Finance, Resources, Audit and Governance Committee

Friday 22 June 2018

9:30am, Colman Room
South Norfolk House, Cygnet Court, Long Stratton, Norwich, NR15 2XE

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South Norfolk COUNCIL

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

Mr P Hardy (Chairman)

Mr T Palmer (Vice-Chairman)

Mr L Dale

Mr W Kemp

Mr T Lewis

Mr R Savage

Mr G Wheatley

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Agenda

1. **To report apologies for absence and to identify substitute members;**

2. **Any items of business which the Chairman decides should be considered as a matter 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 – page 11)**

4. **To confirm the minutes of the FRAG Committee held on 9 March 2018;** **(attached – page 12)**

5. **Corporate Debt Collection Policy, Procedures and Guidelines (Revised May 2018);** **(attached – page 17)**

6. **Progress Report on Internal Audit Activity;** **(attached – page 30)**

7. **Follow Up Report on Internal Audit Recommendations;** **(attached – page 43)**

8. **Annual Report and Opinion 2017/18;** **(attached – page 52)**

9. **Draft Annual Governance Statement 2017-18;** **(attached – page 66)**

10. **Draft Statement of Accounts 2017/18;** **(attached – page 83)**

11. **FRAG Work Programme;** **(attached – page 187)**

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 lobbying 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

<u>International Accounting and Financial Reporting Standards Reference Numbers</u>

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

<u>Council Systems</u>

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

Working Style of Cabinet Policy Committees

Member Leadership
Members of the Committees will take the lead in understanding the direction provided by Cabinet and delivering work to Cabinet requirements. Whilst recognising political allegiances, members will work in a collaborative manner with officers and cabinet portfolio holders to consider the relevant issues when developing Council policy.

Collaborative Working
All meetings of the Committees will be constructive and conducted in a spirit of mutual respect and trust. Officers will commit to supplying meetings with information relevant to making informed decisions on policies and matters. Members will commit to thoroughly reading and understanding papers, raising questions that are pertinent to the issues at stake. Members will, where feasible, agree definable actions to be taken forward by officers to develop policy, rather than having items for noting or simply to discuss.

Frequency and Nature of Meeting
Each Committee will have at least 3 formal, public meetings per year. In assessing items delegated by Cabinet for review, the Committee may decide that it wishes to meet on a more or less frequent basis.

The Committee may also hold informal meetings should it require in order to progress specific items in detail. However, if the Committee is meeting to determine whether to refer items for Cabinet approval, the meeting should follow the Council's Standing Orders and thus be subject to a formal agenda, be held in public and the meeting recorded.

Informal meetings may be held in any manner suitable for conducting business (e.g. via meeting, conference call, circulation of information via e-mail, or site visits); while relevant information will be supplied by officers where appropriate, these meetings will not be subject to a formal agenda or minutes. Where business of the Committee is undertaken through informal meeting, all members of the Committee will be provided opportunity to participate. Members will expect to be able to participate in a free and frank exchange of views when deliberating subjects.

Training
Members commit to undertaking development – for example, attending formal training sessions, or reading relevant background material, in order to properly equip themselves to deliver their expected role fully.

Accountability
The Policy Committees will be accountable to Cabinet. They will not be able to make decisions themselves, but can recommend decisions to Cabinet. Cabinet may review whether the Committees are discharging their duties effectively, and may receive progress reports on how the Policy Committee is working to discharge its duties.

Work Programmes
The Work Programmes for the Policy Committee will be established by Cabinet. Members of the Committee will not be able to raise items to be included in the work programme. Where topics have been identified for inclusion in the work programme, the Committee will work to identify how it will discharge its responsibilities, including the resources required to do so.

Managing Time
However the Committee is meeting, it will attempt to conclude the business of each meeting in reasonable time. The Chairman will be responsible for ensuring the meeting stays focused on pertinent issue, and does not become side-tracked on issues that are not relevant to the policy under consideration, or those that should be discussed by a separate committee.

Agenda Item: 3

DECLARATIONS OF INTEREST AT MEETINGS

Members are asked to declare any interests they have in the meeting. 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 on the matter.
- 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.
- In any case, members have the right to remove themselves from the meeting or the voting if they consider, in the circumstances, it is appropriate to do so.

Should Members have any concerns relating to interests they have, they are encouraged to contact the Monitoring Officer (or Deputy) or another member of the Democratic Services Team in advance of the meeting.

Item no. 4

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 9 March 2018 at 9.30 am.

Committee Members Present:	Councillors: P Hardy (Chairman), L Dale, W Kemp, T Palmer, R Savage and G Wheatley
Apologies:	Councillor: T Lewis
Officers in Attendance:	The Assistant Director of Resources (P Catchpole), the Head of Governance (E Hodds), the Head of Internal Audit (S Storm) and the Accountancy Manager (M Fernandez-Graham)
Also in Attendance:	Kevin Suter and Tony Poynton - Ernst & Young (EY)

167 WELCOME

The Chairman welcomed Kevin Suter and Tony Poynton to the meeting. Members were advised that Emma Hodds' role within South Norfolk Council had changed and that a new Head of Internal Audit would be in post shortly. It was noted that Samantha Storm had been appointed to perform this role on a temporary basis.

168 MINUTES

The minutes of the meeting held on 24 November 2017 were confirmed as a correct record and signed by the Chairman.

169 CERTIFICATION OF CLAIMS & RETURNS ANNUAL REPORT 2016/17

Tony Poynton from Ernst & Young presented his report which detailed the certification work for the Housing Benefit subsidy claim for the financial year 2016/17. Members were pleased to note that although the certification work had covered £26M, only two errors had been identified. It was noted that there had been a sizeable reduction in fees due to the quality of the work carried out by the Council's officers.

In response to a member's question regarding the Council's draft housing benefit claim to the Department of Work and Pension (DWP), officers advised that the Council had missed the submission deadline for several years to allow time for officers to review detailed cases, identify errors and amend the claim prior to its submission to improve its overall quality. It was further clarified that although the failure to meet the deadline potentially risked a withholding of the DWP subsidy, this meant that the subsidy would be merely delayed and not lost.

Following a brief discussion, it was;

RESOLVED: to note the report on the certification of the Housing Benefit subsidy claim for 2016/17.

170 AUDIT PLANNING REPORT – YEAR ENDED 31 MARCH 2018

Kevin Suter presented the External Audit Plan for the year ending March 2018, advising the Committee of the key risks identified and the planned audit strategy. Members were reminded that the Accounts and Audit Regulations 2015 had introduced a significant change in statutory deadlines from the 2017/18 financial year which brought forward the timetable for the preparation and approval of accounts, with draft accounts needing to be prepared by 31 May and final publication of accounts by 31 July. In response to a member's question, the Assistant Director of Resources confirmed that although meeting this deadline would be a challenge, he was confident that the Council had sufficient resources to do so, but stressed the need for constant dialogue with Ernst Young. Mr Suter confirmed that he would alert the Chairman if he had any concerns regarding the Council's progress and ability to meet the target dates.

In response to a member's query regarding the auditing of Big Sky Developments, officers confirmed that these figures had always been included within the group accounts and that their results had been reported to the Committee in the previous year. It was then;

RESOLVED: to note the External Audit Plan for the year ending March 2018.

171 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Head of Internal Audit presented the Committee with a report to advise the progress made between 15 November 2017 and 20 February 2018 in relation to delivery of the Annual Internal Audit Plan for 2017/18, and summarised the six completed audits undertaken during this period.

Members were pleased to note that the audits completed had all been awarded ‘reasonable’ assurances and that there were no issues which would need to be considered at the year-end and included in the Annual Governance Statement. The Committee was advised that the audits for Development Management and car parks had both been postponed. Concerns were raised regarding the postponement of the Development Management audit as members generally felt that, as this area was currently undergoing significant changes in its joint working with Broadland District Council, there should be more need for detailed examination rather than for the audit to be delayed. The Head of Governance advised that, due to the changes currently taking place, planning officers did not have the available resources and time to deliver an audit, but she reassured members that there had been and continued to be much officer and member scrutiny of the joint working processes. She agreed to discuss the matter further with the Director of Growth and Business Development but that, as Development Management at Broadland District Council had been audited in September 2017 with a substantial assurance being awarded, she had confidence in the decision.

The Head of Internal Audit provided members with a brief summary on the progress of the remaining four previous internal audit recommendations, as detailed in the report of Accounts Receivable, advising that three of these were nearing completion and that the updating of the Council’s Corporate Debt Policy would be completed and reported to the Committee in June 2018.

In response to a member’s query regarding the amount which the Council expected to write off, the Accountancy Manager advised that this figure would not be finalised until the end of the financial year but confirmed that he would look into the current position and advise members accordingly.

It was then;

RESOLVED: to note the outcomes of the six completed audits finalised in the period 15 November 2017 to 20 February 2018, and the position of the (revised) Internal Audit Plan for 2017/18.

172 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2018/19

The Head of Internal Audit presented her report which provided members with the Internal Audit Plans for 2018/19 which would ensure that key business risks would be addressed by Internal Audit.

In response to a member's comment regarding the audit and governance of Big Sky Developments, officers confirmed that this had also been audited in 2016/17 when it had been awarded a 'reasonable' assurance.

It was noted that Cllr Lewis had been unable to attend the meeting but had submitted a question for discussion regarding the number of contractors retained on a non-employment basis who might be affected by the revised IR35 legislation. In response, the Head of Internal Audit confirmed that the Council did not currently have any IR35 workers. She added that the Council used an HMRC assessment called CEST to determine whether IR35 was met, to ensure compliance. It was further clarified that the job title 'HR Business Partner' referred to an employed position within the Council.

It was then;

RESOLVED: to approve:

a) the Internal Audit Strategy for 2018/19;
b) the Strategic Internal Audit Plans 2018/19 to 2020/21;
and
c) the Annual Internal Audit Plan 2018/19.

173 FINANCE, RESOURCE, AUDIT AND GOVERNANCE COMMITTEE SELF-ASSESSMENT

The Chairman introduced the report which detailed the self-assessment undertaken by the Finance, Resources, Audit & Governance Committee, advising the Committee that he, in consultation with the Head of Governance, had reviewed and finalised the assessment with the conclusions being forwarded to members, prior to the meeting.

The Head of Governance advised that the self-assessment question regarding whether the Committee's terms of reference explicitly addressed all the core areas identified in CIPFA's position statement had been assessed as 'partly' as the Committee did not directly review risk management as this was an area which was instead reviewed by the Cabinet, but did have an awareness of risks as part of most of the reports that were received.

In response to a member's question regarding whether the Committee should request feedback on its performance, it was suggested that Cabinet was aware of the work of the Committee and would feed back any concerns raised. It was then:

RESOLVED: to note the report and its contents and to confirm that full compliance had been recognised in relation to each of the areas subject to scrutiny.

174 ANNUAL REPORT OF FINANCE, RESOURCE, AUDIT AND GOVERNANCE COMMITTEE

The Head of Governance summarised the salient points in her report, which outlined the work of the Finance, Resources, Audit and Governance Committee for 2017, and was pleased to note that the Committee had expanded its governance role during the year by considering a wide range of topics including the Code of Corporate Governance, the Rules for Financial Governance and a number of the Council's strategies.

There were no further comments and it was;

RESOLVED: To note the contents of the Annual Report before its presentation to Full Council.

175 WORK PROGRAMME

Members noted the Finance, Resources, Audit & Governance Committee's Work Programme and it was suggested and agreed that the Debt Recovery Policy be added to the agenda for 22 June 2018.

The Committee noted that, as the deadlines for finalising the Council's accounts for 2017/18 had been brought forward, it was anticipated that the audit would be completed by May so the items scheduled to be considered in July 2018 would move to the June 2018 meeting. However, it was agreed that the July meeting should remain in the work programme in the event that there were any delays with the audit.

The meeting concluded at 10.35 am

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Chairman

Finance Resources Audit and Governance Committee
22 June 2018

Agenda Item No. 5

Corporate Debt Collection Policy, Procedures & Guidelines (Revised May 2018)

Report of the Financial Services Manager
Cabinet Member: Barry Stone - Finance and Resources
Chair of Finance, Resources, Audit and Governance Committee: Phil Hardy

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South Norfolk COUNCIL

1. Introduction

1.1 The purpose of this report is to review and revise the contents of the Council's approach to debt collection. Previous versions needed to be updated following team reorganisations. I have also taken the opportunity to revise some of the technical jargon that existed in the previous version and removed items that are now longer relevant or appropriate.

2. Background

2.1 To ensure a consistent approach is taken to recover unpaid debts it is important that these approaches are documented therefore making them transparent and visible to all interested parties. The combined format of policy, procedure and guidance notes allows us to provide reassurance and clarity and to remove an ambiguity.

2.2 The Council is responsible for the billing and collection of a wide variety of services and this document seeks to pull together the approaches required to collect monies owing once they become debts.

2.3 The review of the existing document is timely as following realignments of the teams that administer the billing and collection of the chargeable services, the policy needed to be updated.

2.4 Observations about the appropriate nature of the existing document have also been raised by an internal audit recommendation and this will be addressed by the changes proposed in the revised document

3. Current Position/Findings

3.1 The current version of the document provided details about non-debt matters (granting of instalments) as well as being very specific about the numbers of days that will be given to debtors before they move onto each stage of recovery, and provided guidance on the process and authorisation for approving debts to be written off.

3.2 Granting of Instalments – this decision-making power has been delegated to the individuals dealing with the customers themselves. At the forefront of our minds and all best practice, instalment repayment plans should always be granted on the customer/debtor's ability to pay (assuming that there are no statutory entitlements to do so). We have therefore removed the arbitrary framework from the existing document which bases the number of instalments on the value of the debt rather than the individual’s ability to pay.

3.3 Delays between each stage – to publish this information has the potential to disadvantage the Council. Any deliberate attempt to withhold monies owed could be done so with the confidence of knowing when more stringent recovery action is likely to be taken. There is no requirement to publish the full recovery cycle (including delays) and each recovery notice issued clearly states the due date for payment or escalation to the next stage. This information has therefore been removed.

3.4 The approval to write off debts is attributed to named individuals and/or post holders. As roles and responsibilities have recently changed, this scheme of delegation needed to be updated accordingly.

4. Conclusion

4.1 The new document seeks to provide reassurance to those residents, business and other users of our services that we do take our responsibility to administer the billing for these services and collection of the monies owed for these services seriously. It demonstrates that we will apply ourselves professionally and consistently, and in line with best practice and legislative requirements where appropriate to recovery monies owed to us.

4.2 It will provide reassurance to those that find themselves in a debtor position that we will treat them consistently and in line with best practice. We will seek to engage with them and with their agreement to work alongside external, 3rd party, specialist agencies to provide help and support where needed. Debtors should also be reassured that any agreement to repay debts will be done so based upon their ability to pay and not the simply the value of their debt.

4.3 Reassurance will be provided to Members and Officers that there is a consistent transparent approach (that will be published on our website) to ensure that all involved are treated equally, fairly and with dignity.

4.4 Write Offs – will always be the last resort. Bad debts should be prevented wherever possible, however inevitably debts do go bad. Our approach to writing debts off should be taken in the context of whether it continues to be economically viable to pursue a debt. The framework around who can make these decisions has been refined and republished in Appendix A.

4.5 Implementation and knowledge of these revisions will be made to officers as part of Learning Hours and team cascades. These will also include external partners, such as Enforcement Agents and agencies such as the Citizens Advice Bureau.

5. Risks and implications arising

- No risks or implications have been identified in adopting this revised and updated document.

6. Recommendation

6.1 The Committee is requested to note the SNC Corporate Debt Collection Policy, Procedure & Guidelines and provide their comments.

SOUTH NORFOLK COUNCIL

CORPORATE DEBT COLLECTION POLICY, PRINCIPLES & PROCEDURE

Contents

CORPORATE DEBT COLLECTION POLICY

1. What is a debt?

1.0 A debt is a sum of money which is owed or overdue for goods or services provided by the Council.

1.1 A debtor is anyone (whether an individual or organisation) who has received these goods or services from the Council, or is liable for a statutory debt and who has not yet paid the amounts by the specified due date.

1.2 The Council provides a range of its own services and is responsible for the collection of local taxes (Council Tax and Non-Domestic Rates (NDR)) as well as the recovery of any overpaid Housing Benefit.

1.3 Whilst most of this income is collected in a timely manner, there are occasions when payments are not made on time resulting in the creation of a debt.

2. Purpose of the Collection Policy

2.1 The policy is designed to ensure that officers take a consistent approach to all collection activity making sure that action taken is appropriate and proportionate to the debts involved.

2.2 Methods for the billing and recovery of statutory debt (such as Council Tax & NDR) are defined within the relevant statute.

2.3 Methods for the billing and recovery of non-statutory debt are designed to comply with best practice.

2.4 The Council's objectives in relation to debt management are:

- Prevent creation of debts by taking payment in advance of goods/services being provided
- To minimise the amount of debt held at any one time
- To provide a corporate approach to the billing, recovery and collection of debt that is proportional, consistent and transparent.
- Service Holders will ensure that the service provided is clearly defined and the customer agrees to pay.
- Prior to entering agreements, service managers must also ensure that customers have the means to pay, i.e. by credit checks on large customers in terms of frequency/amount.

3. Principles of Enforcement

3.1 The Council will follow the good practice principles set by the Department for Business Enterprise and Regulatory Reform's Enforcement Concordat. The principles are: -

- **Standards** - In consultation with business and other relevant interested parties, including technical experts where appropriate, we will draw up clear standards setting out the level of service and performance the public and business people can expect to receive. We will publish these standards and our annual performance against them. The standards will be made available to businesses and others who are regulated.

- **Openness** - We will provide information and advice in plain language on the rules that we apply and will disseminate this as widely as possible. We will be open about how we set about our work, including any charges that we set, consulting business, voluntary organisations, charities, consumers and workforce representatives. We will discuss general issues, specific compliance failures or problems with anyone experiencing difficulties.

- **Helpfulness** - We believe that prevention is better than cure and that our role therefore involves actively working with business, especially small and medium sized businesses, to advise on and assist with compliance. We will provide a courteous and efficient service and our staff will identify themselves by name. We will provide a contact point and telephone number for further dealings with us and we will encourage business to seek advice/information from us. Applications for approval of establishments, licenses, registrations, etc., will be dealt with efficiently and promptly. We will ensure that, wherever practicable, our enforcement services are effectively co-ordinated to minimise unnecessary overlaps and time delays.

- **Complaints about service** - We will provide well-publicised, effective and timely complaints procedures easily accessible to business, the public, employees and consumer groups. In cases where disputes cannot be resolved, any right of complaint or appeal will be explained, with details of the process and the likely time-scales involved.

- **Proportionality** - We will minimise the costs of compliance for business by ensuring that any action we require is proportionate to the risks. As far as the law allows, we will take account of the circumstances of the case and the attitude of the operator when considering action. We will take care to work with small businesses and voluntary and community organisations so that they can meet their legal obligations without unnecessary expense, where practicable.

- **Consistency** - We will carry out our duties in a fair, equitable and consistent manner. While inspectors are expected to exercise judgement in individual cases, we will have arrangements in place to promote consistency, including effective arrangements for liaison with other authorities and enforcement bodies.

- **Equality –** The Council has many duties under the Equality Act, 2010. Therefore, our approach to enforcement includes offering documents in different formats or languages, providing a translator or interpretation service and providing assistance such a TextPhone.

- **Statutory Debt –** In the case of statutory debt the Council will follow the statutory route of enforcement. This is set out in the Council Tax Administration and Enforcement Regulations 1992 and the Non-Domestic Rate Collection and Enforcement Regulations 1989 and the Community Infrastructure Levy Regulations (2010) as amended.

4. Responsibility for Debt Collection (including enforcement)

4.1 The Council’s Section 151 Officer is the Senior Officer in the Council with overall responsibility for debt collection as part of their official role.

4.2 The following other Senior Officers in the Council work under the supervision of the S151 Officer and have Operational responsibility for the implementation of the principles highlighted by this policy.

- Section 151 Officer – Assistant Director - Resources
- Accountancy Manager (deputy Section 151 officer)
- Financial Services Manager
- Group Accountant
- Senior Investigations and Enforcement Officer
- Council Tax & Recovery Team Leader
- NDR Lead
- Financial Services Team Leader

5. Complaints

5.1 Debtors may wish to complaint to us if:

- We have done something wrong
- We have not done something we should have
- We have not treated one of our customers in a professional or civil manner

Our promise:

- We will take any complaint about our services seriously
- We will investigate any complaint thoroughly
- We will inform complainants of the outcome of the investigation

Complaints are dealt with through the Council's Complaints Procedure which can be found at www.south-norfolk.gov.uk

6. CORPORATE DEBT COLLECTION PROCEDURE

Whilst most income is collected in a timely manner, there are occasions when payments are not made on time resulting in the creation of a debt.

The Council provides a range of its own services and is responsible for the collection of local taxes (Council Tax and Non-Domestic Rates (NDR)) as well as the recovery of any overpaid Housing Benefit.

6.1 Statutory Services

6.1.1 Council Tax

Council Tax recovery procedures are set out in the Administration and Enforcement Regulations 1992 and associated regulations. Applications for a discretionary reduction will be considered under section 13a (1) c) of the 1992 Act, although these will be awarded only in exceptional circumstances.

6.1.2 National Non-Domestic Rates (NDR)

NNDR recovery procedures are set out in the Collection and Enforcement Regulations 1989 and associated regulations.

6.1.3 Housing Benefit (HB) Overpayments

Housing Benefit overpayments recovery procedures are set out in the Housing Benefit Regulations 2006 and the Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006. The Sundry Debtor approach will be taken to recovery any outstanding monies owed.

6.1.4 Community Infrastructure Levy (CIL)

Procedures to recover CIL levies are set out in the Community Infrastructure Levy Regulations (2010) as amended.

6.2 Discretionary Services

The procedures for the collection of unpaid debts can be segregated into Pre and Post Litigation. This list is not exhaustive and is designed to provide guidance to officers.

6.2.1 Sundry debt – General

Debt recovery action will always be appropriate for the type of debt being recovered, considering the debtor’s ability to pay.

The time delays and order of recovery actions will vary but will be in the form of reminder letters, emails and outbound telephone calls.

If these prove to be unsuccessful each debt will be reviewed on a case by case basis with the relevant Council service department to determine the next appropriate course of action.

This may include the withdrawal of the service or referral to an externally appointed debt collection agency.

6.2.2 Works in Default

Interest will be applied to the charge on the property in accordance with the appropriate guidelines.

6.2.3 Loans to staff

The Council occasionally makes advances of salary to staff. These are repaid by deduction from the following month’s salary.

6.2.4 Car Purchase Scheme

The Council operates an assisted car purchase scheme for staff and an assisted bicycle purchase scheme. As this is an assisted car purchase scheme, employees will not normally be granted a 100% loan. Interest is charged on the loan and employees make monthly repayments of the loan principle and interest via salary deduction. If the employee leaves the authority any outstanding loan amount becomes repayable in full by the last day of service. Upon the discretion of a Senior Officer the repayment arrangement can be extended following the employee’s departure, the collection of this debt is administered via the sales ledger and is subject to those measures detailed above (Sundry Debtor – General).

6.2.5 Study Support

The Council may employ individuals that are studying for a professional qualification. If the qualification is an essential part of the career development for the post concerned, the Council may bear the training costs. Trainees are required to sign a training contract prior to the commencement of their training. If the trainee subsequently leaves the authority, any training expenditure that was incurred within the previous two years becomes repayable in full by the last day of service. If a salary deduction is not appropriate the collection of this debt will be administered via the sales ledger.

7. Recovery Actions

7.1 Council Tax & Non-Domestic Rates (NDR)

7.1.1 Payment of Council Tax and NDR is spread over 10 or 12 calendar payments. Reminder notices are issued to those with overdue instalments.

7.1.2 A Final / Cancellation Notice may be issued where debtors fail to bring instalments up to date.

7.1.3 The issue of a Magistrates Court Summons* will be made where payment is not made.

7.1.4 A Liability Order* will be granted which will allow the Council to instigate further action, including, but not limited to, referral to enforcement agents*, attachment to earnings, attachment to benefits or special arrangements.

7.1.5 Where enforcement action is unsuccessful the Council may commence committal proceedings, bankruptcy action* or apply for a charging order*.

(* additional costs are added to each of these stages)

7.2 Sundry Debts (including recovery of overpaid Housing Benefit)

7.2.1 An invoice is issued to specify the details of the service(s) / goods provided, including the amount to be paid and the date that payment is due.

7.2.2 If payment is not made reminders will be issued to each debtor once the due date of the invoices has been reached.

7.2.3 If payment is still not received, the debt will be passed to an external debt collection agency to pursue, in line with the principles highlighted above. Actions taken will include, but not be limited to, reminder letters, phone calls and personal visits.

7.3 Enforcement procedures – litigation of Sundry Debts

7.3.1 If the debt remains outstanding after the pre-litigation enforcement steps noted above instigation of legal action will be considered.

7.3.2 The Senior Officer responsible will decide whether to use legal action if the process of debt collection action is not successful.

7.3.3 If the course of action decided is legal then the following principles will be followed:

- Debts will be pursued through the Civil Courts with legal advice being sought at each stage of the process.
- Once a County Court Judgment has been obtained, all remedies will be considered, again with the appropriate legal advice being sought.
- Any cases of a sensitive, controversial or contentious nature will be referred to the Service Director for further guidance prior to any decision on recovery action.
- Appropriate legal representation will be sought for any cases which are being disputed and / or defended in court.

8. Write-off procedures

Bad debts should be written off on a timely basis as best practice dictates. Whilst the council will make every effort to pursue debts, it recognises that not all debts are recoverable. It is the responsibility of the officers involved to establish that when a debt is presented for write off that one or more of the following conditions have been met:

- The debt has been remitted by the Courts;
- The debt is owed by a person or corporate body subject to bankruptcy;
- Insolvency proceedings, with little change of the Council receiving payment;
- The debtor has died, leaving insufficient funds in their estate to settle the debt;
- The debtor is suffering from a severe illness with makes further recovery inappropriate;
- It is not cost-effective to pursue the debt;
- The debtor cannot be traced;
- It has been determined that under the Housing Benefit regulations that it is not appropriate to recover a recoverable overpayment.

Once these principles have been established, the Rules of Financial Governance (RFG's) within the Council's Constitution provides the following in relation to the financial thresholds of debts being written off.

Details of delegated authority can be found in the Council's Debt Collection Delegated Authority Schedule – see Appendix A

9. <u>Advice and assistance</u>

The Council will seek to provide information about debt advice and potential statutory benefits and discounts to those debtors who cannot pay. Officers will remind debtors of the importance of paying priority debts. Priority debts include council tax arrears. Non-payment of council tax arrears can result in the seizure of a debtor's goods, or in the debtor being sent to prison. Debtors who are in financial difficulty may find it beneficial to obtain specialist advice from one of the following agencies:

South Norfolk Council
Appointments can be made to speak about debt advice on **01508 533 617**.

Money Advice Centres and Law Centres
Money Advice or Law Centres can also provide help with debt problems. Details of the nearest centres may be found in the telephone directory or on the Community Legal Advice website: **www.communitylegaladvice.org.uk**.

National Debtline
The National Debtline provides free debt management information to people living in England and Wales. Debtors can contact National Debtline by calling them on **0808 808 4000** or via the website: **www.nationaldebtline.co.uk**.

Business Debtline
Business Debtline provides advice for small business in England and Wales. Debtors can contact them by calling them on **0800 197 6026**, or via the website: **www.bdl.org.uk**.

Community Legal Advice
Community Legal Advice offers advice to people in debt who are on a low income or on benefits. Debtors can contact them by calling them on **0845 345 4 345** or via the website: **www.communitylegaladvice.org.uk**.

Citizens Advice Bureau
Citizens Advice Bureaux offer advice about simple debt problems, and will be able to refer debtors to a specialist advisor if the debt problem is complicated. Website: https://www.citizensadvice.org.uk/debt-and-money/help-with-debt/

Debt Collection Delegated Authority Schedule **Appendix A**

Bad Debts Write Off Guidance

Bad debts should be written off on a timely basis as best practice dictates. Whilst the council will make every effort to pursue debts, it recognises that not all debts are recoverable. It is the responsibility of the officers involved to establish that when a debt is presented for write off that one or more of the following conditions have been met:

- The debt has been remitted by the Courts;
- The debt is owed by a person or corporate body subject to bankruptcy;
- Insolvency proceedings, with little chance of the Council receiving payment;
- The debtor has died, leaving insufficient funds in their estate to settle the debt;
- The debtor is suffering from a severe illness with makes further recovery inappropriate;
- It is not cost-effective to pursue the debt;
- The debtor cannot be traced;
- It has been determined that under the Housing Benefit regulations that it is not appropriate to recover a recoverable overpayment.

Once these principles have been established, the Rules of Financial Governance (RFG's) within the Council's Constitution provides the following in relation to the financial thresholds of debts being written off.

Debt Value exceeds £25,000 – agreement must be sought from Cabinet, preferably in advance.

Debts below £25,000 may be written off under delegation by the S151 Officer, as follows:

Any debt up to a maximum of £25,000 S151 Officer or Deputy S151 Officer

Any debt up to a maximum of £10,000 Financial Services Manager

Any debt up to a maximum of £1,000 Appeals & Compliance Officer, Senior Investigations and Enforcement Officer, Council Tax, NDR, Benefits & Finance Team Leaders

Any debt up to a maximum of £5 Any member of staff

Backdated adjustments to Council Tax Support due to banding reductions can be actioned by Revenues & Benefits staff and then authorised by the relevant officer above.

No further delegations below the posts mentioned above are permitted by anyone other than the S151 Officer or their Deputy.

It is for the officer authorising the write-off to ensure satisfactory evidence for the reasoning behind the write off is provided. Such evidence must be retained for inspection and scrutiny.

This is an independent document that is appended to, but does not form part of the Council's Corporate Debt Collection Policy and is therefore able to be amended without a formal review of the entire policy.

Simon Bessey
Financial Services Manager (May 2018).

Eastern Internal Audit Services

SOUTH NORFOLK COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 21 February 2018 to 10 May 2018

Responsible Officer: Head of Internal Audit for South Norfolk Council

CONTENTS

1. INTRODUCTION

1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.

1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.

1.3 To comply with the above this report includes: -

- Any significant changes to the approved Audit Plan;
- Progress made in delivering the agreed audits for the year;
- Any significant outcomes arising from those audits; and
- Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

2.1 At the meeting on the 10th March 2017, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Changes to the plan were reported to Committee in March 2018, since then there have been no further changes.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.

3.2 In summary 148 days of programmed work has been completed, equating to 100% of the (revised) Audit Plan for 2017/18.

4. THE OUTCOMES ARISING FROM OUR WORK

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

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

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

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

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

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

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

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

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

4.3 In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

4.4 During the period covered by the report Internal Audit Services have issued two final reports:

Audit	Assurance	P1	P2	P3
Corporate Health & Safety	Reasonable	0	0	4
Service Desk	Limited	0	7	9

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

4.5 As can be seen in the table above, as a result of these audits 20 recommendations have been raised. All of these have been agreed by management.

In addition, 19 Operational Effectiveness Matters have been proposed to management for consideration.

4.6 It is encouraging to note that one report has achieved positive assurance grading in this period. We have however concluded a limited assurance opinion in one report in the area of Service Desk.

A total of seven important recommendations were raised during the Service Desk review. The audit found that Service Desk functions and targets have not been communicated to the business or performance managed. Service desk calls are not recorded to allow for performance monitoring and no management information is produced to indicate where improvements could be made. A recommendation was also raised in relation to ensuring that any planned or short term service changes are communicated to the business by Service Desk only and not other departments, increasing the likelihood that the role of the Service Desk is understood by council staff. Change management processes also need to be formalised to minimise the risk of disruption to systems and business as usual activities. All recommendations are due to be finalised by October 2018. We will therefore be raising these findings as considerations within the Annual Opinion and Governance Statement.

5. PERFORMANCE MEASURES

5.1 The Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There is a total of 11 indicators, over four areas, the results of all performance measures for 2017/18 can be found in the Annual Report and Opinion.

5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:

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

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

5.3 All work for 2017/18 has now been completed and a report on the performance measures was provided to the Head of Internal Audit, outcomes highlight that performance is an acceptable level.

5.4 In addition to these, quarterly reports from the Contractors Audit Director and ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that the plan has been completed as expected.

6. PROPOSAL

6.1 The Finance, Resources, Audit and Governance Committee are requested to receive and note the Progress Report. In doing so the Committee is ensuring that the Internal Audit Service remains compliant with professional auditing standards.

7. RECOMMENDATIONS

7.1 That members note the outcomes of the two completed audits in the period covered by this report, and the position of the (revised) Internal Audit Plan for 2017/18.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
Leisure	SNC1801	10	10	10	Final Report issued 12 June 2017	Reasonable	0	1	3	1	24 November 2017
Homelessness	SNC1802	10	10	10	Final Report issued 3 July 2017	Reasonable	0	5	0	3	24 November 2017
TOTAL		**20**	**20**	**20**							
Quarter 2											
Corporate Governance	SNC1803	6	6	6	Final Report issued 20 September 2017	Reasonable	0	1	1	1	24 November 2017
Cross Authority Review HR & Payroll	SNC1804	6	6	6	Final Report issued 18 January 2018						9 March 2018
Performance Management	SNC1805	10	10	10	Final report issued 27 October 2017	Reasonable	0	0	3	1	24 November 2017
Housing Standards - Disabled Facilities Grants	SNC1811	10	10	10	Final Report issued 19 October 2017	Reasonable	0	3	3	0	24 November 2017
TOTAL		**32**	**32**	**32**							
Quarter 3											
Key Controls & Assurance	SNC1807	15	15	15	Final Report issued 11 January 2018	Reasonable	0	1	0	0	9 March 2018
Accountancy Services	SNC1808	16	16	16	Final Report issued 12 December 2017	Reasonable	0	2	5	1	9 March 2018
Accounts Receivable	SNC1809	10	10	10	Final Report issued 15 November 2017	Reasonable	0	0	1	0	9 March 2018
Income	SNC1810	7	7	7	Final Report issued 11 January 2018	Reasonable	0	1	1	0	9 March 2018
TOTAL		**48**	**48**	**48**							
Quarter 4											

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Corporate Health & Safety	SNC1813	6	6	6	Final Report issued 12 April 2018	Reasonable	0	0	4	0	22 June 2018
Development Management	SNC1814	6	0	0							Deferred to 2018/19
Car Parks	SNC1815	6	0	0							Deferred to 2018/19
TOTAL		**18**	**6**	**6**							
IT Audits											
Business Continuity & Disaster Recovery	SNC1812	10	10	10	Final Report issued 5 December 2017	Reasonable	0	1	2	2	9 March 2018
Cash Receipting	SNC1806	10	10	10	Final Report issued 1 August 2017	Reasonable	0	3	2	0	24 November 2017
Service Desk	SNC1816	10	10	10	Final report 10 May 2018	Limited	0	7	9	19	22 June 2018
TOTAL		**30**	**30**	**30**							
Follow Up											
Follow Up	NA	12	12	12							
TOTAL		**12**	**12**	**12**							
TOTAL		**160**	**148**	**148**			0	25	34	28	
Percentage of plan completed				**100%**							

Assurance Review of Corporate Health and Safety

Executive Summary

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Contract management of the H&S Consultancy Services Agreement	0	0	2	0
Key roles and responsibilities including designated responsible officer	0	0	2	0
Guidance, programme of regular inspections and outcomes	0	0	0	0
Policies and Procedures	0	0	0	0
Total	**0**	**0**	**4**	**0**

SCOPE

The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls within Corporate Health and Safety, with particular regard to the Health and Safety Consultancy Services Agreement.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of four 'needs attention' recommendations being raised upon the conclusion of our work. This is the first time this area has been subject to internal audit review.

POSITIVE FINDINGS

We found that the Council has demonstrated the following points of good practice as identified in this review and we will be sharing details of these operational provisions with other member authorities in the Consortium:

Health and Safety (H&S) Consultancy Services Agreement

- A Contract Management document has been developed to manage the H&S Consultancy Services Agreement. This document is based on the National Audit Office (NAO) Good Practice – Contract Management Framework. NAO republished this framework alongside their insights and emerging best practice from their work across government contracts and their framework for auditing commercial relationships. The focus of the framework is on the activities to be undertaken during the operational phase of the contract, i.e. after the contract has been awarded and once the service is up and running and defines the four blocks – structure and resources, delivery, development, and strategy – comprising 11 areas that organisations should consider when planning and delivering contract management.

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

Key Roles and Responsibilities

- Norfolk County Council (NCC) provide the H&S Service provision at the Council through a formal contract. The NCC Health and Wellbeing team has a minimum qualification requirement of NEBOSH (The National Examination Board in Occupational Safety and Health) Certificate (for the semi-professional staff), with most positions having minimum NEBOSH Diploma or equivalent. The advisers each have specialist areas covering asbestos management, legionella, fire safety, behaviour management, lone working, and violence at work, working with young people, highways activities and construction, amongst others. The team also has a dedicated Training Advisor.
- The contract covers liability and insurance which indemnifies the Council against all claims and damages, with the Council obtaining copies of NCC's insurance certificates as assurance that the required insurance is in place, in accordance with the contract.

Policies and Procedures

- The Corporate H&S Policy, Governance & Management Regime was reviewed and updated in June 2017 which contains the General H&S Statement by the Chief Executive and the Council's Commitment to H&S by the Leader of the Council.

ISSUES TO BE ADDRESSED

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

H&S Consultancy Services Agreement

- An agenda item to be added to the H&S Committee meetings in respect of the performance of the H&S Consultancy Services Agreement (NCC contract). This is to help mitigate the risk that the H&S Committee does not adequately monitor and review the Council's H&S arrangements in line with the H&S Policy Statement.
- The Strategic Leadership Team (SLT) quarterly H&S report for February/March to be finalised and presented to assist in mitigating the risk that poor performance goes unnoticed leading to the H&S objectives not being met.

Key Roles and Responsibilities

- Deadlines and lead officers are assigned to both the H&S Committee meeting agreed actions and the priorities listed in the H&S actions in priority order list. The H&S actions in priority order list is to be updated to make clear that this list represents the detailed work programme referred to in H&S contract specification. This mitigates the risks that actions are not completed in a timely and effective manner and that the contract specification is not complied with.
- The H&S Management Cycle is reviewed/discussed with the H&S Committee to consider the implementation of this thereby helping to mitigate the risk that H&S tasks are not undertaken in a timely manner leading to potential H&S issues for staff and the Council such as first aid provision not being fit for purpose.

Other points noted

- The Council entered into a contract with Norfolk County Council on 14th July 2017 for the provision of the corporate H&S service entitled H&S Consultancy Services Agreement, for a period of two years (one year plus one). This contract states that 'A detailed programme of Work will be agreed at an early stage between the Council's Senior Leadership Team sponsor and the appointed Contractor'. This programme of work has been agreed and is being monitored by the Council's H&S Committee as a list of H&S actions in priority order. Examples of this work includes, a review of all H&S polices, guidance and forms; creation of an ongoing risk based visit / monitoring program for individual SNC teams and SNC premises (SNC Leisure Centres being inspected by a third party) and training review**.** Due to the priority action list being work in progress, no specific recommendations have been raised to complete the areas of work contained here.

Assurance Review of the Service Desk and Change Management

Executive Summary

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Service Desk	0	6	7	3
Change Management	0	1	2	16
Total	**0**	**7**	**9**	**19**

SCOPE

The Council has upgraded its Service Desk application and is reviewing the related business processes around that. An audit of the Service Desk and Change Management will help provide support for the business process review and assurance over the controls in place for the new application. The ITIL (Information Technology Infrastructure Library) best practice framework will be used as the benchmark for audit testing.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Limited Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of seven 'important' and nine 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised 19 'Operational Effectiveness Matters', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

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

- It has been recognised by IT management that there needs to be work undertaken to improve the functionality and perception of the Service Desk as a strategic function. Work has commenced on this but at the time of the audit this was very early on in project terms, however this recognition does need to be noted.
- Second line support staff are involved with the Service Desk on a periodic basis to help provide cover and opportunities for cross training.
- A single source of customer and user data is kept.

ISSUES TO BE ADDRESSED

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

Service Desk

- The functions of the Service Desk to be agreed and documented into a formal Service Level Agreement. This is to help ensure that there is a formal standard in place for the measurement and monitoring of the service.
- Once the Service Level Agreement has been finalised there needs to be regular review of achievement against the requirements to help demonstrate the performance of the service against the Service Level Agreement.
- Service Desk calls need to be consistently recorded into Vivantio so that the types of challenges and issues that are being experienced can be managed and appropriate, proactive, mitigation action taken.
- The Service Desk needs to be developed to provide management information and make recommendations for service improvements to enable the Council to realise the potential benefits that can be delivered.
- All relevant communications that relate to planned and short-term changes to service levels need to be made from the Service Desk function at all times in order to provide a consistent source for all such messages.
- The Service Desk function is to keep in regular contact with all customers raising major incidents, problems and changes so that these calls are managed appropriately and that customer expectations around service levels are managed.

Change Management

- A formal Change Management framework to be developed and agreed to guide the effective management of the process.

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

Service Desk

- A learning hour is to be provided covering the remit of the Service Desk, its service offerings and how to request service from the function needs to be implemented so that all relevant staff fully understand the purpose of the Service Desk and how to interact with it consistently.
- Regular customer satisfaction surveys concerning the quality of the Service Desk function need to be carried out to help ensure that the service can improve and deliver the required service to the Council.
- A central repository of all product, hardware and software documentation and reference materials is to be held by the Service Desk enabling the service to provide the necessary support.
- Weekly IT management meetings are to be put in place to highlight service availability, customer satisfaction and major incident areas, thus enabling the Service Level Agreement to be effectively monitored and reported to relevant senior management on a regular basis.
- Appropriate management review of recommendations for improving the way that the Service Desk is operating arising from sources such as customer feedback and other management forums is to be undertaken on a regular basis.
- The standards relating to Service call management are to be made clear to all relevant staff, thus ensuring that non-compliance with the standards can be detected and managed in a timely manner.
- Service Desk staff are to be kept informed of formal service levels that they may be required to adhere to so that they can comply with them knowingly and ensure a consistent service is provided.

Change Management

- The purpose and benefits of Change Management needs to be communicated so that all staff can better understand why it is required and accept the need for it more readily.
- The use of specialist tools should be explored to support its Change Management function to help it manage changes consistently. The Vivantio Service Desk tool that is already in use is an example of such a tool that could be leveraged at minimal cost.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to a variety of other ITIL framework controls that may be of benefit to the Council, although are considered less of a priority. These have been provided to management by separate cover for consideration once the recommendations within this report have been addressed.

Agenda Item: 7

Eastern Internal Audit Services

SOUTH NORFOLK COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 1 November 2017 to 31 March 2018

Responsible Officer: Head of Internal Audit for South Norfolk Council

CONTENTS

1. INTRODUCTION

1.1 This report is being issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.

1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.

1.3.1 To comply with the above this report includes the status of agreed actions.

2. STATUS OF AGREED ACTIONS

2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.

2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.

2.3 The summary position according to recommendation priority is shown in the table below, with the previously reported position in the first table and the current position in the second table to enable comparison:

Status of Recommendations as at 31 October 2017					
	P1	**P2**	**P3**	**Total**	**%**
Complete	0	19	22	41	68%
Outstanding	0	13	6	19	32%
Total	0	32	28	60	

Status of Recommendations as at 31 March 2018					
	P1	**P2**	**P3**	**Total**	**%**
Complete	0	17	11	28	78%
Outstanding	0	3	5	8	22%
Total	0	20	16	36	

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

2.4 In relation to the historic recommendations (i.e. those prior to the 2015/16 financial year), there are now no outstanding recommendations.

2.5 In 2015/16 internal audit raised 67 recommendations, with 66 now being closed and one important outstanding. The management responses in relation to the one outstanding important recommendation can be seen at **Appendix 2** of the report.

Number raised	67	
Complete	66	99%
Outstanding	1	1%

2.6 In 2016/17 internal audit raised 83 recommendations; 80 of which have already been implemented and 3 remain outstanding. All three outstanding recommendations are needs attention. The management responses in relation to the three outstanding recommendations can be seen at **Appendix 3** to the report.

Number raised	83	
Complete	80	96%
Outstanding	3	4%

2.7 In 2017/18 internal audit has raised 59 recommendations; 30 of which have already been implemented, four of which are outstanding (two important and two needs attention), 25 are not yet due for implementation. The management responses in relation to the four outstanding important recommendation can be seen at **Appendix 4** to the report.

Number raised to date	59	
Complete	30	51%
Outstanding	4	7%
Not yet due	25	42%

2.8 Good progress is being made with implementing the recommendations made within the 2017/18 financial year. There does however remain some recommendations from previous financial years that now need addressing to mitigate the associated risks. Management responses continue to be provided as requested, along with the reasons for the revised deadlines.

3. PROPOSAL

3.1 The Finance, Resources, Audit and Governance Committee are asked to receive and note the year end position in relation to the completion of agreed audit recommendations.

4. RECOMMENDATION

4.1 That members note the position in relation to the completion of agreed internal audit recommendations as at 31 March 2018.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 01/11/2017 & 31/03/2018			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
2014/15 Internal Audit Reviews															
SNC1519	Disaster Recovery	Adequate		1								0			
2015/16 Internal Audit Reviews															
SNC1601	Housing Standards	Reasonable		1			1					1			
SNC1602	Car Parks	Reasonable		1								0			
SNC1605	Accounts Receivable	Reasonable		1	1							0			
SNC1610	Key Controls	Reasonable			1							0			
SNC1614	Exchange 2010	Reasonable		1								0			
2016/17 Internal Audit Reviews															
SNC1701	CNC Building Control	Reasonable		1								0			
SNC1702	Early Help Hub	Limited						1				1			
SNC1703	Home Options	Reasonable		1								0			
SNC1706	Licencing and Food Safety	Reasonable						1				1			
SNC1710	Accounts Payable	Reasonable		1				1				1			
SNC1714	Key Controls & Assurance	Reasonable		2								0			
SNC1716	Waste Management	Reasonable		1								0			
SNC1717	Procurement	Reasonable			1							0			
SNC1718	Integra 2 application	Reasonable			1							0			
2017/18 Internal Audit Reviews															
SNC1803	Corporate Governance	Reasonable		1								0			
SNC1805	Performance Management	Reasonable			2							0			1
SNC1806	Cash Receipting application	Reasonable		1	1							0			
SNC1807	Key Controls & Assurance	Reasonable								1		1			
SNC1808	Accountancy Services	Reasonable		2	2							0			3
SNC1809	Accounts Receivable	Reasonable			1							0			
SNC1810	Income	Reasonable		1	1							0			
SNC1811	Housing Standards	Reasonable		1							1	1			
SNC1812	Business Continuity and Disaster Recovery	Reasonable								1	1	2			1
SNC1813	Corporate Health and Safety	Reasonable										0			4
SNC1816	Service Desk	Limited										0		7	9
TOTALS			**0**	**17**	**11**	**0**	**1**	**3**	**0**	**2**	**2**	**8**	**0**	**7**	**18**

APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS FROM 2015/16 AUDIT REVIEWS

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
SNC1601 Housing Standards includes DFGs and discretionary grants	Detailed procedure guidance be prepared for the various housing grants/loans offered by the Council which should include the eligibility criteria, timescales for processing, documents required for approval, number of quotations required, authorisation process, framework for prioritisation, reporting and monitoring, and feedback process, as a minimum. A flow chart of each process and priorities be included, along with suggested processing times.	2	A detailed analysis of the DFG and GIG process was undertaken and documented and a Decent Home Loan Procedure for officers prepared in March 2015. DFG applicants are triaged and prioritised. A Countywide programme of improvement initiated by SNC is underway aimed at ensuring consistency and faster outcomes for DFG clients. I agree the information should be pulled together in a format easier to access by the public.	Policy & Partnerships Delivery Manager	31/03/2016	31/07/2018	Outstanding	Proposed timelines have been drafted. Work on agreeing and drafting new procedures and timescales will commence once the Early Help Triage Team is fully operational.

APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS FROM 2016/17 AUDIT REVIEWS

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
SNC1702 Early Help Hub	Recommendation 9 - To commence obtaining and formally documenting user and partner feedback regarding the service which is reported to the Early Help Improvement Board as part of the locality updates. Outcomes from feedback to be used to improve service delivery, where necessary.	3	Agree with recommendation. We will explore how we use digital transformation to make feedback user friendly and efficient.	Early Help and Prevention Manager	30/09/2016	31/10/2018	Outstanding	This has been delayed through GDPR and the complex nature of working with 15 partners. We are exploring how we can receive data from agencies about outputs and outcomes, and we are working on a plan to contact residents directly to obtain feedback.
SNC1706 Licensing, Food Safety and Health and Safety	Recommendation 2: A monthly reconciliation to be undertaken between licence fee income recorded on the Uniform system and the general ledger.	3	This will be taken forwarded to financial year end, following discussions with the Internal Audit Consortium Manager on if and how this should be implemented.	Support and Innovation Manager	01/04/2017	30/06/2018	Outstanding	This was to be picked up as part of the teams review, which was delayed. This is now being progressed.
SNC1710 Accounts Payable	Recommendation 3 - The requisitioner and buyer (approval) procedure be reviewed to ensure the two functions are separate on Integra so that the same individual cannot raise an order and at the same time approve it.	3	RSS Hierarchy to be reviewed in order to resolve this problem.	Finance Manager and Financial Systems Team Leader	01/03/2017	31/05/2018	Outstanding	Following an on-site health check the process of requesting and approving purchase orders is being re-written.

APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS FROM 2017/18 AUDIT REVIEWS

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
SNC1807 Key Controls and Assurance	Recommendation 1: Records of changes to supplier details are retained, in particular to evidence the reason for the change and that the supplier was contacted to confirm the change requested was genuine.	2	The process of checking Supplier Changes will be revisited and redesigned. Resource will be dedicated to redesign the process which will address the issues identified and satisfy the recommendation raised.	Financial Services Manager	31/03/2018	30/06/2018	Outstanding	Awaiting allocation of a resource to deal with this element of checking / verification.
SNC1811 Housing Standards - Disabled Facilities Grants and Discretionary Grants	Recommendation 5: Customer satisfaction feedback be obtained on completion of the DFG adaptation works, to evaluate customer's satisfaction or otherwise.	3	Agreed, the work will be undertaken by the Triage Team 91 days after the completion of the works to provide information to support wider health outcomes in the Better Care Fund.	Policy and Partnerships Delivery Manager	01/12/2017	31/07/2018	Outstanding	Work on agreeing and drafting a new procedure will commence once the early help Triage Team is fully operational.
SNC1812 Business Continuity and Disaster Recovery	Recommendation 1. The Council to develop, agree and implement an ongoing Disaster Recovery test plan once the Wymondham site has gone live.	2	Agreed. The first main test has been provisionally scheduled for January 2018, which will be the first test within a rolling plan that we will draft, agree and implement"	Service Support Lead	28/02/2018	31/08/2018	Outstanding	This is still in progress. The Wymondham Leisure Centre DR facilities are ready to use but there is still ongoing work surrounding the provision of IT services there. This is attributable to some required network services not being available, due to the third party supplier experiencing delays.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
SNC1812 Business Continuity and Disaster Recovery	Recommendation 2. The Council to ensure that appropriate change control processes are put in place to manage updates to the Disaster Recovery plan following any tests that may be undertaken.	3	Agreed.	Service Support Lead	28/02/2018	31/08/2018	Outstanding	The implementation of change control within South Norfolk is still in progress, this is being led by the IT Manager, who is assimilating the functions into the South Norfolk Service Desk portal.

Eastern Internal Audit Services

SOUTH NORFOLK COUNCIL

Annual Report and Opinion 2017/18

Responsible Officer: Head of Internal Audit for South Norfolk Council

CONTENTS

1. INTRODUCTION

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

1.2 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive (known in this context as the Head of Internal Audit) to provide a written report to those charged with governance (known in this context as the Finance, Resources, Audit and Governance Committee) to support the Annual Governance Statement (AGS). This report must set out:

- The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control during 2017/18, together with reasons if the opinion is unfavourable;
- A summary of the internal audit work carried out from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the Public Sector Internal Audit Standards (PSIAS) and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation's Annual Governance Statement, but there are also a number of other important sources to which the Finance, Resources, Audit and Governance Committee and statutory officers of the Council should be looking to gain assurance from. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 3**.

2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

2.1 Roles and responsibilities

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

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with the Senior Leadership Team and key stakeholders and then approved by the Finance, Resources, Audit and Governance Committee at its meeting on 10 March 2017. Any justifiable amendments that are requested during the year are discussed and agreed with senior management, and reported through to the above Committee. This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be taken into account during the preparation of the AGS.

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

2.2 <u>The opinion itself</u>

The overall opinion in relation to the framework of governance, risk management and control at South Norfolk Council is **reasonable**.

It is encouraging to note that of the 13 assurance audits completed within the year a total of 12 resulted in a positive assurance grading being given.

One report relating to the Council's IT Service Desk received a limited assurance grading. A total of seven important recommendations were raised during the review. All recommendations are due to be finalised by October 2018. We therefore recommend that the control weaknesses identified during this review are considerations within the Annual Opinion and the Annual Governance Statement.

We would also like to point out three important recommendations arising from other audits that remain outstanding at year end.

The first is an important outstanding recommendation from the 2015/16 financial year. This recommendation relates to the documenting of procedures for Disabled Facilities Grants. An extended deadline has been given of July 2018 to allow the Early Help Triage Team to become fully operational.

Two important recommendations also remain outstanding from the 2017/18 financial year; the first relates to ensuring that quality assurance checks occur for any standing data changes such as supplier bank account details. This recommendation will be completed by the end of June 2018. The second relates to testing Disaster Recovery plans at the Wymondham site once the facilities are up and running. This is due to be completed by end of August 2018.

It is recognised that whilst these risks remain unresolved at the time of writing, we are satisfied that management have made considerable effort to resolve historic recommendations and address the risks raised within a reasonable timeframe.

Whilst we recommend that the above points are considered within the Annual Governance Statement, overall these risks reflect a small proportion of the control environment as a whole. This has been demonstrated by the number of reports receiving a positive assurance grading this year. We are therefore satisfied that the governance, risk and control framework is reasonable.

The opinion has been discussed with the Section 151 Officer prior to publication.

3. AUDIT WORK UNDERTAKEN DURING THE YEAR

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

3.2 Internal audit work is divided into 4 broad categories;

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

3.3 <u>Summary of the internal audit work</u>

The work undertaken by internal audit services in 2017/18 has covered a wide range of services and has resulted in the assurance opinion reports being given as described below:

Internal Audit has issued 13 assurance reports, with 12 of these assurances being given a Reasonable grading. One report in the area of the Council's IT Service Desk has been given a limited assurance grading. For details of the recommendations raised please refer to 2.2 of this report.

South Norfolk Council has participated in a cross-authority review for the third year, with the focus on the HR and Payroll function. The overall objective of the review is to identify where there are opportunities to improve practices in Human Resources (HR) and, in addition, to provide information to be analysed for future HR and payroll audits.

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

3.4 <u>Follow Up of management action</u>

In relation to the follow up of management actions to ensure that they have been effectively implemented the position at year end is that of the 59 audit recommendations raised by TIAA Ltd in 2017/18; 30 have been actioned by management, and 25 are not yet due.

Four recommendations relating to 2017/18 remain outstanding; two are rated important (priority two) and 2 are needs attention (priority three). The first important recommendation relates to key controls and will be completed by end of June 2018. The second relates to testing Disaster Recovery plans. A deadline date of 31 August 2018 has been given.

There is also one important outstanding recommendation from the 2015/16 financial year relating to documenting procedures around Disabled Facilities Grants. This recommendation has been given an extended deadline until July 2018.

Three needs attention recommendations remain outstanding from 2016/17.

Management have provided progress updates for all 8 outstanding recommendations.

The follow up report earlier on the agenda provides the management responses at financial year end and proposed revised deadlines. The Committee has also been proactive in seeking further management explanation as required and have gained assurances as to the underlying reasons for delays in implementation.

It is important that these recommendations are addressed, particularly the prior financial year recommendations, in order to resolve the issues identified and address the associated control weaknesses.

3.5 Issues for inclusion in the Annual Governance Statement

We do recommend that the following points are considered for inclusion in the Annual Governance Statement.

One limited assurance report has been raised relating to the Council's IT Service Desk. Seven important recommendations have been raised which are due to be completed by October 2018. The recommendations relating to this review are summarised below:

- Service Desk functions and targets should be communicated to the business and performance managed.
- Service desk calls should be recorded to allow for performance monitoring and management information should be produced to indicate where improvements could be made.
- Planned or short-term service changes should be communicated to the business by the Service Desk only, increasing the likelihood that the role of the Service Desk is understood by Council staff.
- Change management processes should be formalised to minimise the risk of disruption to systems and business as usual activities.

Three important recommendations from other reviews also remain outstanding at year end. The first is a recommendation from the 2015/16 financial year. This recommendation relates to the documenting of procedures for Disabled Facilities Grants. An extension to the deadline has been given until July 2018 to allow the Early Help Triage Team to become fully operational.

A further two important recommendations remain outstanding from the 2017/18 financial year; the first relates to ensuring that quality assurance checks occur for any standing data changes such as supplier bank account details. The second relates to testing Disaster Recovery plans at the Wymondham site once the facilities are up and running.

The governance, risk and control framework has been assessed as reasonable for 2017/18. Whilst risks do remain unresolved at year end, we are satisfied that management have made considerable effort to resolve historic recommendations and have committed to address the risks raised within the limited Service Desk report.

4. THIRD PARTY ASSURANCES

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

5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

5.1 Quality Assurance and Improvement Programme (QAIP)

5.1.1 Internal Assessment

The checklist which forms our QAIP for conformance with the Public Sector Internal Standards (PSIAS) and the Local Government Application Note has been completed for 2017/18. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

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

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

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

The QAIP internal assessment checklist has been forwarded to the Section 151 Officer for independent scrutiny and verification.

5.1.2 External Assessment

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

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

The external assessment report has previously been provided to the Section 151 Officer and the Committee.

Two improvement points were raised in relation to the assessment. The first relates to updating and documenting current risks relating to the delivery of the TIAA contract. The second relates to the Internal Audit Manager carrying out yearly deep dive assurance exercises on a sample of TIAA audit files to give assurance that audit procedures are being followed in line with the PSIAS. We will complete these actions as recommended by the assessors over the next financial year.

5.2 Performance Indicator outcomes

5.2.1 The Internal Audit Service is benchmarked against a number of performance indicators as agreed by the Finance, Resources, Audit and Governance Committee. Actual performance against these targets is outlined within the table below and overleaf:

Actual performance against these targets is outlined within the following table:

Area / Indicator	Frequency	Target	Actual	Comments
Audit Committee / Senior Management				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	Good	Achieved
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved
Internal Audit Process				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	100%	Achieved – 13 assurance reports. 1 Cross Authority review issued.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	100%	Achieved - All quarterly reports received with 15 working days of year end.
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	n/a	No issues to address.
Clients				
8. Average feedback score received from key clients (auditees)		Adequate	Good	Exceeds, 6 responses received.
9. Percentage of recommendations accepted by management		90%	99%	Exceeds – 1 recommendation rejected.
Innovations and Capabilities				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	74%	Exceeds
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.2.2 It is encouraging to note that all performance measures have been achieved, with three of these exceeding targets. A good response has been received in relation to client feedback which has been extremely positive recognising the professional service provided & also the value that internal audit has brought to the Council. The Chair of the Finance, Resources, Audit and Governance Committee has also provided positive feedback on the outcomes reported through to the Finance, Resources, Audit and Governance Committee. The contractor has also provided the Council with a higher percentage of qualified / experienced staff to undertake the audit reviews, supported by new auditors to ensure continuity and resilience on the contract.

It is also extremely encouraging to note that all 13 internal audit reviews were at draft report stage by 11 April 2018, with all at final report by 10 May 2018. Thus, ensuring audits are completed within financial year and ensuring that this annual opinion can be ready in line with the earlier reporting requirements associated with the audit of the accounts.

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

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

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

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

The detailed checklist has been forwarded to the Section 151 Officer for independent scrutiny and verification.

6. PROPOSAL

6.1 The Finance, Resources, Audit and Governance Committee, in maintaining an overview as to the quality of systems of internal control in operation at the Council, is being requested to note this report, and the reasonable assurance opinion awarded, and confirms that key information provided is carried across to the Council's Annual Governance Statement, which is also considered on the agenda.

7. RECOMMENDATIONS

7.1 a) Receive and approve the contents of the Annual Report and Opinion of the Head of Internal Audit.

b) Note that a reasonable audit opinion has been given in relation to the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2018.

c) Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2017/18.

d) Note the conclusions of the Review of the Effectiveness of Internal Audit.

APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2017/18

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Annual Opinion Audits							
Leisure	Reasonable	4	4	0	0	0	0
Homelessness	Reasonable	5	5	0	0	0	0
Corporate Governance	Reasonable	2	2	0	0	0	0
Cross Authority Review HR & Payroll							
Performance Management	Reasonable	3	2	0	0	0	1
Housing Standards - Disabled Facilities Grant	Reasonable	6	5	0	0	1	0
Key Controls and Assurance	Reasonable	1	0	0	1	0	0
Accountancy Services	Reasonable	7	4	0	0	0	3
Accounts Receivable	Reasonable	1	1	0	0	0	0
Income	Reasonable	2	2	0	0	0	0
Corporate Health and Safety	Reasonable	4	0	0	0	0	4
IT audits							
Business Continuity and Disaster Recovery	Reasonable	3	0	0	1	1	1
Cash receipting	Reasonable	5	5	0	0	0	0
Service Desk	Limited	16	0	0	0	0	16
Total		**59**	**30**	**0**	**2**	**2**	**25**

Assurance level definitions		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	0
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	12
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.	1
No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0

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

APPENDIX 2 ASSURANCE CHART

	Current Contract			
	2015-16	**2016-17**	**2017-18**	**2018-19**
Annual Opinion Audits				
Corporate Governance and Risk Management				X
Corporate Governance			Reasonable	
Risk Management		Substantial		
Corporate Governance - Build Insight		Reasonable		X
Corporate Governance - Big Sky		Reasonable		
Key Controls and Assurance	Reasonable	Reasonable	Reasonable	X
Corporate Health and Safety			Reasonable	
Fundamental Financial Systems				
Local Council Tax Support and Housing Benefit		Reasonable		X
Council Tax and National Non Domestic Rates		Reasonable		X
Accounts Receivable	Reasonable		Reasonable	
Accountancy Services	Reasonable		Reasonable	
Budgetary Control				
Accounts Payable		Reasonable		X
Income / Remittances	Reasonable		Reasonable	
Payroll and Human Resources		Substantial		
Cross Authority Review - Accounts Payable	n/a			
Cross Authority Review - Accounts Receivable		n/a		
Cross Authority Review - Payroll and HR			X	X
Service Area Reviews				
Performance Management			Reasonable	
Customer Focus, including reception, equalities, marketing, etc.				
Freedom of Information and Data Protection				
Committee Services	Reasonable			
Elections and Electoral Registration				X
Property Valuation and Management				
Nplaw Arrangements				
GDPR				X
Procurement		Reasonable		X
Leisure		Reasonable	Reasonable	
Stock Control Review				
CNC transfer to South Norfolk DC host				
Building Control		Reasonable		X
Housing Strategy and Affordable Housing		Reasonable		
Home Options		Reasonable		
New Homes Bonus / Affordable Housing / Home Options				
Car Parks	Reasonable			X
Waste Management		Reasonable		
Environmental Health				

	Current Contract			
	2015-16	2016-17	2017-18	2018-19
EH - Stray Dogs, Pest Control and Flooding	Reasonable			
Licensing, Food Safety and Health and Safety		Reasonable		
Housing Standards including Disabled Facilities Grants & Discretionary grants	Reasonable		Reasonable	
Early Help Hub		Limited		
Community Grants	Reasonable			
Development Management				
Partnerships				
Localism and Communities / Asset of Community Value	Reasonable			
Homelessness			Reasonable	
IT Audits				
Network Security and Infrastructure				
Cyber Crime				X
Virtualisation				
Remote Access (Supplier and User)				X
IDOX Uniform application				
Disaster Recovery & Business Continuity			Reasonable	
Revenues and Benefits Application	Reasonable			
Exchange 2010 & Ancillary Services	Reasonable			
Storage Area Network (SAN)	Reasonable			
Integra 2		Reasonable		
Walled Garden		Reasonable		
EZRunner		Reasonable		
Cash Receipting Application			Reasonable	
Service Desk			Limited	

APPENDIX 3 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor's work

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

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2017/18 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

Internal Control

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

Future Periods

Internal Audit's assessment of controls relating to South Norfolk Council is for the year ended 31 March 2018. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

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

Responsibilities of Management and Internal Auditors

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

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

Finance, Resources, Audit and Governance Committee
22 July 2018

Agenda Item No. 9

Annual Governance Statement 2017/18

Report of the Head of Governance
Cabinet Member: Barry Stone – Finance and Resources
Chair of Finance, Resources, Audit and Governance Committee: Phil Hardy

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South Norfolk COUNCIL

1. Introduction

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

2. Background

2.1 The CIPFA/SOLACE framework “Delivering Good Governance in Local Government” brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation. CIPFA has assigned proper practice to the governance framework. It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community.

2.2 The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for authorities to consider the robustness of their governance arrangements. In doing so, authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. Furthermore, it is not simply about evidencing compliance, but to highlight what arrangements are in place and the improvements which are necessary to inform stakeholders.

2.3 The key sources of assurance which have been used to prepare the Annual Governance Statement are:

- Performance management information
- Risk management
- Legal and regulatory assurances
- Members’ assurances
- Assurance Statements for key senior officers, reviewed and approved by Directors
- Financial control assurance
- Internal audit
- External audit

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

3. The Draft Annual Governance Statement

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

- The Annual Report and Opinion of the Head of Internal Audit;
- Internal Audit Progress Reports, which contains the findings and associated recommendations agreed with management to address weaknesses and risks;
- Reports on the progress made in addressing the findings and recommendations; and
- Strategic and Annual Internal Audit Plans.

The work of Internal Audit on the 2017/18 internal audit plan has been completed and a “reasonable” opinion has been given on the framework of governance, risk management and control.

3.2 During the year the Cabinet received regular reports on performance and financial monitoring in relation to both the capital and revenue budgets, and quarterly reports on Risk Management were taken to the Cabinet, alongside the performance and financial reports.

3.3 Heads of Service and those who report into a Director have this year completed an Assurance Statement which covers key areas of responsibility as follows:

- Procedures;
- Effectiveness of key controls;
- Alignment of Services with Business Plan;
- Human Resources and Finance;
- Risks and Controls;
- Health and Safety;
- Procurement;

- Insurance;
- Information Technology;
- Data Protection and Freedom of Information;
- Business Continuity;
- Partnerships; and
- Equalities.

In addition, the Head of Governance, the Head of Internal Audit, the IT Manager and the Head of Environmental Services have also provided statements in relation to specific role queries.

3.4 The responses have highlighted that governance arrangements are mainly consistent across the Council; however, Managers have highlighted some development areas which are service specific and this will be reviewed over the forthcoming months. It has also been highlighted where improvement in awareness is needed in terms of risk management and an action plan will be developed to address this over the forthcoming financial year.

3.5 The Committee are requested to review the Annual Governance Statement for 2017/18 to ensure that it reflects the reports that have been considered over the past year and that it supports the Committees general understanding of the Council's governance arrangements.

4. Recommendation

4.1 To approve the Annual Governance Statement for 2017/18.

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 on our website at:

https://www.south-norfolk.gov.uk/sites/default/files/SNC-Constitution-updated-February-2018.pdf.

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 2017/18 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 2018 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 Senior Leadership Team. 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 2017/18 financial year. The new code is the framework of policies, procedures, behaviours and values which determine how the Council will achieve its priorities and is based upon the seven principles of the International Framework for Corporate Governance in the Public Sector.

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

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

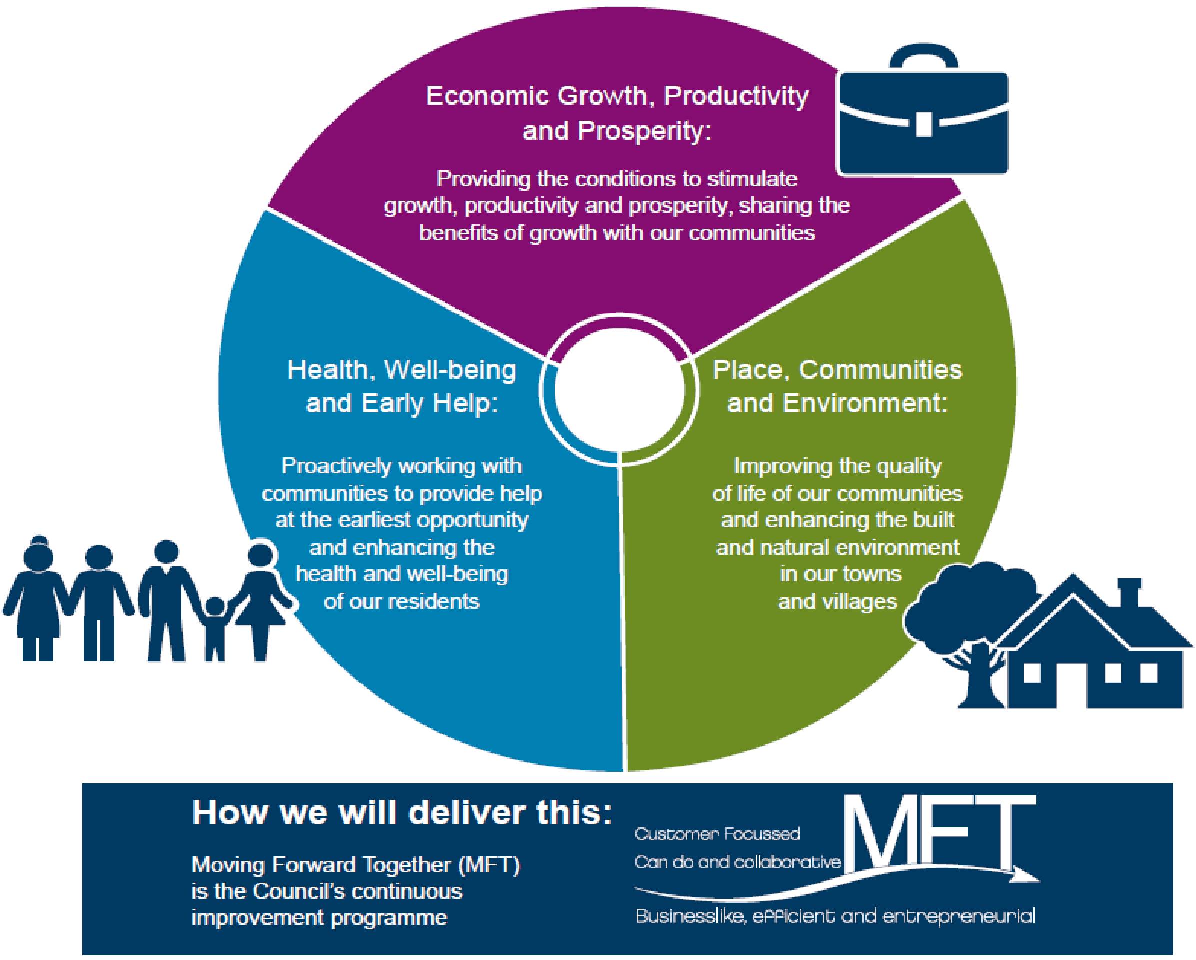
The main aims of the Corporate Plan are to:

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

The Corporate Plan is a digital and interactive document which acts as a gateway for more in-depth details of the priorities and work of the Council and can be found at https://www.south-orfolk.gov.uk/sites/default/files/170823%20Corporate%20Plan.pdf

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 2017/18 plan can be accessed at:

https://www.south-norfolk.gov.uk/sites/default/files/Business_Plan_2017-18.pdf

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. At its AGM in May 2017, the Council agreed a new structure for four Directorates that came into place during 2017. Further to the announcement of the departure of the Director of Planning and Environment the Senior Leadership Team of the Council was reviewed to ensure that it continues to support and deliver the Council's priorities. In light of this, a number of small changes within the Directorates were made in September 2017, with further adjustments taking effect as of 1 December 2017 whereby all remaining services delegated to the Director of Planning and Environment were transferred to the Director of Growth and Business Development, resulting in a reduction from four to three Directorates. The Council's Senior Leadership Team now consists of the Chief Executive, Director of Growth and Business Development, Director of Communities and Well-Being and the Assistant Director - Resources. The Senior Leadership Team is supported by the Head of Business Transformation. The new Monitoring Officer – the Head of Governance – was appointed from 1 January 2018.

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.

At a meeting on 18 September 2017 Full Council agreed to work to develop a case for exploring the opportunities for shared management and working with Broadland District Council, and a feasibility study was commenced. Governance arrangements were put in place to ensure that Councillors and Officers met at key stages of the feasibility development with differing roles undertaken by the groups. An update report was taken to Scrutiny and Cabinet in January 2018 agreeing to introduce an interim shared planning management team and structure to deliver this. It was further agreed that these arrangements would be reviewed at regular intervals and that early opportunities would be pursued. A report is due to be considered by both Councils in July 2018 to conclude on the feasibility study.

The Moving Forward Together (MFT) programme continues to develop the organisation and employees so that they are readily able to adapt to change. The programme was launched in 2009, and has evolved over time and is at the centre of our organisational values, with the MFT competencies enabling 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 GEMs (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 2017/18 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 Chief Executive 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 Strategic Leadership Team 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. In 2017/18, 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.
As the previous Monitoring Officer left the council at the end of December 2017, Full Council on appointed the Head of Governance as the Council's Monitoring Officer from 1 January 2018.

The Role of the Chief Financial Officer

The Assistant Director – 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 2017/18.

Internal Audit is arranged through a consortium, Eastern Internal Audit Services, which comprises Breckland, Broadland, North 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 Internal Professional Practices Framework.

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

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

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

Ernst & Young LLP were appointed by Public Sector Audit Appointments (PSAA) as the Council's external auditors for 2017/18. The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made.

<u>Effectiveness of Other Organisations</u>

The Council established a group structure in 2015/16 with all companies held by Big Sky Ventures Ltd. At the end of 2017, Big Sky Ventures Ltd transferred its shares in Build Insight Ventures Ltd to the Council and the Council proceeded to establish a joint venture with Norfolk Property Services (NPS) Limited for the Build Insight group of companies. As at 31 March 2018, 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

<u>Looking back on the issues raised in 2016/17</u>

During 2016/17 the following significant areas of development or risk were highlighted, with the current position also now noted:

- There were inherent risks around commercialisation of services as the Council started to deliver its objectives through wholly-owned companies subject to company law and regulation. Over 2017/18 these risks have been further mitigated with Big Sky performing well and delivering key projects over the year and Build Insight companies are now in a Joint Venture as detailed above.

- Staff realignments have continued to deliver a more effective and efficient service to customers, however this is well managed and clear processes are in place.
- Prioritisation and resourcing of work in a demanding, commercial led delivery environment where effective programme and project management is essential. There are risks around the balancing of resources for delivering changes as a result of new ventures, systems and processes while delivering "business as usual". The risks remain as the Council looks to continually improve, however there is an awareness of this risk and mitigation is put in place as needed.
- An Electoral Arrangements Review Committee was appointed to oversee the boundary work on behalf of the Council, with the final recommendations concluded in February 2018. Further work is now needed in 2018/19 to deliver the required changes and orders need to be laid before Parliament, which will need to applied at the next District Council elections in 2019.

Managers' Assurance Statements for 2017/18

Managers in services that work across the Council completed an Assurance Statement relating to their service area. The Assurance Statements were broadened this year and were completed by all Heads of Service, or equivalent, and then signed off by the officer of SLT 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.

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 Head of Governance will review progress during 2018/19.

There was one area whereby improvement in awareness is needed and this is in terms of risk management. There are a number of new managers in post and it has become apparent that awareness of the risk management framework needs to be raised. With this in mind the framework itself will be reviewed, and updated as needed, and then training provided to the Managers and their teams across the Council.

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 the assurance opinion concluded on the IT Service Desk, which was limited, raising 16 recommendations; seven priority two and nine priority three. The recommendations made will ensure that the service provision is improved and an action plan is in place which will be closely monitored to ensure that associated operational risks are managed.

The Head of Internal Audit has also drawn attention to a historic recommendation in relation to Disabled Facilities Grants and two important recommendations from 2017/18; quality assurance check s for data and testing disaster recovery plans. Action plans are in place to address the associated weaknesses.

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 2017/18. These reports cover the strategic risks that the Council actively manages, and each risk has an agreed action plan managed by Officers and monitored on a quarterly basis by Councillors. 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 SLT.

Review and Approval of the Annual Governance Statement

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

Certification

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

Sandra Dinneen , Chief Executive

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Philip Hardy (Chairman of the Finance, Resources, Audit and Governance Committee) – Lead Member

Finance, Resources, Audit and Governance Committee
Friday 22 June 2018

Agenda Item No 10

Draft Statement of Accounts 2017/18

Report of the Accountancy Manager
Cabinet Member: Barry Stone – Finance and Resources
Chair of Finance, Resources, Audit and Governance Committee: Phil Hardy

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South Norfolk COUNCIL

1. Introduction

1.1 This report sets out the key aspects of the Council's Draft Statement of Accounts for the Financial Year 2017/18. This report provides a high-level commentary on significant aspects of the Draft Statement of Accounts. EY are still to complete their audit, but currently expect to give unqualified opinions on both the financial statements and value for money conclusion.

1.2 The Council's draft accounts were published on 21st May 2018. This is 3 days earlier than last year and another record for South Norfolk Council.

1.3 The provisional outturn as reported to Cabinet on 11th June 2018 showed a positive variance of £2.617 million and the transfer to General Reserves, as shown in the Draft Statement of Accounts (Note 22, Page 53), is £1.758 million.

1.4 The Council has reviewed the effectiveness of the system of its governance arrangements. The Council is required to gather evidence that the governance arrangements are adequate and to support the production of an Annual Governance Statement. This year the process has been led by the Head of Governance. The Annual Governance Statement is on this agenda separately, but is contained within the Draft Statement of Accounts for completeness.

1.5 Due to its strong performance in previous years, the Council's auditors requested to come on site earlier than ever before, on 8th May 2018, and completed the majority of their fieldwork by 25th May, in line with the agreed timetable. There were some delays in receipt of information from the companies' auditor, Aston Shaw Limited, in relation to the audit of the Council's subsidiary companies which affected the timetable and a meeting has been arranged with Aston Shaw Limited to discuss this. There are some outstanding audit queries that need to be resolved before the audit can be signed off. Due to the constraints of all Councils having to meet the statutory deadline of 31st July 2018 for audited accounts, the auditors are unable to be back on site to resolve these, but discussions are taking place remotely. It is currently anticipated that the audit team will come back on site for the last week of July, which should allow the Committee to agree the final audited accounts at its meeting on 27th July.

1.6 There have been some material items requiring adjustment which have been identified based on EY's work to date which we expect to correct in the final published accounts.

2. Background

2.1 The Council's Draft Statement of Accounts was approved by the Assistant Director - Resources on 21st May 2018. The Statements are available for public inspection up to 3rd July 2018.

2.2 The Council's Draft Statement of Accounts has been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17: Based on International Financial Reporting Standards (the Code). The Accounts are fundamental to the stewardship of public money and are a statutory requirement on local authorities.

2.3 Under International Financial Reporting Standards, the Council is required to present the financial statements in accordance with International Accounting Standards (IAS) 1 - Presentation of financial statements. The four main financial statements are:

- Movement in Reserves
- Balance Sheet
- Comprehensive Income & Expenditure
- Cash Flow

2.4 These statements are supported by notes to the financial statements, in particular the Expenditure and Funding Analysis, and have been prepared under the accounting policies that apply under IFRS as at the 31st March 2018.

2.5 To reflect the group structure for the Council's companies, in addition to single entity accounts for South Norfolk Council, group accounts have been prepared on a consolidated basis which incorporate the companies into the accounts.

2.6 The Accounts and Audit (England) Regulations 2015 require the Statement of Accounts signing, approval and publication as follows:

- By 31st May immediately following the end of the year, the responsible financial officer (for South Norfolk Council this is the Assistant Director - Resources) must sign and date the Draft Statement of Accounts. This is a month earlier than the statutory deadline last year and also applies to 496 other locally governed bodies (mainly Councils, Fire and Police).

- By no later than 31st July the year immediately following the end of the year to which the Statement relates the Statement of Accounts must have been considered, and approved by the Finance, Resources, Audit and Governance Committee. Approval must be after the public period for inspection of the accounts. This is 3 months earlier than the statutory deadline last year and also applies to 496 other locally governed bodies (mainly Councils, Fire and Police).

2.7 The Council has publicised the dates on which members of the public can inspect the accounts. This is on Mondays to Fridays commencing Tuesday 22nd May to Tuesday 3rd July 2018. During this time, officers will answer any questions raised by members of the public, as required by the Local Audit and Accountability Act 2015. During the same period, members of the public will be able to exercise their right to make any representations to the external auditors, Ernst and Young.

3. Preparation of the Statement of Accounts for 2017/18

3.1 The Draft Statement of Accounts is attached at Appendix A.

3.2 The Council's Draft Statement of Accounts is prepared in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom: Based on International Financial Reporting Standards", more commonly referred to as 'the Code'. The Code is updated annually and changes to the content and/or the presentation of the accounts are made accordingly.

3.3 The Comprehensive Income and Expenditure Statement differs from the more traditional budgeting and outturn reports presented to members in a number of ways:

a) Service costs and income includes adjustments made to write-off revenue expenditure funded from capital under statute, depreciation, amortisation, impairments and devaluations, and revaluation gains to offset impairments.

b) The full impact of accounting for pension costs under International Accounting Standard 19 (IAS 19).

c) The full impact of Short Term Accumulated Absences, where annual leave and flexitime is accrued but not taken as leave.

4. Significant Items in the 2017/18 Accounts

Balance Sheet

4.1 The net worth of the Council has increased by £5.879 million, partly reversing a decrease of £16.533 million in 2016/17 (page 33 of the draft accounts). Including the Council's companies (as shown in the Group Accounts), the increase in net worth is even higher, at £6.626 million (page 88 of the draft accounts). Notable changes compared to 2016/17 are:

a) An increase in non-current assets due to an increased valuation of Wymondham Leisure Centre (by £939,000 to £10.339 million) and the additional properties now on the balance sheet for Big Sky Property Management, which now holds investment property worth £4.6 million, compared with £1.673 million a year ago, an increase of £2.927 million.

b) An increase in debtors, reflecting the strong performance on income as reported to Cabinet.

c) General revenue reserves have increased by £1.758 million, due to the positive variance in the General Fund compared to the approved budget in 2017/18. Earmarked revenue reserves have increased by £2.202 million. This means that total revenue reserves have increased by £4.060 million during the year (See Note 22 on Page 53 of the accounts for details of all revenue reserves)

d) The largest liability is the pension liability which decreased very slightly in 2017/18. The Comprehensive Income and Expenditure Statement shows an Actuarial Gain of £3.206 million (2016/17 Actuarial Loss of £22.324 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 2018 stands at £55.567 million compared with £55.596 million the previous year. This represents the liability to the Norfolk Pension Fund. This amount is matched by the pension reserve also shown in the Balance Sheet. The pension liability is calculated by Hymans Robertson, an independent firm of actuaries.

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 this is reflected in these financial statements. The valuation results indicate an increased employer contribution to the pension fund in future years.

Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statement and Reserves

4.2 The Expenditure and Funding Analysis (EFA - Page 30 of the draft accounts) 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, as shown in the Comprehensive Income and Expenditure statement (CIES – Page 43 of the draft accounts). It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. It then shows how the financial performance in the year affects the total revenue reserves of the Council.

4.3 There is a surplus on provision of services of £1.848 million shown on the CIES. However, there is a net adjustment of £2.212 million to this surplus relating to revenue used to fund capital expenditure and also technical adjustments, principally around the pension scheme. These are detailed in note 8 to the accounts (Page 41 of the draft accounts). This adjustment results in an increase in revenue reserves of £4.060 million for the year.

4.4 As detailed in the Cabinet report of 11th June 2018, the surplus on provision of services is caused by a combination of positive variances against pay and income budgets and meeting overall non-pay budgets. There were vacancies in several areas across the Council, which included Building Control, Housing, Environmental Quality, Community Assets, Development Management and Planning Policy. Interim staffing arrangements in these areas did not fully offset the savings from vacancies. Overall pay budgets were 94.5% fully utilised and the positive variance was slightly higher than in 2016/17. Non-pay budgets were reduced for 2017/18 as part of the 10% Challenge on budgets. Overall, there was lower than budgeted non-pay expenditure across the Council resulting in a positive variance of £68,000 which is lower than for 2016/17 (£1,800,000), reflecting the decrease in budgets. The positive variance on income principally due to business rates. Following the introduction of the Valuation Office Agency's "Check, Challenge, Appeal" system for business rates, there has been a significant reduction in the amount set aside for appeals on business rate valuations, which has resulted in greater income in 2017/18. However, it is unclear whether this will continue in future years or be reversed as further appeals under the new system are processed and therefore the positive financial benefit from this change has been used to increase the earmarked Localisation of Business Rates Reserve by £989,173.

4.5 The Council's usable revenue reserves have increased by £4.060 million during the year as shown in the EFA. This was due to the surplus on revenue expenditure, the business rate income outlined in 4.4 above and lower than planned use of revenue reserves for capital expenditure. The Council used some of its capital receipts during the year and therefore the capital receipts reserve reduced by £1.421 million. Total usable reserves have therefore increased by £2.640 million during the year to a total of £25.01 million.

4.6 The provisional outturn report was reported to Cabinet on 11th June 2018. This showed a revenue surplus of £2.706 million. This differs from the surplus on provision of services shown in the draft accounts, primarily due to differences between how the Council accounts for its income and expenditure, in accordance with statute, and generally accepted accounting practice. The table below reconciles the outturn as reported to Cabinet to the net addition to general revenue reserves reported to Cabinet and then to the surplus on provision of services shown in the Comprehensive Income and Expenditure statement.

	£000s
Revenue budget surplus reported to Cabinet 11 June 2018	**2,617**
Housing Benefit Subsidy Net Variance	131
Transfer to Localisation of Business Rates Reserve	-989
Net Addition to General Revenue Reserves reported to Cabinet 11 June 2018	**1,759**
Use of Low Cost Housing (NHB) Reserve relates to capital programme	-11
Car Park Upgrades Reserve funded from Revenue	85
3G Pitch Revenue Reserve funded from Revenue	15
Surplus on provision of services per Comprehensive Income and Expenditure Account	**1,848**

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 and the auditors have recommended that a number of amendments be made to the accounts. It is currently anticipated that unqualified audit opinions will be given on both the financial statements and the value for money conclusion.

7. Recommendations

7.1 It is recommended that the Committee:

a) Review the Draft Statement of Accounts before its next formal meeting on 27th July and request the Accountancy Manager to make any corrections or additions;

b) Considers the audited Statement of Accounts at its meeting in July.

Draft Statement of Accounts 2017/2018

www.south-norfolk.gov.uk

South Norfolk Council

CONTENTS

NARRATIVE REPORT

1. Introduction to South Norfolk

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

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

A key engine of growth for the UK, South Norfolk forms part of Greater Norwich. The area also covers Norwich City Council and Broadland District Council. This 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 less 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. Mainline roads including 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 18.

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 2017/18		
Economic Growth, Productivity and Prosperity	**Health, Well-being and Early Help**	**Place, Communities and Environment**
• Developed 71 homes this year at Poringland and Long Stratton • Rented out 21 units through our property management company • Provided advice and guidance to 2,087 Small and Medium sized Enterprises • Attracted 142 new businesses to operate in South Norfolk • Brought £4.2 million in external funding into the local economy • Helped make 128 new apprenticeships placements available in local businesses	• Drove a further 10.6% increase in leisure centre membership • Began the redevelopment of Long Stratton Leisure Centre • Assisted 2,040 vulnerable people to stay in their own homes • Processed new Housing Benefit and Council Tax Support claims in an average of 9 days compared to 22 days nationally • Helped 2,514 residents in need of support from our Early Help Hub to achieve positive outcomes • Housed 570 people through our Home Options scheme, all of whom remained housed 6 months later.	• Recycled and composted 42% of domestic waste • Delivered 629 new affordable homes in one year • Processed 81% of major planning applications and 97% of householder applications within agreed timescales • Invested £96,000 in local projects through our Community Action Fund and Member Ward budgets

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 effect of the move to 75% retention on the Council's finances is currently unclear as details have yet to be finalised.

- 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.
- By 2019/20, South Norfolk Council will no longer receive any Revenue Support Grant (RSG) from central government to fund its services. Indeed, it is currently proposed that it will pay a tax back to central government, so called “Negative RSG.” It will need to finance all its expenditure from business rates, New Homes Bonus, Council Tax, commercial income and local fees and charges.

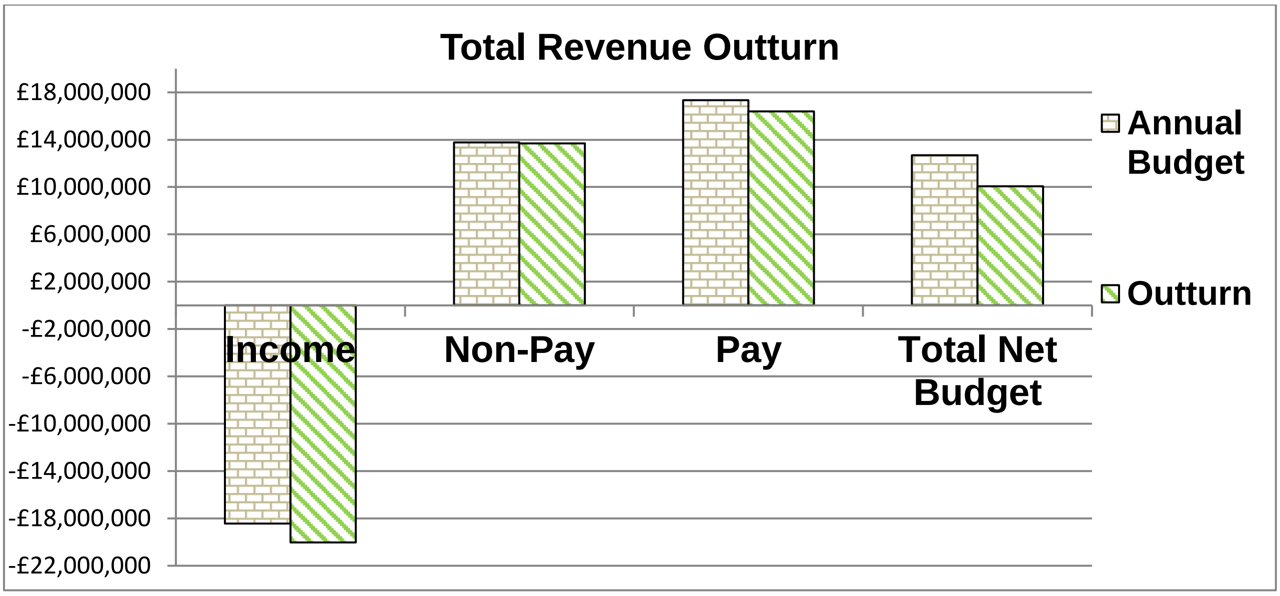
The local government finance settlement in February 2018 confirmed continuing reductions to the New Homes Bonus, which is given for every new home brought into use in the District. This will significantly reduce the amount South Norfolk Council receives, as we are currently a significant recipient of New Homes Bonus.

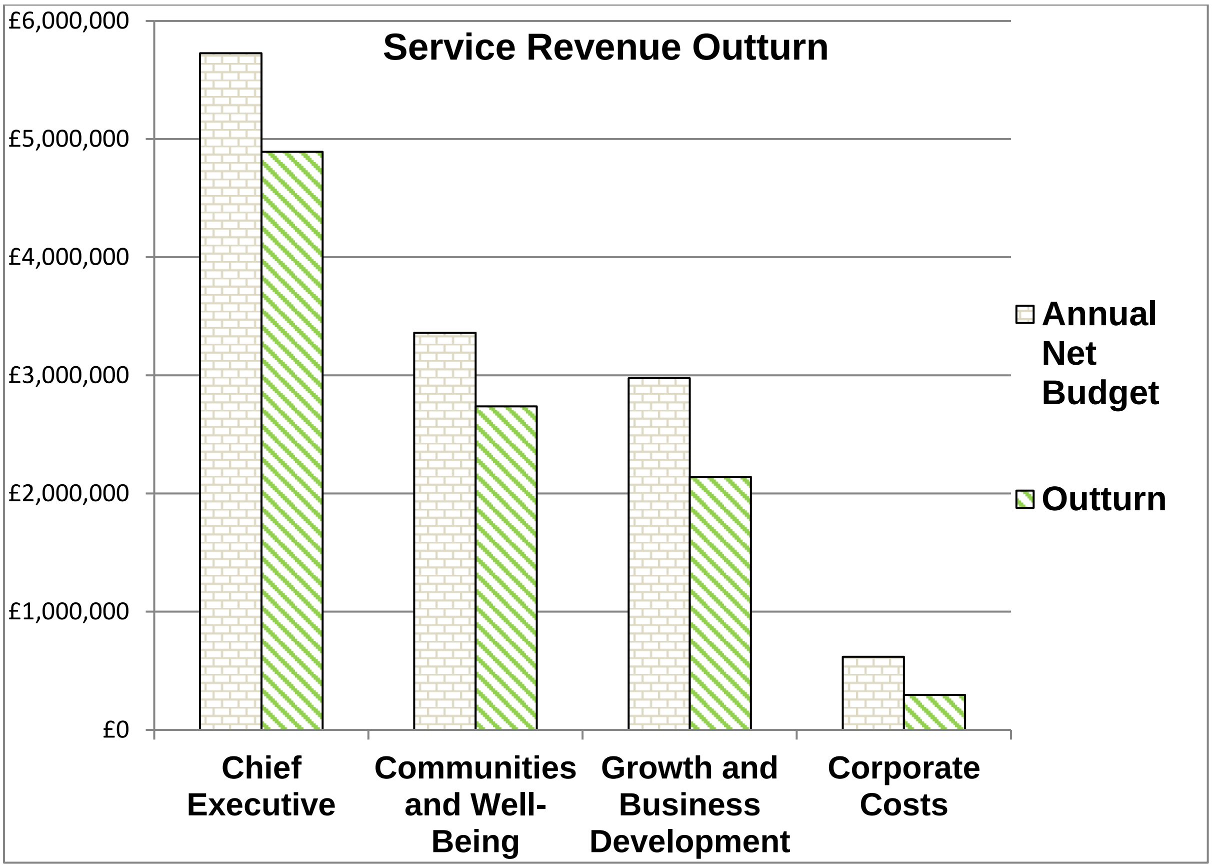
Robust financial standing

Due to prudent financial management, the financial position of the Council is strong. The outturn for the Council is a surplus on provision of services of £1.848 million (shown on page 32), which covers both capital and revenue income and expenditure.

Revenue

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



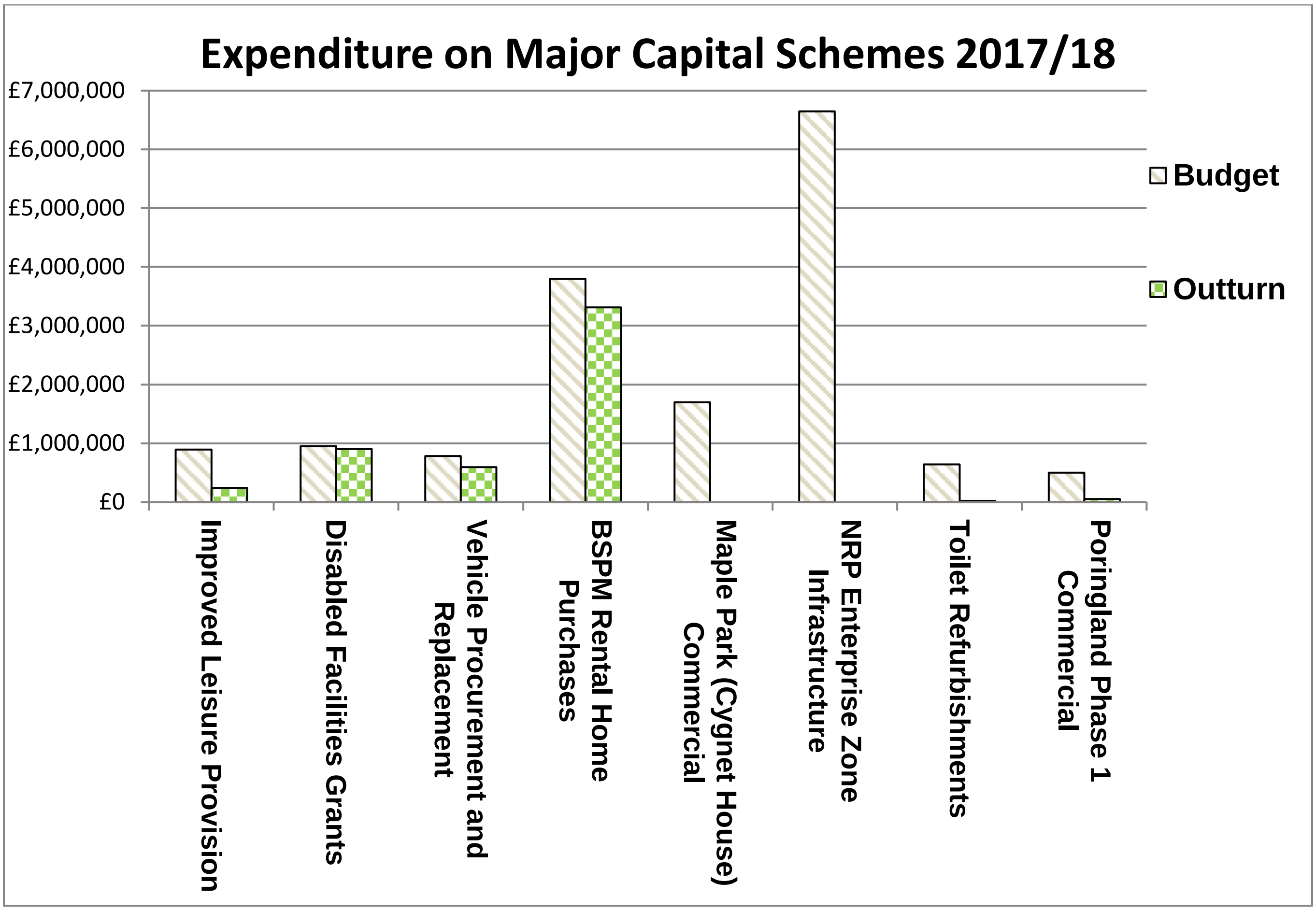


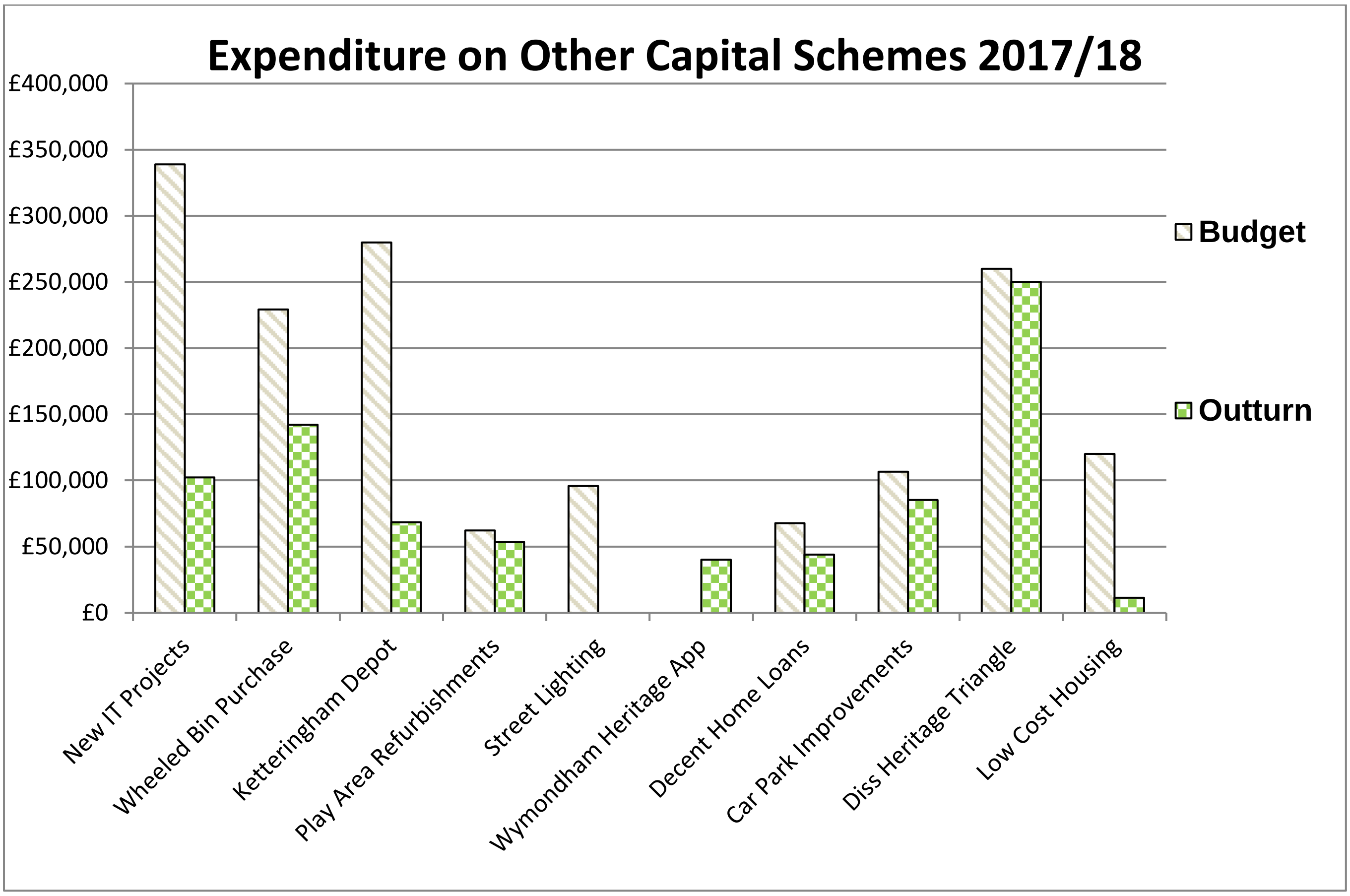
Analysis of major variances

- The revenue surplus is caused by a combination of positive variances against pay and non-pay and income budgets. Positive variances on pay budgets reflect effective management of the staff budget, including management of staff vacancies, a reduction in the number of Directors and the effect of realignments within services such as Customer Services and Revenues and Benefits. Non-pay expenditure on extending broadband access will now be incurred in 2018/19, resulting in a positive variance for 2017/18. The Council experienced an increase in income, principally from a lower provision for appeals on business rate valuations and specific government grants for mandatory business rate reliefs, profit share relating to shared legal services, additional grants for Council Tax administration and support service recharges to its wholly owned companies.
- The Council's usable revenue reserves have increased by £4.06 million during the year. This was due to the surplus on revenue expenditure and lower than planned use of revenue reserves for capital expenditure. The Council used some of its capital receipts during the year and therefore the capital receipts reserve reduced by £1.421 million. Total usable reserves have therefore increased by £2.639 million during the year to a total of £25.010 million.

Capital

The graphs below show the capital outturn by project against the approved 2017/18 capital programme.

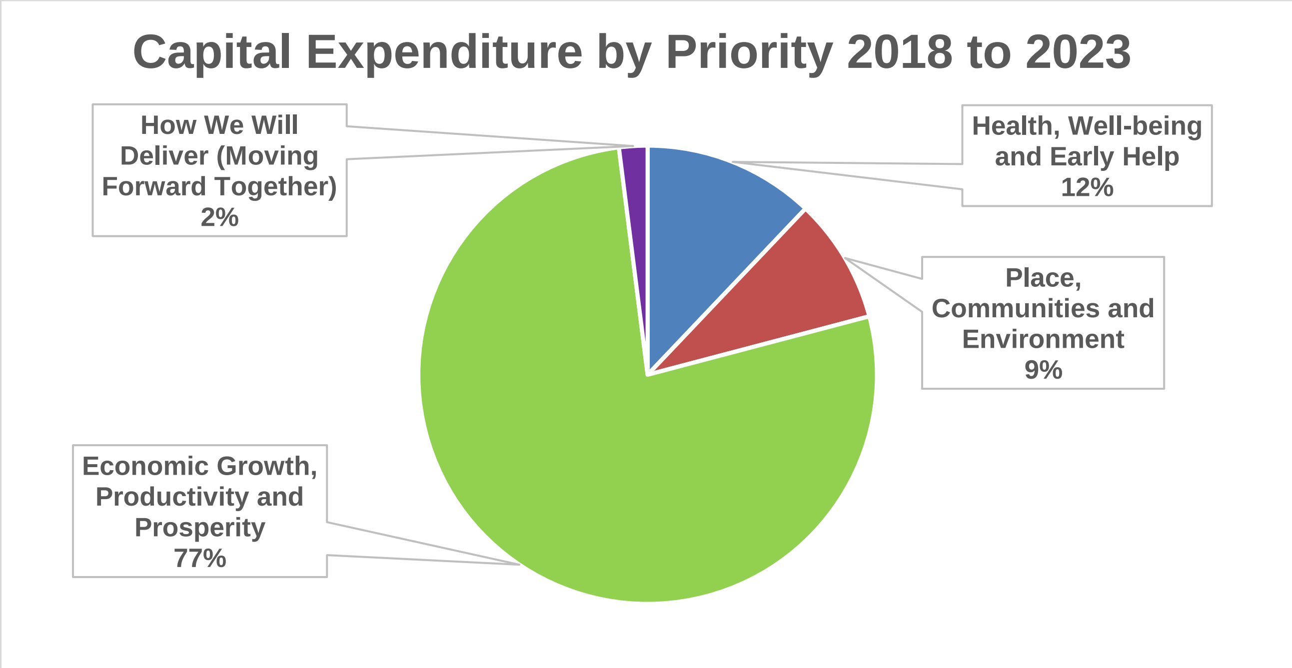

Expenditure on Major Capital Schemes 2017/18
£7,000,000
£6,000,000
£5,000,000
£4,000,000
£3,000,000
£2,000,000
£1,000,000
£0
Budget
Outturn
Improved Leisure Provision
Disabled Facilities Grants
Vehicle Procurement and Replacement
BSPM Rental Home Purchases
Maple Park (Cygnet House) Commercial
NRP Enterprise Zone Infrastructure
Toilet Refurbishments
Poringland Phase 1 Commercial


Expenditure on Other Capital Schemes 2017/18
£400,000
£350,000
£300,000
£250,000
£200,000
£150,000
£100,000
£50,000
£0
Budget
Outturn
New IT Projects
Wheeled Bin Purchase
Ketteringham Depot
Play Area Refurbishments
Street Lighting
Wymondham Heritage App
Decent Home Loans
Car Park Improvements
Diss Heritage Triangle
Low Cost Housing

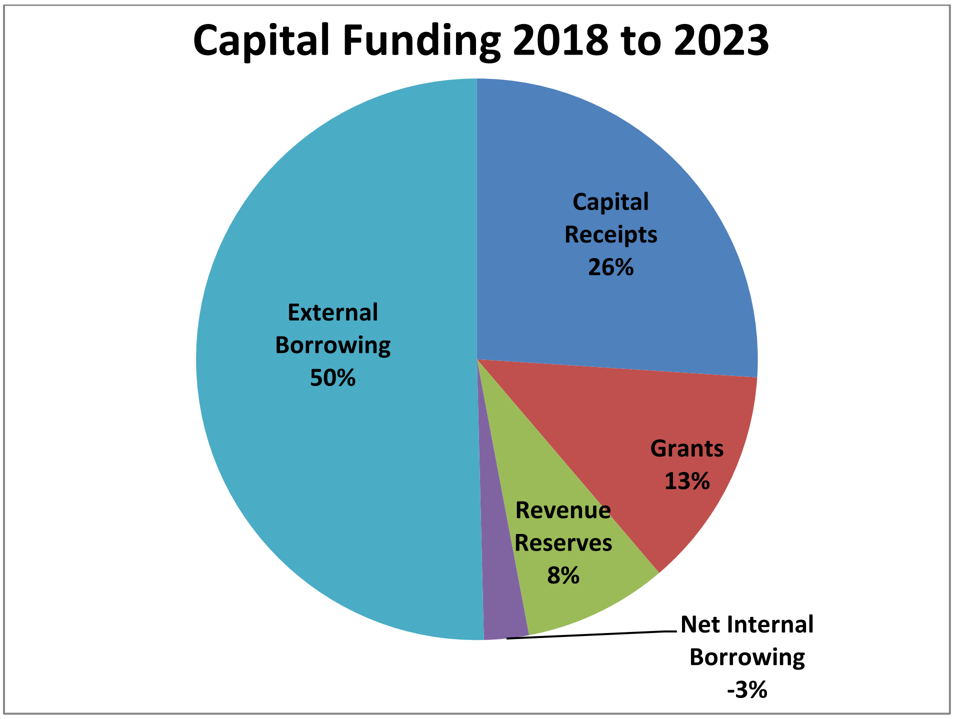
The main areas of capital expenditure during the financial year were:

- Work to build residential properties and commercial units at Poringland and Long Stratton. Phase 2 of the work at Poringland is now complete and has seen the delivery of a total of 57 dwellings. 7 of which have been transferred to Saffron Housing Association, 8 remain to be sold as open market units (3 of these are reserved), and 7 remaining to be sold as shared equity units (5 of these have been reserved). Of the 57 dwellings delivered 12 have been transferred to the Council's property management company, all of which are rented out. The commercial property ended the year being 60% occupied (based on area) with tenant fit out works being complete ready for completion of new leases already agreed to commence in the next financial year, bringing the occupancy to just over 80%. The Long Stratton development has delivered 32 dwellings so far, 3 of which have been transferred to Saffron Housing Association, 13 have been sold, 1 remains as the show home, and 7 have been reserved. Of the 32 dwellings delivered, 5 have been transferred to the Councils property management company, all of which are rented out. These properties will produce a higher rate of return than the Council is able to achieve on its cash investments, in the current economic climate.
- Work to prepare for the refurbishment of Long Stratton Leisure Centre where work began on site in April 2018. This work will include new changing rooms and an upgraded gym, a café and a soft play area.
- Expenditure on plant and equipment including the purchase of new refuse vehicles to update the refuse fleet.
- A range of grants and loans to support people remaining in their homes, these have been treated as Revenue Expenditure Funded from Capital Under Statute.
- The investment of £2.825 million in Big Sky Property Management Ltd, the Council's wholly owned residential lettings company to allow it to purchase properties at the Council's developments at Poringland and Long Stratton for renting out. This investment is a mixture of loans and equity and counts as capital expenditure.

The Council has an ambitious five-year capital programme of £61.7 million. Key areas for investment are: the Enterprise Zone on Norwich Research Park; further Property Development in the District; refurbishing Long Stratton Leisure Centre, 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. Capital receipts are largely from repayment of loans and equity investments in the Council's companies, financed by residential property sales.



Balance Sheet and Pensions

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

	At 31 March 2018	At 31 March 2017
	£000s	**£000s**
Non-current assets	56,006	52,613
Current assets	34,560	30,266
Current liabilities	(9,755)	(7,603)
Long term liabilities and provisions	(58,746)	(59,090)
Net Assets	**22,065**	**16,186**
Represented by: Usable reserves	25,010	22,371
Represented by: Unusable reserves	(2,945)	(6,185)

The largest liability is the pension liability which decreased very slightly in 2017/18. The Comprehensive Income and Expenditure Statement shows an Actuarial Gain of £3.206 million (2016/17 Actuarial Loss of £22.324 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 2018 stands at £55.567 million compared with £55.596 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 2018. The IAS 19 balance sheet position for the Council improved in 2017/18 and the IAS 19 pension deficit has reduced in monetary terms at 31 March 2018. This is principally because the financial assumptions determined by Hymans Robertson, an independent firm of actuaries, are slightly more favourable at 31 March 2018, than they were at 31 March 2017. The significant changes which have taken placed during the year are that the deficit has decreased due to rising real bond yields as market interest rates have risen and a consequent increase in the discount rate.

Hymans Robertson 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.

Cashflow

Total cash and cash equivalents at 31 March 2018 is £17.803 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 2018	At 31 March 2017
	£000s	**£000s**
Cash and other cash equivalents	17,803	15,101
Short Term investments	5,500	9,071
Total	**23,303**	**24,172**

Future Financial Outlook

The Council's Medium Term Financial Strategy has been updated to reflect the Local Government Finance Settlement announced in February 2018. This takes into account inflation including pay awards, specific cost pressures and central government funding reductions. The Plan projects savings and additional income of £2.5m will be required over the five years of the Plan. The Council has already found £1.6 million in extra income to be delivered over the next five years which will contribute towards this requirement. There is a projected funding gap of £2.2m in the final three years of the Plan where measures to bridge this gap have yet to be identified. The Strategy also continues to assume growth in income from commercialisation which will help to off-set the funding deficit. New opportunities continue to be sought 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
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 in 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

The Council employed 468 people in full time and part-time contracts as at 31 March 2017 (compared to 470 at 31 March 2017). This equates to 412.80 Full Time Equivalent staff working for the Council (compared to 408.68 last year).

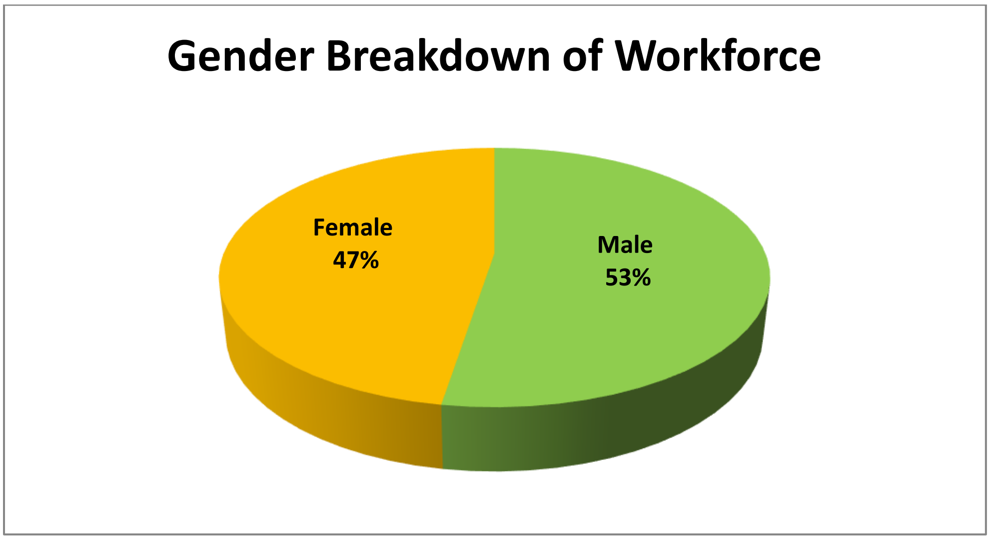
The Council was reassessed for Investors in People during 2017/18 and is still at the Platinum Standard, which is the highest level awarded. The Council was one of only 0.05% of organisations nationally to achieve this and was also only the second council in the country to do so.

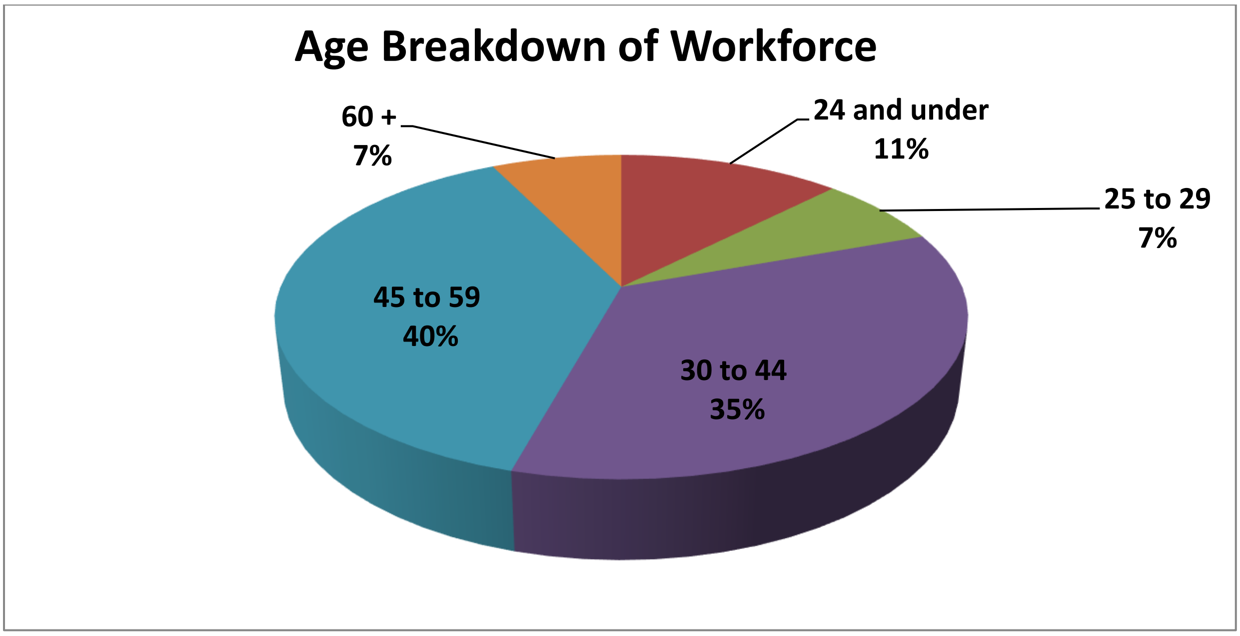
New legislation has been introduced which requires all UK organisations with more than 250 employees to report their gender pay gap figures every year. Many employers have been reporting that they have large pay gaps in favour of men. We are pleased to report that South Norfolk Council's pay gap shows near parity – our mean average gap is just 0.3% (in favour of female employees) as at 31 March 2017.

The link below is to the Council's entry on the government's official website for gender pay gap figures:

https://gender-pay-gap.service.gov.uk/viewing/employer-details?id=HXTCBLK_pV78dSzFY8NEiw%21%21

The charts below show the make-up of the Council's workforce.





5. Local Government Transparency - Senior Management Roles and Responsibilities

The Council is required to publish information on senior management pay and responsibilities which is set out in the table below, which details the position as at 31 March 2018. Salary bands are annualised salary over £50,000 in multiples of £5,000 (paid in 17/18).

Budget responsibility is as per the 2017/18 Budget at 31st March 2018 and staffing FTE are as in post at 31st March 2018.

Job Title	Area of responsibility	Budget responsibility (South Norfolk Council)	Staffing responsibility (FTE)	Salary Band
Chief Executive	To work with the leader of the Council and elected Members to deliver the strategic objectives providing both direction and vision to ensure that the Council delivers the best possible outcomes and solutions. Be the vigilant owner of the reputation of the Council at all times. Act as the Electoral Registration and Returning officer and take responsibility for the conduct and smooth running of the election process. Act as Managing Director to the Council's wholly-owned subsidiary companies within the Big Sky Ventures Group.	£7,299,245 SNC Total £40,538,050 + Capital £17,758,976 + Reserves £4,734,000.	412.88 (Total Council) 91.95 (Chief Executive's directorate)	£130,000 to £134,999
Director of Growth & Business Development	Provide strategic direction and leadership to the Growth and Business Development Directorate incorporating Economic Development, Food Safety, Conservation and Design, Development Management, Enforcement, Planning Policy, CNC Building Control, Car parking, Licensing, Waste & Recycling and Street Scene	£11,404,363 + capital £8,490,324	195.92	£80,000 to £84,999
Director of Communities & Well-being (from 9.10.17)	Provide strategic direction and leadership to the Communities & Well-being Directorate incorporating Environmental Protection, Housing and Public Health, Leisure and Play Activities, Communities, Benefits, Early Help, Emergency Planning, Environmental Crime, Environmental Protection, Grants, Housing Advice, Housing Standards.	£7,943,122 + capital £2,719,017	124.95	£80,000 to £84,999
Director of Growth & Localism (to 31.12.17)	Provide strategic direction and leadership to the Growth and Localism Directorate incorporating Economic Development, Customer Services, Revenue and Benefits, Food Safety, Conservation and Design, Development Management, Enforcement, Planning Policy, CNC Building Control, Car parking, External funding and Licensing.	£7,078,823 + capital £7,103,600	94.07	£75,000 to £79,999
Head of Environmental Services	To lead the functions within Environmental Services to ensure that they directly contribute to the successful achievement of the corporate objectives, the Localism agenda and the wider well-being of South Norfolk. Services include 'Regulatory' Services, Waste and Recycling Strategy Emergency Planning and Community Assets.	£1,334,242 + capital £735,274	8.9	£55,000 to £59,999
Assistant Director - Resources	To lead the Council's approach to Finance, Human Resources, Legal, Democratic Services, Scrutiny, Audit, Procurement, Facilities and IT, ensuring that these activities directly contribute to the successful achievement of the corporate objectives. To act as the Council's Section 151 Officer and as Director to companies within the Council's group: Big Sky Development Ltd and Big Sky Property Management Ltd.	£5,031,176 + Capital £266,750 + Reserves £7,032,000	62.22	£60,000 to £64,999

Job Title	Area of responsibility	Budget responsibility (South Norfolk Council)	Staffing responsibility (FTE)	Salary Band
Head of Governance	To lead the Council's approach to Legal, Committee Services and Democratic Services, and to provide a quality internal audit and fraud investigation service for six District and Borough Councils and the Broads Authority. Ensure the individual annual audit plans are delivered in a timely manner, and to a high quality to provide evidence for the annual audit opinion for each Participating Authority. To act as the Council's Monitoring Officer.	£1,287,883	6.87	£50,000 to £54,999
Head of Early Help	To lead the Council's approach to Early Intervention, Community Development, Housing and Benefits.	£2,036,390	39.35	£50,000 to £54,999
Accountancy Manager	To support the Assistant Director - Resources in ensuring the delivery of a quality accountancy function, incorporating Financial Management, Financial Reporting, Treasury Management, Insurance and VAT. To deputise for the Assistant Director - Resources as the Council's Deputy Section 151 Officer.	£359,452	0	£50,000 to £54,999
Development Management Manager	To manage the Council's Development Management service, and assist the Director of Growth and Localism to ensure the service directly contributes to the successful achievement of the corporate objectives and is customer focussed. Delivers the growth identified in the Council's Local Plan which meets the strategic objectives of the Local Plan. Ensures clear understanding and delivery of all planning policy and guidance.	£1,272,342	17.3	£55,000 to £59,999
Head of Business Transformation	To lead on the Councils approach to the delivery of change management, with specific responsibility for the Business Improvement, Digital, Strategic Marketing and Engagement agenda ensuring that services are managed efficiently and effectively, to directly contribute to the successful achievement of the corporate objectives.	£1,351,329 + Capital £72,226	23.13	£50,000 to £54,999
Head of Health and Leisure Services	Responsible for leading and developing a high quality and commercially sustainable sport and leisure offering which is fully aligned to the strategic direction of the council. Increasing profit potential and enhancing the quality of life for all through increased participation and involvement in leisure, sport and physical activity as well as play and cultural activities are key tasks. Take forward the Council's public health agenda.	£2,910,300 + Capital £895,352	63.3	£50,000 to £54,999

6. 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 2018. 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 2017/18, 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 year -end 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 on our website at:

https://www.south-norfolk.gov.uk/sites/default/files/SNC-Constitution-updated-February-2018.pdf.

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 2017/18 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 2018 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 Senior Leadership Team. 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 2017/18 financial year. The new code is the framework of policies, procedures, behaviours and values which determine how the Council will achieve its priorities and is based upon the seven principles of the International Framework for Corporate Governance in the Public Sector.

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

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

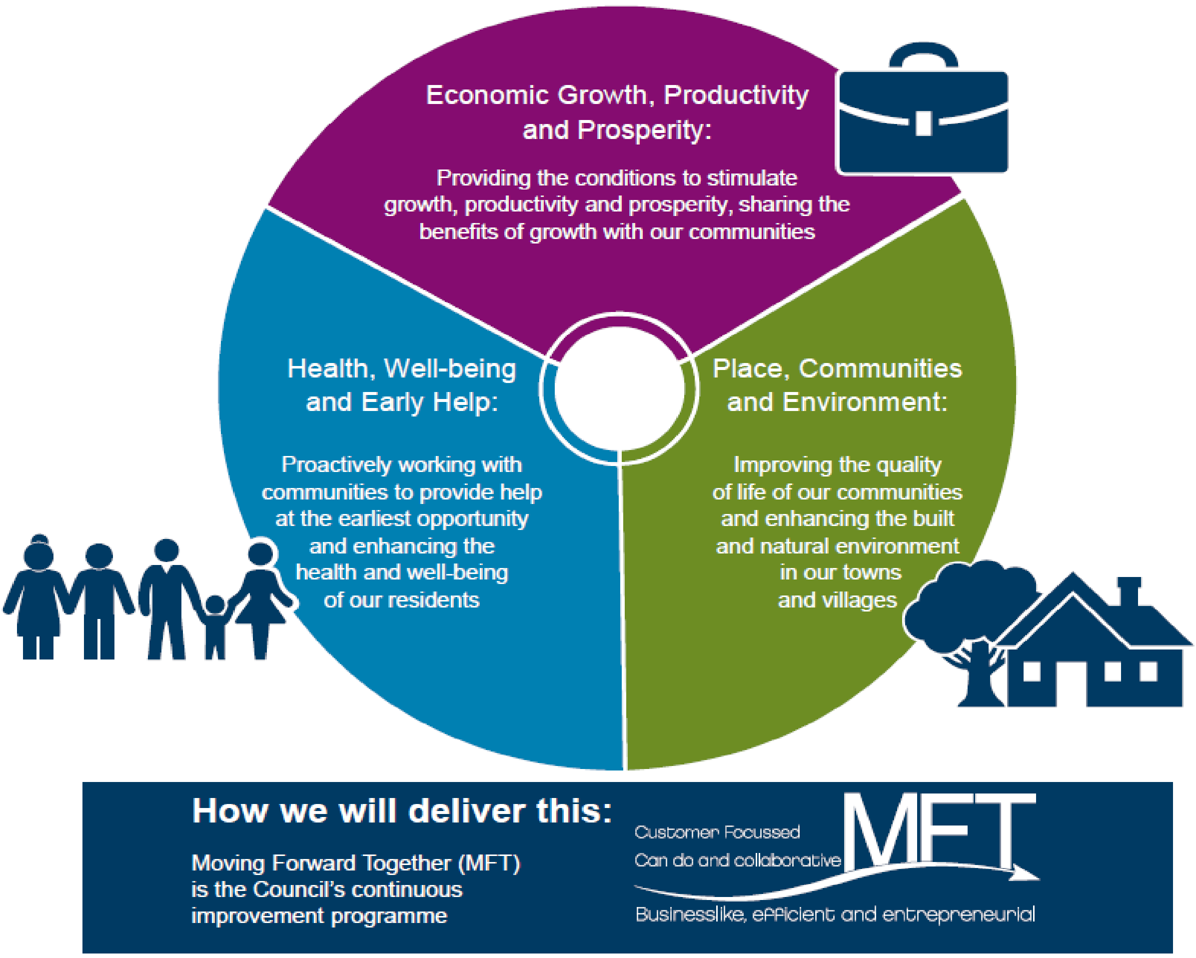
The main aims of the Corporate Plan are to:

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

The Corporate Plan is a digital and interactive document which acts as a gateway for more in-depth details of the priorities and work of the Council and can be found at https://www.south-orfolk.gov.uk/sites/default/files/170823%20Corporate%20Plan.pdf

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 2017/18 plan can be accessed at:

https://www.south-norfolk.gov.uk/sites/default/files/Business_Plan_2017-18.pdf

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. At its AGM in May 2017, the Council agreed a new structure for four Directorates that came into place during 2017. Further to the announcement of the departure of the Director of Planning and Environment the Senior Leadership Team of the Council was reviewed to ensure that it continues to support and deliver the Council's priorities. In light of this, a number of small changes within the Directorates were made in September 2017, with further adjustments taking effect as of 1 December 2017 whereby all remaining services delegated to the Director of Planning and Environment were transferred to the Director of Growth and Business Development, resulting in a reduction from four to three Directorates. The Council's Senior Leadership Team now consists of the Chief Executive, Director of Growth and Business Development, Director of Communities and Well-Being and the Assistant Director - Resources. The Senior Leadership Team is supported by the Head of Business Transformation. The new Monitoring Officer – the Head of Governance – was appointed from 1 January 2018.

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.

At a meeting on 18 September 2017 Full Council agreed to work to develop a case for exploring the opportunities for shared management and working with Broadland District Council, and a feasibility study was commenced. Governance arrangements were put in place to ensure that Councillors and Officers met at key stages of the feasibility development with differing roles undertaken by the groups. An update report was taken to Scrutiny and Cabinet in January 2018 agreeing to introduce an interim shared planning management team and structure to deliver this. It was further agreed that these arrangements would be reviewed at regular intervals and that early opportunities would be pursued. A report is due to be considered by both Councils in July 2018 to conclude on the feasibility study.

The Moving Forward Together (MFT) programme continues to develop the organisation and employees so that they are readily able to adapt to change. The programme was launched in 2009, and has evolved over time and is at the centre of our organisational values, with the MFT competencies enabling 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 GEMs (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.

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

The 5-year Corporate Plan sets out our key corporate priorities together with 5-year targets for success. The 2017/18 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 Chief Executive 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 Strategic Leadership Team 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. In 2017/18, 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.
As the previous Monitoring Officer left the council at the end of December 2017, Full Council on appointed the Head of Governance as the Council's Monitoring Officer from 1 January 2018.

The Role of the Chief Financial Officer

The Assistant Director – 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 2017/18.

Internal Audit is arranged through a consortium, Eastern Internal Audit Services, which comprises Breckland, Broadland, North 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 Internal 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 2017/18. 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 2018, 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 2016/17

During 2016/17 the following significant areas of development or risk were highlighted, with the current position also now noted:

- There were inherent risks around commercialisation of services as the Council started to deliver its objectives through wholly-owned companies subject to company law and regulation. Over 2017/18 these risks have been further mitigated with Big Sky performing well and delivering key projects over the year and Build Insight companies are now in a Joint Venture as detailed above.
- Staff realignments have continued to deliver a more effective and efficient service to customers, however this is well managed and clear processes are in place.

- Prioritisation and resourcing of work in a demanding, commercial led delivery environment where effective programme and project management is essential. There are risks around the balancing of resources for delivering changes as a result of new ventures, systems and processes while delivering "business as usual". The risks remain as the Council looks to continually improve, however there is an awareness of this risk and mitigation is put in place as needed.
- An Electoral Arrangements Review Committee was appointed to oversee the boundary work on behalf of the Council, with the final recommendations concluded in February 2018. Further work is now needed in 2018/19 to deliver the required changes and orders need to be laid before Parliament, which will need to applied at the next District Council elections in 2019.

<u>Managers' Assurance Statements for 2017/18</u>

Managers in services that work across the Council completed an Assurance Statement relating to their service area. The Assurance Statements were broadened this year and were completed by all Heads of Service, or equivalent, and then signed off by the officer of SLT 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.

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 Head of Governance will review progress during 2018/19.

There was one area whereby improvement in awareness is needed and this is in terms of risk management. There are a number of new managers in post and it has become apparent that awareness of the risk management framework needs to be raised. With this in mind the framework itself will be reviewed, and updated as needed, and then training provided to the Managers and their teams across the Council.

<u>Internal Audit</u>

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 audit of the IT Service Desk concluded with a limited assurance, raising 16 recommendations; seven priority two and nine priority three. The recommendations made will ensure that the service provision is improved.

In response to all audit recommendations, the Council has developed an action plan to ensure that recommendations are implemented.

On conclusion of the Internal Audit work for 2017/18, the Head of Internal Audit confirmed that there are no weaknesses significant enough for disclosure within this Annual Governance Statement.

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 2017/18. These reports cover the strategic risks that the Council actively manages, and each risk has an agreed action plan managed by Officers and monitored on a quarterly basis by Councillors. 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 SLT.

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.

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 Assistant Director - Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Assistant Director - Resources Responsibilities
The Assistant Director - 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).

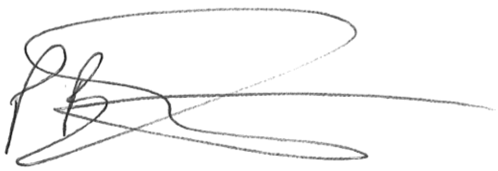
In preparing this Statement of Accounts, the Assistant Director - Resources has:

- 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 Assistant Director - 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 2018.



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Peter Catchpole ACCA FMAAT
(Assistant Director - Resources)

Date: 21st May 2018

EXPENDITURE AND FUNDING ANALYSIS

	Restated Year ended 31 March 2017		
	Net Expenditure Chargeable to the General Fund Balance £000s	Adjustments between the Funding and Accounting Basis (Note 8) £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s
Chief Executive directorate	5,394	577	5,971
Communities and Wellbeing directorate	3,245	1,319	4,564
Growth and Business Development directorate	4,327	(63)	4,264
Corporate Management	991	57	1,048
Net Cost of Services	**13,957**	**1,890**	**15,847**
Other Income and Expenditure	(17,659)	(2,264)	(19,923)
(Surplus)/Deficit for the Year	**(3,702)**	**(374)**	**(4,076)**
Opening General Fund (including Earmarked Reserves)	(14,661)		
(Surplus)/Deficit on General Fund Balance for the Year	(3,702)		
Closing General Fund Balance (including Earmarked Reserves)	**(18,363)**		

	Year ended 31 March 2018		
	Net Expenditure Chargeable to the General Fund Balance £000s	Adjustments between the Funding and Accounting Basis (Note 8) £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s
Chief Executive directorate	5,299	777	6,076
Communities and Wellbeing directorate	1,542	1,995	3,537
Growth and Business Development directorate	3,391	143	3,534
Corporate Management	1,220	63	1,283
Net Cost of Services	**11,452**	**2,978**	**14,430**
Other Income and Expenditure	(15,512)	(766)	(16,278)
(Surplus)/Deficit for the Year	**(4,060)**	**2,212**	**(1,848)**
Opening General Fund (including Earmarked Reserves)	(18,363)		
(Surplus)/Deficit on General Fund Balance for the Year	(4,060)		
Closing General Fund Balance (including Earmarked Reserves)	**(22,423)**		

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

	General Fund Balance £000s	Capital Receipts Reserve £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Council Reserves £000s
Balance brought forward as at 1 April 2016	**14,661**	**5,913**	**20,574**	**13,630**	**34,204**
Movement in Reserves during 2016/17:					
Total Comprehensive Expenditure and Income	4,076	**0**	**4,076**	(22,094)	**(18,018)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(374)	(1,905)	**(2,279)**	2,279	**0**
Increase/Decrease in Year	**3,702**	**(1,905)**	**1,797**	**(19,815)**	**(18,018)**
Balance carried forward at 31 March 2017	**18,363**	**4,008**	**22,371**	**(6,185)**	**16,186**

	General Fund Balance £000s	Capital Receipts Reserve £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Council Reserves £000s
Balance brought forward as at 1 April 2017	**18,363**	**4,008**	**22,371**	**(6,185)**	**16,186**
Movement in Reserves during 2017/18:					
Total Comprehensive Expenditure and Income	1,848	0	**1,848**	4,031	**5,879**
Adjustments between accounting basis & funding basis under regulations (Note 8)	2,212	(1,421)	**791**	(791)	**0**
Increase/Decrease in Year	**4,060**	**(1,421)**	**2,639**	**3,240**	**5,879**
Balance carried forward at 31 March 2018	**22,423**	**2,587**	**25,010**	**(2,945)**	**22,065**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Year ended 31 March 2018			Year ended 31 March 2017 Restated		
	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	7,669	(1,593)	6,076	7,383	(1,412)	5,971
Communities and Wellbeing directorate	34,540	(31,003)	3,537	35,635	(31,071)	4,564
Growth and Business Development directorate	10,973	(7,439)	3,534	11,181	(6,889)	4,292
Corporate Management	1,300	(17)	1,283	1,408	(388)	1,020
Cost of Services	**54,482**	**(40,052)**	**14,430**	**55,607**	**(39,760)**	**15,847**
Other Operating Expenditure:						
Precepts paid to Parish Councils			3,361			3,218
(Gain)/Loss on disposal of non-current assets			(1,290)			(764)
Payments to Housing capital receipts pool			1			1
Financing and Investment Income and Expenditure:-						
Interest payable or similar charges			10			5
(Gain)/Loss on trading accounts			(331)			(379)
Other investment property income			(30)			(15)
Pensions interest (income)/expenditure			1,466			1,121
Investment interest income			(653)			(660)
(Gain)/Loss on revaluation of investments			490			31
(Gain)/Loss on revaluation of Investment Property and Assets Held for Sale			402			(1,712)
Taxation and Non-Specific Grant Income and Expenditure:-						
Council Tax Income			(9,957)			(9,372)
Business Rates Income and Expenditure			(4,236)			(3,926)
Capital Grants (Note 28)			(90)			(399)
General Grants (Note 28)			(5,421)			(7,072)
(Surplus)/Deficit on provision of service for the Year			**(1,848)**			**(4,076)**
(Surplus)/deficit on revaluation of property, plant and equipment assets (Note 23)			(1,038)			(1,945)
Impairment losses on non-current assets charged to revaluation reserve (Note 23)			214			1,715
Remeasurement of the pensions net defined benefit liability/(asset)			(3,207)			22,324
Other Comprehensive Income and Expenditure			**(4,031)**			**22,094**
Total Comprehensive Income and Expenditure			**(5,879)**			**18,018**

BALANCE SHEET

	As at 31 March 2018 £000s	As at 31 March 2017 £000s
Non Current Assets		
Property, Plant & Equipment (Note 9)	28,342	27,207
Intangible Fixed Assets	307	364
Investment Properties (Note 10)	11,901	12,252
Long Term Investments (Note 15)	5,880	4,750
Long Term Debtors (Note 14)	3,706	8,040
Total Non-Current Assets	**50,136**	**52,613**
Current Assets		
Assets Held for Sale	0	320
Cash and cash equivalents (Note 17)	17,803	15,101
Debtors (Note 16)	17,120	5,769
Short Term Investments (Note 18)	5,500	9,071
Inventories	7	5
Total Current Assets	**40,430**	**30,266**
Current Liabilities		
Creditors (Note 19)	(8,728)	(6,779)
Revenue Grants Receipts in Advance (Note 28)	(355)	(68)
Capital Grants Receipts in Advance (Note 28)	0	(5)
Short Term Provisions (Note 20)	(672)	(751)
Total Current Liabilities	**(9,755)**	**(7,603)**
Long Term Liabilities		
Long Term Creditors (Note 21)	(1,024)	(1,228)
Grants Receipts in Advance (Note 28)	(1,756)	(1,324)
Provisions (Note 20)	(399)	(942)
Pension Scheme Liability (Note 33)	(55,567)	(55,596)
Total Long Term Liabilities	**(58,746)**	**(59,090)**
Net Assets	**22,065**	**16,186**
Usable Reserves		
General Fund Balance	1,400	1,400
General Reserves (Note 22)	21,023	16,963
Usable Capital Receipts Reserve	2,587	4,008
Unusable Reserves (Note 23)		
Capital Adjustment Account	45,079	42,646
Collection Fund Adjustment Account	(599)	(521)
Deferred Capital Receipts Reserve	12	12
Pension Reserve	(55,567)	(55,596)
Revaluation Reserve	8,405	7,738
Short Term Accumulated Absences Account	(275)	(464)
Total Net Worth	**22,065**	**16,186**

CASHFLOW STATEMENT

	31 March 2018		31 March 2017	
	£000s	£000s	£000s	£000s
Net surplus or (deficit) on the provision of services		**1,848**		**4,076**
- Adjustments to net surplus or deficit on the provision of services for interest		(643)		(655)
- Adjustments to net surplus or deficit on the provision of services for non-cash movements		5,756		10,827
- Proceeds from Sale of Property, Plant or Equipment reported in net surplus/deficit of provision of service in Comprehensive Income and Expenditure Statement		(1,501)		(2,170)
- Other cash flows arising from Operating Activities		645		632
Net cash flows from Operating Activities (Note 24)		**6,105**		**12,710**
Investing Activities				
- (Purchase) of property, plant and equipment, investment property and intangible assets	(1,093)		(4,582)	
- Proceeds from/(Purchase of) short-term and long-term investments	3,500		1,000	
- Other payments for investing activities	(3,359)		(187)	
- Long term loans granted	(1,536)		(64)	
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,630		903	
- Capital grants	71		337	
Net Cash Inflows/(Outflows) from Investing Activities		**(787)**		**(2,593)**
Financing Activities				
- Other payments for financing activities	(2,616)		(4,446)	
Net Cash Inflows/(Outflows) from Financing Activities		(2,616)		(4,446)
Net increase or decrease in cash and cash equivalents		**2,702**		**5,671**
Cash and cash equivalents at the beginning of the reporting period		15,101		9,430
Cash and cash equivalents at the end of the reporting period (Note 17)		**17,803**		**15,101**

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:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council’s financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 24) in future years. The Council is not aware of any material impact on its Cash Flow Statement from this.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. None of the Council’s subsidiary companies in the Group Accounts have such debt instruments.

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.

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 2018 is £56 million. Further details can be found in Note 33.

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 £25.579 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 32 are shown in note 33.

5. EVENTS AFTER BALANCE SHEET DATE

The Statement of Accounts were authorised for issue by the Assistant Director - Resources on 21st May 2018. 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 2018, 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

Restated:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Year ended 31 March 2017 Adjustments for Capital Purposes (Note 1) £000s	Net change for Pensions Adjustments (Note 2) £000s	Other differences (Note 3) £000s	Total Adjustments 2016/17 £000s
Chief Executive directorate	523	35	19	577
Communities and Wellbeing directorate	1,240	51	28	1,319
Growth and Business Development directorate	(282)	69	150	(63)
Corporate Management	0	57	0	57
Cost of Services	**1,481**	**212**	**197**	**1,890**
Other income and expenditure from the Expenditure and Funding Analysis	(3,165)	1,048	(147)	(2,264)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provisions of Services	**(1,684)**	**1,260**	**50**	**(374)**

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

(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

	2017/18 £000s	2016/17 £000s
Expenditure/Income		
Expenditure		
Employee benefits expenses	17,752	16,681
Depreciation, amortisation, impairment & REFCUS	2,749	2,774
Interest payments	1,472	1,126
Precepts and levies	3,361	3,218
Gain on disposal of assets	(398)	(2,444)
Other expenditure	43,132	45,378
Total expenditure	**68,068**	**66,733**
Income		
Fees, charges and other income	(13,630)	(12,765)
Interest and investment income	(156)	(188)
Income from Council Tax and Non-Domestic Rates	(22,869)	(22,255)
Government grants and contributions	(33,261)	(35,601)
Total income	**(69,916)**	**(70,809)**
(Surplus)/Deficit on Provision of Services	**(1,848)**	**(4,076)**

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 2017:	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000s	£000s	£000s
Adjustments Primarily involving the Capital Adjustment Account			
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement			
Amortisation of Intangible Assets	256	0	(256)
Depreciation of Property, Plant & Equipment	1,387	0	(1,387)
Gain/(Loss) on revaluation of Property, Plant & Equipment	(42)	0	42
Government Grants & Contributions	(1,204)	0	1,204
Revenue Expenditure funded from Capital Under Statute	1,173	0	(1,173)
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	1,406	0	(1,406)
Gain/(Loss) on revaluation of Investments	31	0	(31)
Gain/(Loss) on revaluation of Investment Properties and Assets Held for Sale	(1,713)	0	1,713
	1,294	**0**	**(1,294)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement			
Capital Expenditure financed from Revenue	(833)	0	833
	(833)	**0**	**833**
Adjustments Primarily involving the Capital Receipts Reserve			
Transfer from Usable Capital Receipts	1	26	(27)
Transfer of Cash Sale Proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(2,146)	2,146	0
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(4,077)	4,077
	(2,145)	**(1,905)**	**4,050**
Adjustments primarily involving the Pensions Reserve			
Employers pension contribution	(2,506)	0	2,506
Net charges made for retirement benefits	3,766	0	(3,766)
	1,260	**0**	**(1,260)**
Other adjustments			
Adjustments involving the Collection Fund Adjustment Account	(151)	0	151
Short Term Accumulated Absences	201	0	(201)
	50	**0**	**(50)**
Net Additional amount to be charged/(credited) to the General Fund	**(374)**	**(1,905)**	**(2,279)**

Year ended 31 March 2018:	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000s	£000s	£000s
Adjustments Primarily involving the Capital Adjustment Account			
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement			
Amortisation of Intangible Assets	135	0	(135)
Depreciation of Property, Plant & Equipment	1,405	0	(1,405)
Gain/(Loss) on revaluation of Property, Plant & Equipment	(247)	0	247
Government Grants & Contributions	(1,148)	0	1,148
Revenue Expenditure funded from Capital Under Statute	1,457	0	(1,457)
Amounts of Non Current Assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	34	0	(34)
Gain/(Loss) on revaluation of Investments	490	0	(490)
Gain/(Loss) on revaluation of Investment Properties and Assets Held for Sale	402	0	(402)
	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**

9. PROPERTY, PLANT & EQUIPMENT

Valuation of Property, Plant & Equipment

The Council's land and property are valued by Wilks Head & Eve LLP (RICS). Operational and non-operational assets are valued at the lower of net current replacement cost and net realisable value. Plant, equipment, infrastructure assets and community assets are valued at historical cost.

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. In 2008/09 all tangible non-current assets were revalued to reflect changes in value following the financial crisis. 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 2018 totalled £20,412,325 which equates to approximately 72% of the Net Book Value of all Property, Plant & Equipment held at current value as at 31st March 2018 (as at 1st April 2017 totalled £19,425,300 which equates to approximately 72% of the Net Book Value of all Property, Plant & Equipment held at current value as at 31st March 2017). The basis of valuation and classification of Property, Plant and Equipment are explained in the Statement of Accounting Policies section of these accounts.

Movements in Property, Plant & Equipment during 2016/17 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 2016	**20,467**	**8,623**	**50**	**201**	**2,201**	**31,542**
Reclassifications	2,227	0	0	62	(2,201)	**88**
Additions	617	1,395	0	0	53	**2,065**
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(1,135)	0	0	927	0	**(208)**
Revaluation increase/(decrease) recognised in the (Surplus) / Deficit on Provision of Services	(132)	0	0	63	0	**(69)**
De-recognition - disposals	0	(335)	0	(175)	0	**(510)**
Value as at 31 March 2017	**22,044**	**9,683**	**50**	**1,078**	**53**	**32,908**
Accumulated Depreciation						
At 1 April 2016	**(184)**	**(4,935)**	**(50)**	**0**	**0**	**(5,169)**
Reclassifications	0	0	0	0	0	0
Depreciation charge	(446)	(941)	0	0	0	(1,387)
Depreciation written out to the Revaluation Reserve	437	0	0	0	0	437
Depreciation written out to the Comprehensive Income & Expenditure Statement	111	0	0	0	0	111
De-recognition - disposals	0	306	0	0	0	306
At 31 March 2017	**(82)**	**(5,570)**	**(50)**	**0**	**0**	**(5,702)**
Net Book Value at 31 March 2017	**21,962**	**4,113**	**0**	**1,078**	**53**	**27,206**

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	(97)	0	0	0	**51**
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**

Analysis of Property, Plant & Equipment

	No. of Assets	NBV as at 31 March 2018	NBV as at 31 March 2017
		£000s	£000s
Operational			
Land & Buildings			
Car Parks	18	1,431	1,413
Depot	1	319	286
Hostels	2	467	475
Leisure Centre & Pool	1	10,339	9,400
Office	1	3,372	3,419
Public Conveniences	7	647	661
Swimming Pool	1	2,789	2,738
Travellers Site	1	14	176
Leisure Centre	1	3,214	3,394
Land & Buildings Total		**22,592**	**21,962**

Vehicles, Plant & Equipment		
Vehicles	2,388	2,470
Wheeled Bins	653	623
Other	1,018	1,020
Vehicles, Plant & Equipment Total	**4,059**	**4,113**
Infrastructure assets		
Access road	**0**	**0**
Operational Total	**26,651**	**26,075**
Non Operational		
Surplus Assets		
Land Awaiting Development	1,425	1,078
Surplus Assets Total	**1,425**	**1,078**
Assets Under Construction		
Assets Under Construction	266	53
Assets Under Construction Total	**266**	**53**
Non Operational Total	**1,691**	**1,131**
Total Property, Plant & Equipment	**28,342**	**27,206**

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	10 - 57
Plant and Equipment	0 - 20
Vehicles	0 - 7

Capital Commitments and Revaluations

As at 31 March 2018, the Council had the following capital commitments:

- Long Stratton Leisure Centre Refurbishment £1,562,000
- Refuse Collection Vehicles £892,000

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	9,708	50	0	266	**10,024**
Valued at fair value as at:						
31-Mar-14	1,305	0	0	0	0	**1,305**
31-Mar-15	568	0	0	0	0	**568**
31-Mar-16	43	0	0	26	0	**69**
31-Mar-17	662	0	0	1,052	0	**1,714**
31-Mar-18	20,068	0	0	347	0	**20,415**
	22,646	**9,708**	**50**	**1,425**	**266**	**34,095**

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 2018 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.

10. 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.

	2017/18 £000s	2016/17 £000s
Rental income from investment property	(406)	(436)
Direct operating expenses arising from investment property	101	90
Net (gain)/loss	**(305)**	**(346)**

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:

	2017/18 £000s	2016/17 £000s
Balance as at 1 April	**12,252**	**8,416**
Additions:		
Purchases	0	2,474
Subsequent Expenditure	51	0
Disposals	0	(263)
Net Gain/(Loss) from Fair Value adjustments	(402)	1,713
Transfers:		
From/(to) Property, Plant & Equipment	0	(88)
Balance as at 31 March	**11,901**	**12,252**

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 £8,308,100 (2016/17: £8,440,950). 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 2018 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. 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 2018 the value of this asset was £10,339,000.

	Net Book Value as at 31 March 2016	Additions 2016/17	Depreciation 2016/17	Revaluations 2016/17	Net Book Value as at 31 March 2017
	£000s	£000s	£000s	£000s	£000s
Leisure Centre	8,008	2,683	(199)	(1,092)	9,400
Total Property, Plant & Equipment	**8,008**	**2,683**	**(199)**	**(1,092)**	**9,400**

	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**

12. 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:

	2017/18	2016/17
	£000s	£000s
Industrial Units	538	471
Land	10	9
Car Parks	33	29
Other Buildings	0	3
Total Rentals Received	**581**	**512**

The gross value of assets held and leased out under operating leases was £8,620,072. 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 2018	31 March 2017
	£000s	£000s
Not later than 1 year	372	362
Later than 1 year but not later than 5 years	888	689
Later than 5 years	5,195	5,181
Total Payments Receivable	**6,455**	**6,232**

13. FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s
Investments				
Loans & receivables	0	0	5,500	9,071
Loans & receivables (Cash & Cash Equivalents)	0	0	17,803	15,101
Unquoted equity investment at cost	5,880	4,750	0	0
Total Investments	**5,880**	**4,750**	**23,303**	**24,172**
Debtors				
Loans & receivables	3,706	8,040	12,600	3,413
Total Debtors	**3,706**	**8,040**	**12,600**	**3,413**
Creditors				
Financial liabilities at amortised cost	1,756	1,324	6,604	3,640
Financial liabilities carried at contract amount	50	50	0	0
Total Creditors	**1,806**	**1,374**	**6,604**	**3,640**

The above figures do not include Pension Liability which is already disclosed in Note 33.

Equity investments relate to shares in the Local Government Association (Municipal Bond Agency) and shares in the companies owned by South Norfolk Council (Big Sky Ventures group and Build Insight Ventures group).

Short term Financial Liabilities and all Financial Assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be calculated using the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2018 are 0.25% for investments and soft loans;
- No early repayment or impairment is recognised;
- Where an instrument will mature over the next 12 months, carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council has no material soft loans as at the 31st March 2018.

Long term loans & receivables shown as debtors, include financial assets relating to housing renewal loans, housing maintenance loans, decent homes loans and business growth loans which do not have a market value providing a reliable figure for fair value. The present value of the future cash flows cannot easily be calculated as there is no specified termination dates for these loans and they are not included at fair value in the following table for that reason. The loans are currently shown in the balance sheet at their carrying value of £763,000 (£768,000 2016/17).

The fair values of assets and liabilities, where measurable, are calculated as follows:

	31st March 2018 Carrying Amount £000s	31st March 2018 Fair Value £000s	31st March 2017 Carrying Amount £000s	31st March 2017 Fair Value £000s
Financial Liabilities - Creditors (Short Term)	6,604	6,604	3,640	3,640
Financial Liabilities - Creditors (Long Term)	1,806	1,806	1,374	1,374
Total Financial Liabilities	**8,410**	**8,410**	**5,014**	**5,014**
Long Term Investments in Financial Institutions	0	0	0	0
Other Long Term Investments	5,880	5,880	4,749	4,749
Short Term Investments in Financial Institutions	5,500	5,500	9,071	9,071
Other Short Term Investments (Cash & Cash Equivalents)	17,803	17,803	15,101	15,101
Short Term Debtors	12,600	12,600	3,413	3,413
Long Term Debtors (including soft loan)	3,706	3,706	8,040	8,040
Total Loans & Receivables	**45,489**	**45,489**	**40,374**	**40,374**

Note 15 shows an analysis of long term investments classified as loans & receivables.

Short Term Debtors & Creditors are carried at cost as this is a fair approximation of their value.

Cash and Cash Equivalents are analysed in note 17.

Income, Expense, Gains and Losses in relation to financial instruments are shown below:

	31 March 2018 Financial assets: Loans and receivables £000s	31 March 2018 Financial liabilities: measured at amortised cost £000s	31 March 2017 Financial assets: Loans and receivables £000s	31 March 2017 Financial liabilities: measured at amortised cost £000s
Interest expense (in surplus or deficit on provision of services)	0	(10)	0	(5)
Interest income (in surplus or deficit on provision of services)	653	0	660	0
Net gain/(loss) for the year	**653**	**(10)**	**660**	**(5)**

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.

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 2017/18, 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 £5 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.

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 2018, of the total debtor balances of £5.200 million (2016/17: £2.379 million), the past due amount was £3,283,000 (2016/17: £541,000) and can be analysed by age as follows:

	31 March 2018 £000s	31 March 2017 £000s
Customer Debts		
Less than three months	491	243
Three months to one year	2,495	89
More than one year	297	209
Total	**3,283**	**541**

£2.894 million of these past due debts are in relation to the Community Infrastructure Levy (CIL), which 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.

14. LONG TERM DEBTORS

	31 March 2018 £000s	31 March 2017 £000s
Sawmills Business Park	113	113
Housing Renewal Loans	114	158
Decent Home Loans	636	598
Loan to Council owned companies	1,750	6,050
Other loans	1,093	1,121
Total Long Term Debtors	**3,706**	**8,040**

15. LONG TERM INVESTMENTS

The investment figure is made up as follows:

	31 March 2018 £000s	31 March 2017 £000s
Other Local Authorities and Public Bodies	25	25
Council owned companies	5,855	4,725
Total Long Term Investments	**5,880**	**4,750**

16. SHORT TERM DEBTORS

	31 March 2018 £000s	31 March 2017 £000s
Central Government Bodies	3,369	1,090
Other Local Authorities	61	192
Other entities and individuals	7,820	4,487
Loans to Council owned companies	5,870	0
Total Short Term Debtors	**17,120**	**5,769**

17. CASH AND CASH EQUIVALENTS

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

	31 March 2018 £000s	31 March 2017 £000s
Cash held by the authority	1	3
Cash in Transit	211	51
Bank Current Accounts	17,591	15,047
Total Cash and Cash Equivalents	**17,803**	**15,101**

18. 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 £5,500,000 as at 31 March 2018 (£9,071,000 2016/17).

19. SHORT TERM CREDITORS

	31 March 2018 £000s	31 March 2017 £000s
Central Government Bodies	264	322
Other Local Authorities	5,149	2,963
Council Tax Payers/Non-Domestic Rate Payers	644	610
Trade Creditors	631	504
Other entities and individuals	1,212	1,454
Receipts in Advance	828	926
Total Creditors	**8,728**	**6,779**

20. PROVISIONS

	Planning Provisions	NDR Appeals Provision	Total Provisions
	£000s	£000s	£000s
Balance as at 1 April 2017	280	1,413	1,693
Additional provisions made	0	0	0
Amounts used in year	(80)	0	(80)
Amounts unused in year	(100)	(442)	(542)
Balance as at 31 March 2018	**100**	**971**	**1,071**
Short term	100	572	672
Long term	0	399	399

No new provisions have been made in this financial year.

Further details can be found in note 34.

The Council's share of the NDR appeals provision totals £971,000. The total movement in provision for appeals can be found in the Collection Fund Statement on page 69.

21. 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 2018 £000s	31 March 2017 £000s
Maintenance of Grassed Areas	974	1,178
Other entities and individuals	50	50
Total Long Term Creditors	**1,024**	**1,228**

22. USABLE RESERVES

Movements in the Council's Usable Reserves are included within the General Fund Balance in the Movement in Reserves Statement on page 31. A breakdown of the movement in Earmarked General Reserves is detailed below:

Name of Reserve	Balance as at 31 March 2017	Movement in Year	Balance as at 31 March 2018
	£000s	£000s	£000s
Revenue	8,901	1,758	10,659
Invest to Grow the Business Reserve (formerly Invest for the Future)	1,000	(1,000)	0
Infrastructure Reserve	2,139	1,386	3,525
Localisation of Business Rates Reserve	1,500	989	2,489
Localisation of Council Tax Benefit	500	0	500
Neighbourhood Grants Reserve	47	(25)	22
Vehicle and Equipment Procurement and Replacement Reserve	653	296	949
District and Parish Elections Reserve	102	40	142
Land Charges	152	0	152
Local Development Reserve	934	(79)	855
3G Pitch Renewal Reserve	0	11	11
Non-Commercial Assets Replacement Reserve	0	593	593
Low Cost Housing (New Homes Bonus) Reserve	682	194	876
Communities and Localism Reserve	231	(40)	191
Enterprise Zone Reserve	122	(63)	59
Total	**16,963**	**4,060**	**21,023**

23. 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.

	2017/18 £000s	2016/17 £000s
Balance at 1 April	**42,646**	**38,789**
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	(1,157)	(1,345)
Amortisation of Intangible Assets	(135)	(256)
Revenue Expenditure Funded From Capital Under Statute	(1,457)	(1,173)
Revaluation gains/(losses) on Investments	(490)	(31)
Revaluation gains/(losses) on Investment Properties	(402)	1,713
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)	(1,144)
Amounts of investments written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(263)
	(3,675)	(2,499)
Adjusting amounts written out of the Revaluation Reserve	157	269
Net written out amount of the cost of non-current assets consumed in the year	(3,518)	(2,229)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,916	4,077
Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,148	1,204
Capital Expenditure charged against the General Fund Balance	2,064	833
Home Improvement Loans Repaid	(177)	(28)
	5,951	6,086
Balance at 31 March	**45,079**	**42,646**

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.

	2017/18 £000s	2016/17 £000s
Balance at 1 April	**7,738**	**7,778**
Upward Revaluation of Assets	1,038	1,945
Downward Revaluation of Assets and Impairment losses not charged to the Provision of Services	(214)	(1,715)
Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	824	230
Difference between fair value depreciation and historical cost depreciation	(157)	(140)
Balances written out of Reserve on disposal of assets	0	(130)
Amount written off to the Capital Adjustment Account	(157)	(270)
Balance at 31 March	**8,405**	**7,738**

Pensions Reserve

See note 33 on page 63.

24. CASHFLOW STATEMENT – RECONCILIATION OF NET SURPLUS OR (DEFICIT) ON THE PROVISION OF SERVICES TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	31 March 2018		31 March 2017	
	£000s	£000s	£000s	£000s
Surplus/(Deficit) on provision of service for the Year		**1,848**		**4,076**
Adjust net surplus or deficit on the provision of services for Interest				
Interest and Investment Income	(653)		(660)	
Interest Paid	10		5	
		(643)		(655)
Non-cash Movements:-				
Depreciation & Amortisation Charge	1,539		1,643	
Impairment of non-current assets and downward valuations	(247)		(42)	
Decrease/(Increase) in Inventories	(2)		5	
Decrease/(Increase) in Debtors	(4,877)		(1,479)	
Increase/(Decrease) in Creditors	1,400		(122)	
(Gain)/Losses on disposal of non-current assets	(1,290)		0	
(Gain)/Losses on revaluation of investments	490		31	
Carrying amount of disposed non-current assets and investments	34		1,407	
Gain/(Losses) on revaluation of investment properties	402		(1,712)	
Movement in Pension Liability (IAS19)	(2,181)		3,673	
Provisions	(622)		663	
Provision for Bad Debts	69		145	
Collection Fund	10,832		6,046	
Revenue Funded from Capital Under Statute	398		368	
Employee Balance of Holiday/Flex Charge	(189)		201	
		5,756		10,827
Proceeds for Sale of Property, Plant or Equipment reported in net surplus/deficit of provision of service in Comprehensive Income and Expenditure Statement		(1,501)		(2,170)
Other cashflows arising from Operating Activities:-				
Interest Received	651		637	
Interest Paid	(6)		(5)	
		645		632
Net cash (Inflows)/Outflows from Operating Activities		**6,105**		**12,710**

Investing Activities

The net proceeds from short-term and long-term investments detailed as £3.5 million for 2017/18 (compared to net purchases of £1 million for 2016/17) is the result of cash withdrawn wholly from financial institutions in interest bearing accounts.

Financing Activities – Reconciliation of Net Movement in cash for “other receipts from financing activities”

31 March 2017 Net Movement £000s		31 March 2018 Income £000s	Expenditure £000s	Net Movement £000s
(8,807)	Council Tax	(78,976)	80,321	1,345
4,360	NNDR	(27,531)	28,802	1,271
(4,447)		**(106,507)**	**109,123**	**2,616**

25. MEMBERS ALLOWANCES

Total allowances paid to Members in 2017/18 amounted to £332,586 (2016/17: £335,365).

26. OFFICER REMUNERATION

Banding Note

In 2017/18 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 2017/18	2016/17
50,000	54,999	5	6
55,000	59,999	2	1
60,000	64,999	1	1
65,000	69,999	0	0
70,000	74,999	0	0
75,000	79,999	1	2
80,000	84,999	1	0
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 2017/18, 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.

Role	Financial Year	Salary	Expenses	Total Renumeration (Excl Pension Contributions)	Employer Pension Contributions	Total Including Pension Contributions
		£	£	£	£	£
Chief Executive	*2016/17*	*133,397*	*1,754*	*135,151*	*21,253*	*156,404*
	2017/18	129,681	1,347	131,028	20,963	151,991
Director of Community Services (to 8.2.17)	*2016/17*	*64,777*	*0*	*64,777*	*9,670*	*74,447*
	2017/18	0	0	0	0	0
Director of Communities & Well-Being (from 9.10.17)	*2016/17*	*0*	*0*	*0*	*0*	*0*
	2017/18	38,852	8,000	46,852	5,827	52,679
Director of Growth & Localism (to 31.12.17)	*2016/17*	*75,927*	*0*	*75,927*	*11,343*	*87,270*
	2017/18	58,377	3	58,380	8,756	67,136
Director of Growth & Business Development	*2016/17*	*75,967*	*16*	*75,983*	*11,349*	*87,332*
	2017/18	79,466	62	79,528	11,919	91,447
Assistant Director - Resources (from 14.11.16)	*2016/17*	*23,052*	*12*	*23,064*	*3,458*	*26,522*
	2017/18	62,609	32	62,641	9,391	72,032
Head of Business Transformation (from 01.03.17)	*2016/17*	*4,292*	*0*	*4,292*	*644*	*4,936*
	2017/18	52,226	151	52,377	7,833	60,210

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies (including pension strain) are set out in the following table:

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total No. of Exit Packages by Cost Band		Total Cost of Exit Packages	
	2017/18	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**
£							**£**	**£**
0 - 20,000	0	3	0	4	0	7	0	32,789
Total	**0**	**3**	**0**	**4**	**0**	**7**	**0**	**32,789**

27. EXTERNAL AUDIT COSTS

The Audit Commission has tendered all local government external audit work for 2012/13 onwards and EY were appointed as the Council's external auditors for 2012/13 to 2017/18.

In 2017/18 the following costs relating to external audit and inspection were paid:

	2017/18	2016/17
	£000s	£000s
Fees payable to EY with regard to external audit services carried out by the appointed auditor	48	51
Fees payable to EY for the certification of grant claims and returns	13	20
Fees payable in respect of other services provided by other providers during the year	0	5
Total External Audit Costs	**61**	**76**

28. GRANT INCOME

The following grant income and donations have been credited to the Council's Comprehensive Income and Expenditure Statement in 2017/18:

31 March 2018 £000s		31 March 2017 £000s
	Credited to Taxation and Non Specific Grant Income	
639	Revenue Support Grant	1,310
83	Second Homes Monies	71
4,390	New Homes Bonus	5,340
309	Other	351
5,421	General Grants	7,072
90	Capital grants and contributions	399
5,511	**Total Credited to Taxation & Non Specific Grant Income**	**7,471**
	Credited to Services	
25,579	DWP Housing Benefit	26,215
415	DWP Admin Grant	483
195	Section 106 Developer Contributions	13
275	Homelessness Grants	193
0	Gypsy & Traveller Capital Grant Unapplied	1
0	Handyman Service NCC Grant	55
859	DFG Capital Grant	716
5	Green Deal Capital Grant Applied	76
422	Other	378
27,750	**Total Credited to Services**	**28,130**
33,261	**Total Grants Credited to Comprehensive Income & Expenditure Statement**	**35,601**

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 2018 £000s	Balance Sheet	31 March 2017 £000s
355	Revenue Grants Receipts in Advance (Short Term)	68
0	Capital Grants Receipts in Advance (Short Term)	5
1,756	Grants Receipts in Advance (Long Term)	1,324
2,111		**1,397**

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 2018 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 2018:

Two members of the Council are on the Board of Saffron Housing Trust. During 2017/18, Saffron Housing Trust was paid £346,013 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 £14,100 from the Council plus payment of £2,400 for environmental improvement works undertaken.

One member of the Council is a Governor of Diss High School, which received £5,416 for hire of its gym, and is also on the Board of Hethel Engineering, which received a payment of £1,164 during 2017/18 for hosting a business reception.

One member of the Council is on the Board of North East Suffolk Citizens' Advice Bureau which received Service Level Agreement payments of £5,333 during 2017/18.

One member of the Council is a trustee of St Barnabas Counselling Centre, which received payments of £3,100 for services in 2017/18.

During 2017/18, the Council commissioned services to the value of £2,106 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. All expenditure is processed through the Council's finance team and the budgets were subject to an internal audit during 2015/16 which gave a positive assurance rating.

The interim Commercial Director of the Council, in post from April to July 2017, was employed via a company, FD & L Services Ltd, of which he is Director. This company was paid £11,480 during 2017/18.

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.

The South Norfolk District contains 119 parish and town councils to which the Council provides funding in the form of Council Tax Support Grant. Sixteen members of the Council have declared that they are elected Members of other local authorities, either parish councils within the District or Norfolk County Council and four 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: 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. Detailed 'Related Party' transactions are disclosed in the individual accounts of these companies. Group Accounting details are disclosed in the Group Accounts section.

30. BIG SKY VENTURES LTD GROUP

The results of the Big Sky Ventures Ltd group and details of changes to the group structure are contained within the Group Statements from page 84.

The accounts of the companies are prepared by Aston Shaw. The individual companies' accounts had not been audited at the time of preparing the Group Accounts. However, the group companies' figures are audited by Aston Shaw as part of the audit requirements for South Norfolk Council's Group Statements.

Companies' accounts may be obtained from Big Sky Ventures Ltd, South Norfolk House, Cygnet Court, Long Stratton, Norwich, Norfolk, NR15 2XE.

31. 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.

	2017/18 £000s	2016/17 £000s
Opening capital financing requirement	**0**	**0**
Capital Investment:		
Tangible Fixed Assets	1,183	2,065
Investment Properties	51	2,474
Intangible Fixed Assets	78	215
Revenue Expenditure Funded from Capital under Statute	1,457	1,173
Investments and loans	3,315	155
Debtors	44	32
Creditors	0	0
	6,128	**6,114**
Sources of Finance:		
Capital Receipts	(2,916)	(4,077)
Revenue Contributions	(2,064)	(833)
Grants & Contributions	(1,148)	(1,204)
	(6,128)	**(6,114)**
Closing Capital Financing Requirement	**0**	**0**

32. 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.

	2017/18			2016/17		
Expenditure **£000s**	**Grants Received** **£000s**	**Expenditure funded from other sources** **£000s**		**Expenditure** **£000s**	**Grants Received** **£000s**	**Expenditure funded from other sources** **£000s**
527	(527)	0	Improvement Grants	654	(654)	0
378	(332)	46	Aids & Adaptations	299	(62)	237
184	(184)	0	Section 106	0	0	0
11	0	11	Affordable Housing	87	0	87
10	(5)	5	Green Deal Projects	76	(76)	0
11	(11)	0	Play Area Refurbishments	13	(13)	0
0	0	0	Neighbourhood Projects	4	0	4
17	0	17	Toilet Refurbishment			
69	0	69	Ketteringham Depot Improvements	0	0	0
250	0	250	Diss Heritage	40	0	40
1,457	**(1,059)**	**398**		**1,173**	**(805)**	**368**

33. 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	
	2017/18 £000s	**2016/17 £000s**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising:		
- Current service cost	(4,167)	(2,592)
Financing and Investment Income and Expenditure		
- Net interest expense	(1,466)	(1,121)
Total Post-employment Benefits charged to the Surplus or (Deficit) on the Provision of Services	(5,633)	(3,713)

	2017/18 £000s	**2016/17 £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)	325	6,179
- Actuarial gains and losses arising on changes in demographic assumptions	0	1,017
- Actuarial gains and losses arising on changes in financial assumptions	2,826	(23,580)
- Other	5	(5,992)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	3,156	(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	(5,683)	(3,766)
- Actual amount charged against the General Fund Balance for pensions in year	3,177	1,260
Employers' contributions payable to the scheme	(2,506)	(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	
	2017/18	2016/17
	£000s	£000s
Present value of the defined benefit obligation	134,774	132,506
Fair value of plan assets	(79,207)	(76,910)
Net liability arising from defined benefit obligation	**55,567**	**55,596**

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

	Local Government Pension Scheme	
	2017/18	2016/17
	£000s	£000s
Opening fair value of scheme assets	76,910	68,282
Interest income	1,998	2,389
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	325	6,179
Contributions from employer	2,456	2,453
Contributions from employees into the scheme	708	732
Benefits paid	(3,190)	(3,125)
Closing fair value of scheme assets	**79,207**	**76,910**

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

	Local Government Pension Scheme	
	2017/18	2016/17
	£000s	£000s
Opening balance at 1 April	132,506	100,296
Current service cost	4,167	2,592
Interest cost	3,464	3,510
Contributions from scheme participants	708	732
Remeasurement (gains) and losses:		
- Actuarial gains/losses arising from changes in demographic assumptions	0	(1,017)
- Actuarial gains/losses arising from changes in financial assumptions	(2,826)	23,580
- Other	(5)	5,992
Benefits paid	(3,240)	(3,179)
Closing balance at 31 March	**134,774**	**132,506**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	2017/18 £000s	% of total assets	2016/17 £000s	% of total assets
Cash and cash equivalent				
Equity instruments:				
By industry type				
Consumer	5,208	6.6%	5,728	7.4%
Manufacturing	4,442	5.6%	4,469	5.8%
Energy and utilities	1,413	1.8%	2,137	2.8%
Financial institutions	4,419	5.6%	4,943	6.4%
Health and care	1,451	1.8%	2,325	3.0%
Information Technology	2,484	3.1%	2,198	2.9%
Sub-total equity	19,417		21,800	
Debt securities:				
UK Government	1,192	1.5%	0	0.0%
	1,192		0	
Property:				
By type				
UK property	6,948	8.8%	7,179	9.3%
Overseas property	1,139	1.4%	1,200	1.6%
Sub-total property *	8,087		8,379	
Private equity:				
All	4,376	5.5%	4,807	6.3%
Sub-total private equity *	4,376		4,807	
Investment Funds and Unit Trusts:				
Equities	21,206	26.8%	20,427	26.6%
Bonds	21,917	27.7%	19,440	25.3%
Sub-total other investment funds	43,123		39,867	
Derivatives:				
Foreign Exchange	121	0.2%	(159)	-0.2%
Other	(61)	-0.1%	0	0.0%
	60		(159)	
Cash and Cash Equivalents:				
All	2,952	3.7%	2,216	2.9%
	2,952		2,216	
Total assets	79,207		76,910	

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	
	2017/18	2016/17
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	2.7%	2.7%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.7%	2.6%

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, ie 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 2018	**Approximate % increase to Employer Liability**	**Approximate Monetary Amount (£'000s)**
0.5% increase in the Salary Increase Rate	2%	2,156
0.5% increase in the Pension Increase Rate	9%	12,445
0.5% decrease in Real Discount Rate	11%	14,793

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 £2,530,000 expected contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 19.1 years 2017/18 (19.1 years 2016/17).

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.

34. CONTINGENT ASSETS & LIABILITIES

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.

The Council has retained some liabilities in respect of housing stock that transferred to Saffron on 17 May 2004. Any of these liabilities that are identified after the transfer date but existed before then remain the responsibility of the Council. The Council's insurers were unable to provide cover for these unquantified risks. Since the housing stock transfer date £100,000 of the LSVT receipts have been earmarked to cover any potential liabilities.

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.

35. 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 2018, the Infrastructure Investment Fund had a cash balance of £3.543m 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 2017/18	Business Rates	Council Tax	Total 2016/17	Business Rates	Council Tax
	£000s	£000s	£000s	£000s	£000s	£000s
Income						
Business Rates Receivable (Note 2)	27,925	27,925	-	31,190	31,190	-
Council Tax Receivable	79,396	-	79,396	74,093	-	74,093
	107,321	27,925	79,396	105,283	31,190	74,093
Expenditure						
Precepts, Demands and Shares (Note 4)						
Central Government	14,413	14,413	-	15,676	15,676	-
Norfolk County Council	61,743	2,940	58,803	57,141	3,135	54,006
South Norfolk Council (including Parish Councils re.Council Tax)	21,685	11,759	9,926	21,771	12,542	9,229
Norfolk Police and Crime Commissioner	10,233	-	10,233	9,657	-	9,657
Charges to Collection Fund						
Cost of Collection	162	162	-	161	161	-
Renewable Energy Schemes (Disregarded)	157	157		161	161	
Transitional Protection payments due to/(from) central government	160	160				
Increase/(decrease) in allowance for impairment of debts/appeals	273	148	125	219	187	32
Increase/(decrease) in provision for appeals	(1,104)	(1,104)	-	1,055	1,055	-
Write Offs of uncollectable amounts	197	126	71	109	36	73
Apportionment of Previous Year Surplus/ (Deficit)						
Contribution to Central Government	(603)	(603)	-	(953)	(953)	-
Contribution to Norfolk County Council	737	(121)	858	782	(191)	973
Contribution to South Norfolk Council	(335)	(483)	148	(591)	(762)	171
Contribution to Norfolk Police and Crime Commissioner	156	-	156	171	-	171
	107,874	27,554	80,320	105,359	31,047	74,312
Surplus/(Deficit) for Year (Note 5)	(553)	371	(924)	(76)	143	(219)
Collection Fund Balance						
Balance at beginning of the Year	(1,114)	(2,056)	942	(1,038)	(2,199)	1,161
Surplus/Deficit (+/-)for Year	(553)	371	(924)	(76)	143	(219)
Balance at End of the Year	(1,667)	(1,685)	18	(1,114)	(2,056)	942

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 2018 was £85.8 million (£81.5 million 31 March 2017). The standard non-domestic multiplier for the year was 47.9p (49.7p 2016/17) and the small business multiplier 46.6p (48.4p 2016/17).

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	3,674	6/9	2,449
B	13,024	7/9	10,130
C	13,009	8/9	11,564
D	9,529	9/9	9,529
E	6,172	11/9	7,544
F	2,670	13/9	3,857
G	1,360	15/9	2,267
H	97	18/9	194
	49,535		47,534

Adjustment for changes during the year and losses on collection	(414)
Council Tax Base	47,120

The average total Band D Council Tax for the year was £1,675.78 (2016/17 £1,607.04).

4 COUNCIL TAX PRECEPTS AND DEMANDS

	2017/18 £000s	2016/17 £000s
Norfolk County Council	58,803	54,006
Norfolk Police and Crime Commissioner	10,233	9,657
South Norfolk District Council	6,269	6,123
Parish Councils	3,657	3,106
	78,962	72,892

5 SURPLUS/(DEFICIT)

The Council Tax Collection Fund has decreased with an in-year deficit of £924,000 together with a brought forward surplus balance of £942,000 leading to an overall surplus of £18,000 on the Council Tax Collection Fund as at 31 March 2018.

The localised Non-Domestic (Business) Rate Scheme has resulted in a NDR Collection Fund deficit balance of £1,685,000 as at 31 March 2018 compared to a deficit balance of £2,056,000 as at 31 March 2017. This is mainly due to a reduced provision for appeals as a result of settlement of GR surgery appeals and reduction in periods of rating charge subject to appeals.

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 2018 £000s	31 March 2017 £000s
Central Government	(842)	(1,027)
Norfolk Police and Crime Commissioner	2	124
Norfolk County Council	(154)	493
South Norfolk District Council	(673)	(704)
	(1,667)	(1,114)

In the Balance Sheet as at 31 March 2018 the £1,667,000 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 £673,000 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 2017/18 and its position at the year end of 31 March 2018. 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 2017/18, 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

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of the completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income 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 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 on demand deposits. Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment will normally qualify as a Cash and Cash Equivalent only when it has a short maturity of 3 months or less from the date of acquisition.

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

The Council's financial assets will fall into the category of loans and receivables. These are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

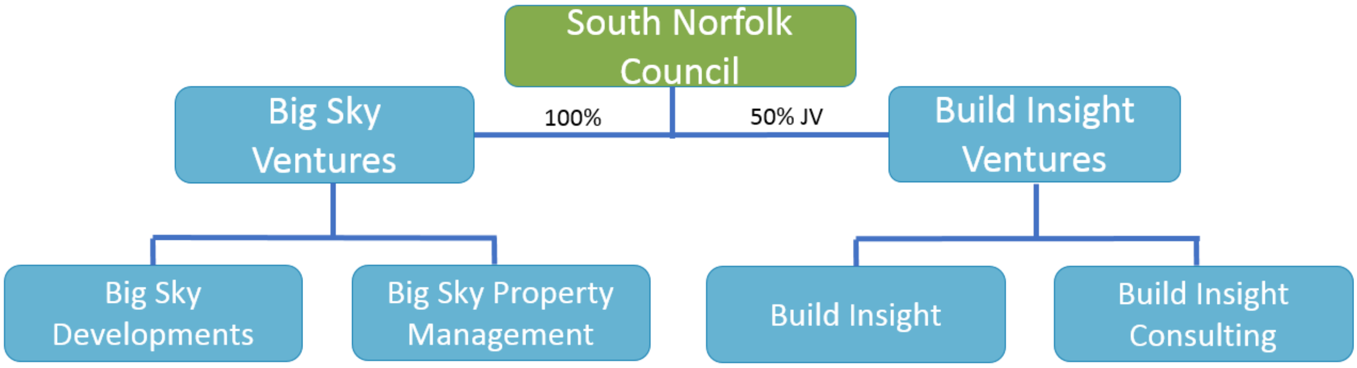
Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). In its capacity as a billing authority, the Council acts as an agent collecting and distributing Council Tax and 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 £125,501 (2016/17: loss of £448) with net assets of £5,728,369 (2016/17: £4,723,870).
  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 £219,408 (2016/17: £237,928) with net assets of £3,958,844 (2016/17: £3,739,436).

- **Big Sky Property Management Ltd –** This company manages properties retained for private sector rental.
  The results for the year show a loss of £37,736 (2016/17: loss of £4,070) with net assets of £2,283,968 (2016/17: £1,089,104).

- **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 £483 (2016/17: loss of £448). As a result of moving to a joint venture arrangement, it was necessary to neutralise the balance sheets of the companies within the group, leading to an impairment in the value of

investments held within Build Insight Ventures Ltd of £614,998. The net liabilities of the company were £1,611 (2016/17: net assets of £123,870).

- **Build Insight Ltd –** This is the Approved Inspector company.
  The results for the year show a profit of £38,643 (2016/17: loss of £93,699) with net assets of £113,789 (2016/17: £354,354 liabilities).

- **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 loss of £14,338 (2016/17: profit of £908) with net assets of £2,789 (2016/17: £43,373 liabilities).

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 line by line basis up to 31st December 2017 as part of the Big Sky Ventures group (see below) 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.

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

2016/17 Restated:

	General Fund Balance £000s	Capital Receipts Reserve £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Council Reserves £000s
Balance brought forward as at 1 April 2016	**14,003**	**5,913**	**19,916**	**13,653**	**33,569**
Movement in Reserves during 2016/17:					
Total Comprehensive Expenditure and Income (Council single entity) (page 32)	4,076	0	**4,076**	(22,094)	**(18,018)**
Total Comprehensive Expenditure and Income (Group companies)	338	0	**338**	0	**338**
Adjustments between accounting basis & funding basis under regulations (Council single entity) (page 39)	(374)	(1,905)	**(2,279)**	2,279	**0**
Adjustments between accounting basis & funding basis under regulations (Group companies)	(80)	0	**(80)**	80	**0**
Increase/Decrease in Year	**3,960**	**(1,905)**	**2,055**	**(19,735)**	**(17,680)**
Balance carried forward at 31 March 2017	**17,963**	**4,008**	**21,971**	**(6,082)**	**15,889**
Movement in Reserves during 2017/18:					
Total Comprehensive Expenditure and Income (Council single entity) (page 32)	1,848	0	**1,848**	4,031	**5,879**
Total Comprehensive Expenditure and Income (Group companies)	747	0	**747**	0	**747**
Adjustments between accounting basis & funding basis under regulations (Council single entity) (page 39)	2,212	(1,421)	**791**	(791)	**0**
Adjustments between accounting basis & funding basis under regulations (Group companies)	(103)	0	**(103)**	103	**0**
Increase/Decrease in Year	**4,704**	**(1,421)**	**3,283**	**3,343**	**6,626**
Balance carried forward at 31 March 2018	**22,667**	**2,587**	**25,254**	**(2,739)**	**22,515**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Year ended 31 March 2018			Restated Year ended 31 March 2017		
	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	7,580	(1,499)	6,081	7,383	(1,228)	6,155
Communities and Wellbeing directorate	34,521	(31,003)	3,518	35,635	(31,071)	4,564
Growth and Business Development directorate	10,948	(7,310)	3,638	11,115	(6,760)	4,355
Corporate Management	5,880	(5,448)	432	3,668	(3,641)	27
Cost of Services	**58,929**	**(45,260)**	**13,669**	**57,801**	**(42,700)**	**15,101**
Other Operating Expenditure:						
Precepts paid to Parish Councils			3,361			3,218
(Gain)/Loss on disposal of non-current assets			(1,290)			(764)
Payments to Housing capital receipts pool			1			1
			0			0
Financing and Investment Income and Expenditure:-						
Interest payable or similar charges			10			5
(Gain)/Loss on trading accounts			(331)			(379)
Other investment property income			(30)			(15)
Pensions interest (income)/expenditure			1,466			1,121
Investment interest income			(156)			(188)
(Gain)/Loss on revaluation of investments			0			31
(Gain)/Loss on revaluation of Investment Property and Assets Held for Sale			322			(1,792)
Taxation and Non-Specific Grant Income and Expenditure:-						
Council Tax Income			(9,957)			(9,372)
Business Rates Income and Expenditure			(4,236)			(3,926)
Capital Grants			(90)			(399)
General Grants			(5,421)			(7,072)
(Surplus)/Deficit on provision of service for the Year			**(2,682)**			**(4,430)**
Joint Venture accounted for on an equity basis			26			0
Taxation expenses of subsidiaries			61			16
Group (Surplus)/Deficit			**(2,595)**			**(4,414)**
(Surplus)/deficit on revaluation of property, plant and equipment assets			(1,038)			(1,945)
Impairment losses on non-current assets charged to revaluation reserve			214			1,715
Remeasurement of the pensions net defined benefit liability/(asset)			(3,207)			22,324
Other Comprehensive Income and Expenditure			**(4,031)**			**22,094**
Total Comprehensive Income and Expenditure			**(6,626)**			**17,680**

GROUP BALANCE SHEET

	As at 31 March 2018 £000s	As at 31 March 2017 £000s
Non Current Assets		
Property, Plant & Equipment	28,342	27,207
Intangible Fixed Assets	307	364
Investment Properties (Group Note 4)	16,502	13,926
Investment in Joint Venture	26	0
Long Term Investments (Group Note 2)	25	25
Long Term Debtors (Group Note 1)	1,956	2,174
Total Non-Current Assets	**47,158**	**43,696**
Current Assets		
Assets Held for Sale	0	320
Cash and cash equivalents	18,973	16,042
Debtors (Group Note 5)	10,557	4,734
Short Term Investments	5,500	9,071
Inventories (Group Note 3)	10,291	10,437
Total Current Assets	**45,321**	**40,604**
Current Liabilities		
Creditors	(10,191)	(8,497)
Revenue Grants Receipts in Advance	(355)	(68)
Capital Grants Receipts in Advance	0	(5)
Short Term Provisions	(672)	(751)
Total Current Liabilities	**(11,218)**	**(9,321)**
Long Term Liabilities		
Long Term Creditors	(1,024)	(1,228)
Grants Receipts in Advance	(1,756)	(1,324)
Provisions	(399)	(942)
Pension Scheme Liability	(55,567)	(55,596)
Total Long Term Liabilities	**(58,746)**	**(59,090)**
Net Assets	**22,515**	**15,889**
Usable Reserves		
General Fund Balance	1,644	1,000
General Reserves	21,023	16,963
Usable Capital Receipts Reserve	2,587	4,008
Unusable Reserves		
Capital Adjustment Account	45,267	42,731
Collection Fund Adjustment Account	(599)	(521)
Deferred Capital Receipts Reserve	12	12
Pension Reserve	(55,567)	(55,596)
Revaluation Reserve	8,423	7,756
Short Term Accumulated Absences Account	(275)	(464)
Total Net Worth	**22,515**	**15,889**

GROUP CASHFLOW STATEMENT

	31 March 2018		31 March 2017	
	£000s	£000s	£000s	£000s
Net surplus or (deficit) on the provision of services		**2,595**		**4,414**
- Adjustments to net surplus or deficit on the provision of services for interest		(207)		(199)
- Adjustments to net surplus or deficit on the provision of services for non-cash movements		2,857		6,925
- Proceeds from Sale of Property, Plant or Equipment reported in net surplus/deficit of provision of service in Comprehensive Income and Expenditure Statement		(1,376)		(905)
- Other cash flows arising from Operating Activities		149		160
Net cash flows from Operating Activities (Group Note 6)		**4,018**		**10,395**
Investing Activities				
- (Purchase) of property, plant and equipment, investment property and intangible assets	(1,093)		(4,582)	
- Proceeds from/(Purchase of) short-term and long-term investments	3,500		1,000	
- Other payments for investing activities	(44)		(87)	
- Long term loans granted	218		(193)	
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,380		748	
- Capital grants	71		337	
- Net cash acquired with subsidiary	(2,503)		926	
Net Cash Inflows/(Outflows) from Investing Activities		**1,529**		**(1,851)**
Financing Activities				
- Other payments for financing activities	(2,616)		(4,446)	
Net Cash Inflows/(Outflows) from Financing Activities		(2,616)		(4,446)
Net increase or decrease in cash and cash equivalents		**2,931**		**4,098**
Cash and cash equivalents at the beginning of the reporting period		16,042		11,944
Cash and cash equivalents at the end of the reporting period		**18,973**		**16,042**

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. GROUP LONG TERM DEBTORS

	2017/18 £000s	2016/17 £000s
Balance per South Norfolk Council single entity accounts (Note 14)	3,706	8,040
Companies' long term debtors	0	184
Eliminate loans to Council owned companies	(1,750)	(6,050)
Group balance as at 31 March 2018	**1,956**	**2,174**

2. GROUP LONG TERM INVESTMENTS

	2017/18 £000s	2016/17 £000s
Balance per South Norfolk Council single entity accounts (Note 15)	5,880	4,750
Eliminate Council owned companies' investments	(5,855)	(4,725)
Group balance as at 31 March 2018	**25**	**25**

3. GROUP INVENTORIES

	2017/18 £000s	2016/17 £000s
Balance per South Norfolk Council single entity accounts	7	5
Consolidate companies' inventories	10,284	10,432
Group balance as at 31 March 2018	**10,291**	**10,437**

4. GROUP INVESTMENT PROPERTIES

	2017/18 £000s	2016/17 £000s
Balance per South Norfolk Council single entity accounts (Note 10)	11,901	12,252
Consolidate Council owned companies' investment properties	4,601	1,674
Group balance as at 31 March 2018	**16,502**	**13,926**

5. GROUP DEBTORS

	2017/18 £000s	2016/17 £000s
Balance per South Norfolk Council single entity accounts (Note 16)	17,120	5,769
Elimination of intercompany balances	(6,828)	(1,519)
Consolidate Council owned companies' debtors	265	484
Group balance as at 31 March 2018	**10,557**	**4,734**

6. GROUP CASHFLOW STATEMENT – RECONCILIATION OF NET SURPLUS OR (DEFICIT) ON THE PROVISION OF SERVICES TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	31 March 2018		31 March 2017	
	£000s	£000s	£000s	£000s
Group Surplus/(Deficit)		**2,595**		**4,414**
Adjust net surplus or deficit on the provision of services for Interest				
Interest and Investment Income	(156)		(188)	
Interest Paid	10		5	
Taxation	(61)		(16)	
		(207)		(199)
Non-cash Movements:-				
Depreciation & Amortisation Charge	1,539		1,643	
Impairment of non-current assets and downward valuations	(862)		(42)	
Decrease/(Increase) in Inventories	146		(4,188)	
Decrease/(Increase) in Debtors	(6,457)		(1,264)	
Increase/(Decrease) in Creditors	1,144		2,062	
(Gain)/Losses on disposal of non-current assets	(1,290)		(764)	
(Gain)/Losses on revaluation of investments	0		31	
Carrying amount of disposed non-current assets and investments	34		142	
Gain/(Losses) on revaluation of investment properties	322		(1,792)	
Movement in Pension Liability (IAS19)	(2,181)		3,673	
Provisions	(622)		664	
Provision for Bad Debts	69		145	
Joint Venture accounted for on an equity basis	(26)		0	
Collection Fund	10,832		6,046	
Revenue Funded from Capital Under Statute	398		368	
Employee Balance of Holiday/Flex Charge	(189)		201	
		2,857		6,925
Proceeds for Sale of Property, Plant or Equipment reported in net surplus/deficit of provision of service in Comprehensive Income and Expenditure Statement		(1,376)		(905)
Other cashflows arising from Operating Activities:-				
Interest Received	155		165	
Interest Paid	(6)		(5)	
		149		160
Net cash (Inflows)/Outflows from Operating Activities		**4,018**		**10,395**

7. OFFICER REMUNERATION

Build Insight Ltd and Big Sky Property Management Ltd

In 2017/18, 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)	2017/18	11,151	161	11,312	0	11,312
	2016/17	*64,000*	*963*	*64,963*	*0*	*64,963*
Development Project Manager	2017/18	51,250	0	51,250	0	51,250
	2016/17	*0*	*0*	*0*	*0*	*0*

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

FRAG Work Programme

22/06/2018	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 2017/18, including Review of the Effectiveness of Internal Audit	Faye Haywood	FORMAL
	Annual Governance Statement 2017-18	Peter Catchpole	FORMAL
	Statement of Accounts 2017-18	Peter Catchpole	FORMAL
	Annual Report on Counter Fraud Activity 2017/18 (if anything to report)		FORMAL
	Debt Management Policy	Simon Bessey	FORMAL
27/07/2018	Audit Results Report	External Audit	FORMAL
	Final Statement of Accounts	Peter Catchpole	FORMAL
23/11/2018	Internal Audit Activity Report	Faye Haywood	FORMAL
	Internal Audit Follow Up Report	Faye Haywood	FORMAL
	Annual Audit Letter	External Audit	FORMAL
	Review of the Local Government Ombudsman Report 2018	Kim Woodhouse	FORMAL
	Training Session for members to complete their Self Assessment	Faye Haywood	INFORMAL
Mar-19	Certification of Claims & Returns Annual Report 17/18	External Audit	FORMAL
	Internal Audit Activity Report	Faye Haywood	FORMAL
	Strategic and Annual Internal Audit Plans 2019/20	Faye Haywood	FORMAL
	Annual Report of FRAG Committee	Faye Haywood	FORMAL
	External Audit Plan 18/19	External Audit	FORMAL
	Self Assessment of the FRAG Committee	Faye Haywood	FORMAL