The Officer shall consider in all contracts the appropriate type (employee liability, public liability, professional indemnity, etc.) and level of insurance requirements for each contract. The Officer shall consult with Finance when determining the appropriate levels of insurance.

- 23.1 For all contracts over £100,000 (and any other circumstances deemed appropriate by the Officer and the Director of Resources), some form of security may be required from the potential supplier as part of the pre-procurement process,

24. OPERATIONAL EMERGENCY

In the event of circumstances rendering emergency measures necessary which cannot expediently be approved through normal Council procedures, the appropriate Officer(s) in consultation with the Managing Director (or a nominated officer), or not less than two Cabinet Members may, notwithstanding anything contained in the Council's CPR or Financial Procedure Rules, authorise the Officer to enter into a contract on behalf of the Council.

In a continuing emergency any action taken, or contract entered into shall be reported to a special Cabinet meeting as soon as possible which shall take such action as necessary to deal with the situation.

Prior to reference to Cabinet, such process of emergency measures shall be subject to a total limit of expenditure up to PCR 2015 Financial Thresholds.

Any adoption of these powers must be reported to the next Cabinet.

25. DISPOSAL OF ASSETS

Disposal and/or reallocation of assets needs to be managed with the same diligence as the acquisition process. The Council has a duty of care regarding the disposal of equipment where environmental issues are appropriate.

- 25.1 Records must be retained for the disposal of assets in a similar way as for procurement decisions.
- 25.2 Any items of stock (other than land) deemed obsolete or surplus to requirements must, where the expected loss on disposal is no more than £20,000, be sold or disposed of only on the authorisation of the Director. Where the expected loss on disposal exceeds £20,000 the approval of the appropriate Director (s) must be obtained.
- 25.3 The method of disposing of surplus or obsolete stocks / stores or assets other than land must be determined as follows:

| Total Value | Method |
|-------------------|--|
| Up to £20,000 | By whatever means the relevant Director shall decide consistent with the asset disposal rules |
| £20,000 and above | Tender sought by public advertisement, by public auction or such other means as the Section 151 Officer shall approve after consultation with the Monitoring Officer |

- 25.4 Before an item is disposed of, consideration should be given as to whether there is a use for the item elsewhere within the Council. All options must be explored, and a record kept of the decisions made. It is the responsibility of each Director to establish that legal title rests with the Council prior to the disposal of any item. Disposal of land

will in all cases require advice and guidance from the appropriate body as set out in the Council's Financial Regulations.

26. CONTRACT MANAGEMENT

Efficiencies secured under competitive processes will only be realised with effective contractual management.

- 26.1 Named Officer(s) within the relevant section will be responsible for the day to day operational management of any new contract in their section.
- 26.2 The Procurement Team will assist in contract management, particularly in cross-functional (or cross-authority) agreements, with roles being established with sections at contract mobilisation.
- 26.3 Requirements for contract management are to include and not limited to: (as a minimum);
- 26.4 An annual review (in consultation with the Finance Team) of the financial status of any supplier in contract with the Council
- 26.5 Annual check for validity of any required certifications and evidence of current insurance cover
- 26.6 Regular review meetings at agreed intervals to discuss:
 - 1) Contractual performance (key performance measures)
 - 2) Social value delivery
 - 3) Innovations or other potential savings in areas relating to the contract or opportunities to improve the range of services provided.
 - 4) Risk identification, evaluation and management on subjects relating to the contract
 - 5) Customer complaints and compliments.
 - 6) Any data protection issues.

Intervals for these review meetings will vary depending on the complexity of the contract/commodity and the total value. Generally, the review meetings for any contract with a high-risk element or above the Public Contract Regulations financial threshold should be held at least six monthly and can be more frequent where performance or risk management are identified as an issue.

- 26.7 For all agreements with a total value above the PCR 2015 financial threshold a report must go annually, via the Managing Director, to the relevant Cabinet Member regarding:

Achievement of contractual objectives within the period

Current contractual direction (continue, review, exit, retender)

27. RETENTION OF DOCUMENTS

It is a legal requirement for commercial records to be retained for inspection by various Government authorities including HMRC.

- 27.1 The retention period commences once the Tender, Purchase Order or Contract is closed: all “open” documents are retained indefinitely.
- 27.2 The records to be retained, the retention period and which section retains them are detailed below:

| Document | Retained by | Retention Period |
|--------------------|--------------------------------|------------------|
| Tenders/Quotations | e-procurement system/centrally | 7 Years |
| Purchase Orders | Finance System/Section | 7 Years |
| Contracts | Officer/Deed Room | 7 Years |
| Suppliers Invoices | Finance System/Section | 7 Years |

The records should be kept in a format that facilitates accessibility for future use.

28. REVIEW AND AMENDMENT OF THE CONTRACT PROCEDURE RULES

The CPR shall be reviewed and updated on an annual basis.

FRAG Work Programme

| | | | |
|-------------------|---|----------------------------|----------|
| 22/11/2019 | Internal Audit Activity Report | Faye Haywood | FORMAL |
| | Internal Audit Follow Up Report | Faye Haywood | FORMAL |
| | Review of the Local Government Ombudsman Report 2019 | Christine Baldwin | FORMAL |
| | Draft Longer-term Capital Strategy | Helena Craske/Julie Brown | FORMAL |
| | Training Session for members to complete their Self Assessment | Faye Haywood | INFORMAL |
| Mar-20 | Certification of Claims & Returns Annual Report 18/19 | External Audit | FORMAL |
| | Internal Audit Activity Report | Faye Haywood | FORMAL |
| | Strategic and Annual Internal Audit Plans 2020/21 | Faye Haywood | FORMAL |
| | Annual Report of FRAG Committee | Faye Haywood | FORMAL |
| | External Audit Plan 19/20 | External Audit | FORMAL |
| | Self Assessment of the FRAG Committee | Faye Haywood | FORMAL |
| Jun-20 | Internal Audit Activity Report | Faye Haywood | FORMAL |
| | Internal Audit Follow Up Report | Faye Haywood | FORMAL |
| | Head of Internal Audit's Annual Report and Opinion for 2019/20, including Review of the Effectiveness of Internal Audit | Faye Haywood | FORMAL |
| | Annual Governance Statement 2019-20 | Debbie Lorimer/Emma Hodds | FORMAL |
| | Annual Report on Counter Fraud Activity 2019/20 (if anything to report) | | FORMAL |
| | Draft Statement of Accounts | Debbie Lorimer/Julie Brown | INFORMAL |
| | | | |
| Jul-20 | Audit Results Report | External Audit | FORMAL |
| | Final Statement of Accounts 19/20 | Debbie Lorimer/Julie Brown | FORMAL |