Finance, Resources, Audit and Governance Committee

Friday 27 July 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 22 June 2018; **(attached – page 12)**

5. Statement of Accounts 2017/18 (including a short presentation by Alex Younger, Norfolk Pension Fund, and an update by EY);
(Report attached – page 18)
(Statement of Accounts - page 24)
(Audit Results Report - page 127)

6. FRAG Work Programme; **(attached – page 172)**

Glossary

<u>General Terms</u>

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

International Accounting and Financial Reporting Standards Reference Numbers

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

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

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

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

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

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

Council Systems

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

AXIS - Income receiving system which interacts directly with Integra

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

eXpress – the electoral registration system

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

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

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

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

LALPAC – system used to record licensing details

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.

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 22 June 2018 at 9.30 am.

Committee Members Present:	Councillors: P Hardy (Chairman), L Dale, W Kemp, T Lewis, T Palmer, R Savage and G Wheatley
Officers in Attendance:	The Head of Governance (E Hodds), the Head of Internal Audit (S Storm), the Accountancy Manager (M Fernandez-Graham), The Financial Services Manager (S Bessey), the Internal Audit Manager (F Haywood), and the Group Accountant (J Brown).
Also in Attendance:	Kevin Suter and Tony Poynton - Ernst & Young (EY)

176 MINUTES

The minutes of the meeting held on 9 March 2018 were confirmed as a correct record and signed by the Chairman.

177 CORPORATE DEBT COLLECTION POLICY, PROCEDURES AND GUIDELINES

Members considered the report of the Financial Services Manager, which presented the Committee with a revised Corporate Debt Collection Policy, Principles and Procedure.

The Financial Services Manager presented his report, outlining the proposed changes to the document. Members noted that the changes reflected the recent realignment of staff and teams, delegated the granting of instalments to key staff dealing with customers, and removed the existing framework, which based the number of instalments on the value of the debt, and not the customer's ability to pay. The Financial Services Manager stressed that the policy had been amended with the individual needs of the customer in mind, balanced with the need to safeguard Council finances.

In response to queries, the Financial Services Manager explained that the original policy had included details of delays between each stage of debt recovery, however, as these details could potentially disadvantage the Council (as picked up in a recent audit), these details had been removed.

Discussion followed regarding bad debts and members were informed that debts were only written off as a last resort, and being mindful of the impact on the individual concerned. The Financial Services Manager explained that although some staff were authorised to write off debts, they would be authorising another officer to carry out this action, thus adding in a further stage of checking, and members suggested that this be made clearer in the Policy. Members also noted that all write-offs were subject to sample checking.

Concerning the cost of debt recovery, members noted that the pre-court and reminder letters had not been costed, however, members noted that the cost of a summons was £50.00, and a liability order £20.00. A debt would only be pursued if any costs could be justified in that instance.

(Subsequent to the meeting, the Finance Officer confirmed that the costs added to customer records at the summons/liability order stage reflected the expenses incurred by the Council in the recovery of unpaid Council Tax and Business Rates. It should be noted that these costs are reviewed regularly as they are subject to scrutiny by magistrates at each court hearing).

Following further brief discussion, it was

RESOLVED: to note the SNC Corporate Debt Collection Policy, Procedure & Guidelines.

178 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Internal Audit Manager presented the Committee with a report to advise the progress made between 21 February 2018 and 10 May 2018 in relation to delivery of the Annual Internal Audit Plan for 2017/18, and summarised the two completed audits undertaken during this period.

Members noted that on the completion of the audit on Corporate Health and Safety, an assurance of “reasonable” was awarded. However, a “limited” assurance was awarded with regard to the audit of the Service Desk.

In response to queries regarding the Service Desk, members noted that all the recommendations had been agreed by management, and were due to be finalised by October 2018.

It was then

RESOLVED: to note the outcomes of the two completed audits and the completion of the Internal Audit Plan for 2017/18.

179 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

The Internal Audit Manager presented her report which outlined the position in relation to the completion of agreed internal audit recommendations as at 31 March 2018.

Members noted that only one “important” recommendation for 2015/16, three “needs attention” recommendations for 2016/17, and four “important recommendations” for 2017/18, remained outstanding. The Internal Audit Manager informed members that the recommendation from 2016/17, regarding requisitioner and buyer procedures (Audit SNC1710 Accounts Payable) was now complete.

Concern was expressed that recommendations were still outstanding from previous years and the officers drew members’ attention to appendices 1 and 2 of the report, which provided details regarding the progress made against the recommendations. The Chairman reminded members that the Committee could call managers to account and request that they provide more detailed explanations with regard to progress and reasons for delay. It was suggested that managers report back to the next appropriate meeting of the Committee, however the Head of Governance suggested that a decision regarding this be made nearer the time, based on the progress that had been made.

In response to a query regarding SNC 1807 Key Controls and Assurances from 2017/18, regarding the retention of records concerning changes to supplier details, the Financial Services Manager confirmed that this was an ongoing requirement and was now complete.

It was then

RESOLVED: to note the position in relation to the completion of agreed internal audit recommendations as at 31 March 2018.

180 ANNUAL REPORT AND OPINION 2017/18

The Head of Internal Audit summarised her annual report which detailed the outcomes of the Internal Audit work undertaken in 2017/18, and sought to inform members of the effectiveness of Internal Audit, the opinion on the Council's framework of governance, risk management and control during 2017/18, and information relevant for the Annual Governance Statement.

The Head of Internal Audit outlined the key elements of the report, to the Committee, referring in particular to the overall opinion of "reasonable", in relation to the framework of governance, risk management and control at the Council.

Members were pleased to note the positive performance of the internal audit service, which was demonstrated through the performance indicator outcomes.

It was then

RESOLVED:

1. to note the contents of the Annual Report and Opinion of the Head of Internal Audit;
2. to note that a reasonable audit opinion had been given in relation the overall adequacy and effectiveness of the Council's framework of governance, risk management and control to the framework for the year ended 31 March 2018;
3. to note that the opinions expressed together with significant matters arising from internal audit work and contained within the report would be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2017/18;
   and
4. to note the conclusions of the Review of the Effectiveness of Internal Audit.

181 DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

Members considered the report of the Head of Governance, which presented the Committee with the Annual Governance Statement for 2017/18.

The Head of Governance presented the report, explaining that there had been a change this year in how the relevant information was pulled together, with a formal assurance statement now being completed by Heads of Service and all those staff reporting directly to a Director. Members noted that these responses highlighted the varying levels of understanding with regard to risk management and steps were already in place to address these development needs.

Following further brief discussion, it was

RESOLVED: to approve the Annual Governance Statement for 2017/18.

182 DRAFT STATEMENT OF ACCOUNTS 2017/18

Members considered the report of the Accountancy Manager, which set out aspects of the Council's Draft Statement of Accounts for the Financial Year 2017/18.

The Accountancy Manager presented his report to members, and drew attention to the significant issues and some material items requiring adjustment, which had been identified based on Ernst Young's (EY) work to date, and were expected to be corrected in the final published accounts. He informed members that EY had indicated that subject to adjustments, it expected to issue an "unqualified" opinion on the accounts before the statutory deadline of 31 July. The Group Accountant advised members that officers were working on those items requiring adjustment, and progress was being made.

During discussion, Mr. K Suter, from EY, thanked officers for producing the first draft set of accounts, by 21 May. He referred to delays in information received from the companies' auditor, Aston Shaw Ltd with regard to the Council's subsidiary companies, and he understood that officers would be addressing these issues. He also referred to misstatements in the statement of cashflows, which he believed officers were currently re-working.

After officers had responded to a number of queries on points of detail, it was

RESOLVED: To:

1. note the Draft Statement of Accounts;
2. agree that the audited Statement of Accounts be considered at its meeting in July.

183 WORK PROGRAMME

Members referred to the Finance, Resources, Audit & Governance Committee's Work Programme, noting that a more detailed update on the progress of audit recommendations from previous years, might be required at a future meeting of the Committee.

The meeting concluded at 11.24 am

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Chairman

Finance, Resources, Audit and Governance Committee
Friday 27 July 2018

Agenda Item 5

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 updates Members on progress on finalising the Council's Statement of Accounts for the Financial Year 2017/18. This report provides a high-level commentary on significant changes to the Statement of Accounts since the Draft Statement of Accounts was published. 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 presented to FRAG at its last meeting on 22nd June 2018. There have been some adjustments made to the accounts since the draft was published. The transfer to General Reserves, as shown in the Draft Statement of Accounts (Note 22, Page 53), was £1.758 million. There are 4 adjustments that collectively result in an increase in general reserves of £278,000. This means that the transfer to General Reserves has now increased to £2.036 million.

1.3 There has been a further adjustment reducing the pensions liability by £718,000, compared to the draft accounts. The effect of this is to reduce the negative pensions reserve by £718k, from (£55.567m) to (£54.849m). A representative of Norfolk Pension Fund has been invited to this Committee on 27th July to answer any questions that Members may have.

1.4 The overall effect of the amendments outlined above is to increase the net worth of the Council by £0.996 million from £22.065 million to £23.069 million.

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. A meeting has been held with Aston Shaw Limited to discuss this and actions for improvement have been agreed. There are some outstanding audit queries that need to be resolved before the audit can be signed off. The Senior Auditor will be back on site from Monday 23rd July for one week, with the intention of resolving all audit queries with the Audit Manager in time to enable the Audit Partner to issue his formal audit opinion on 31st July.

2. Background

2.1 The Council's Draft Statement of Accounts was approved by the Assistant Director - Resources on 21st May 2018 and was formally reviewed by the Finance, Resources, Audit and Governance Committee at its meeting on 22nd June 2018. The Statements were available for public inspection up to 3rd July 2018, although officers did not receive any queries or requests for any supporting information.

2.2 The external auditor's work on the Statements is expected to be substantially complete by the time this Committee meets. The findings of this audit are contained within the Draft Audit Results Report which has already been discussed at an informal session of the Finance, Resources, Audit and Governance Committee following its meeting on 22nd June 2018. EY will provide a verbal update on the issues contained in that report.

2.3 The auditors currently expect to give an unqualified opinion for the financial statements and value for money.

3. Statutory requirements for financial reporting

3.1 Following the audit, the surplus on provision of services in the Comprehensive Income and Expenditure Account has increased by £0.278 million as follows:

	£000s
Surplus on provision of services for the year as per the draft accounts	**(1,848)**
HB Debtors for overpaid Housing Benefit, an increase in amount owed based on reconciliation to the HB system	(241)
Increase in South Norfolk Council's share of Community Infrastructure Levy (CIL) based on increased total CIL received	(173)
Additional Section 31 grants relating to business rates, notified at a late stage in the accounts process	(152)
Reversal of CIL debtor accrual relating to 2016/17 which had not previously been reversed	288
Surplus on provision of services for the year as per the final accounts	**(2,126)**

The effect of these changes all impact on general revenue reserves, which have therefore increased by £278k, from £10.659m to £10.937m.

3.2 The cashflow statement has also been adjusted to reflect the movements above. There is no effect on the level of cash held by the Council at 31 March 2018.

3.3 The auditors identified one audit difference on the cash flow statement with an aggregated value of £10.832 million, which has no impact on either the amount of cash held at 31 March 2018, nor the overall net worth of the Authority. It is essentially a presentational issue which has no impact on the finances of the Council or any decisions that Members would be asked to make. The difference relates to how the cash flows for the Collection Fund are included in the cash flow statement, but it is important to note that this difference has no impact on the actual cash paid over to Parishes, to central government, to Norfolk County Council or the Police and Crime Commissioner for their share of the precept or NNDR. Officers agreed to amend the cash flow statement for this difference and a revised cashflow statement is included in the accounts. In the light of the audit, officers have purchased the CIPFA toolkit for producing cashflow statements, which is much improved from previous years, and have used this to draw up the revised 2017/18 cashflow statement from scratch. The format of the statement has been adjusted to reflect the CIPFA toolkit format as closely as possible to enable efficient production of the accounts.

3.4 Cash flows for the Collection Fund for the 2016/17 accounts have also needed to be adjusted, again using the CIPFA toolkit and a Prior Period Adjustment note will be included in the accounts. This presentational adjustment does not change any balances carried forward from the 2016/17 accounts into 2017/18 and has no effect on the amount of the amount of cash held at 31 March 2017, nor the overall net worth of the Authority at that date.

4. Internal Control

4.1 The auditors commented on weaknesses in the operation of internal controls in respect of the posting of transactions from the bank account statement, where £181,000 of these were showing in creditors but had not yet been allocated to the appropriate balance sheet codes in the nominal ledger. They were accounted for within the creditor balances showing in the Authority’s general ledger and in the view of officers were therefore correctly included within the Comprehensive Income and Expenditure Statement shown on Page 32 of the Draft Accounts. This is an issue that had already been recognised internally and officers had already started working to progress the appropriate reconciliations. The payments account balance as at the end of June has reduced from £181k to £72k (bank statement not yet matched to payments in the ledger). However, we know that of this, £33k relates to specific supplier payments (which we are working to match to the appropriate purchase ledger invoices) and £31k is timing on Barclaycard invoices between the direct debit being charged to the bank account and the entry of the transactions from each cardholder into the ledger. Had the balance been at this level at the end of March, it is unlikely that the auditors would have identified any issues. The reconciliation is done monthly.

4.2 The other control issue raised is in respect of £211,000 showing as cash in transit in the nominal ledger as at Saturday 31st March 2018. This relates to cash income paid to the authority in one financial period which is received in the bank account in the following period. Officers are of the view that they can demonstrate that 90% of this cash in transit on Saturday 31st March had been received on Sunday 1st April 2018 and the remaining balance was received in the bank account during April. Due to its nature, there will always be a cash in transit balance at the end of a financial period due to the time it takes for payments made by phone or BACS to be credited to the income bank account. Cash in transit account work continues with officers examining the postings made at source, timing of transactions and access to detailed reports to support bulk entries. As at the end of June the total cash in transit stood at £164,000, which all relates to 2018/19 income. As at the time of writing, £82,000 of this is due to timing differences that have been identified, the remaining £81,000 is currently under investigation with a view to these timing differences being clearly identified by the end of July, in accordance with agreed operational timescales.

4.3 The auditors agree with management's assessment that the impact of these audit differences are not material and officers have chosen not to adjust them, bearing in mind the time it would take to do so and the discussion at the Finance, Resources, Audit and Governance Committee on 11th June.

5. Signing of the Statement of Accounts

5.1 The audit work is expected to be substantially completed by the time of the Committee meeting, but given the deadline of 31st July 2018 for signing off the Statement of Accounts; the Committee is requested to delegate any further amendments to the Statement of Accounts for 2017/18 to the Accountancy Manager and to delegate the signing of the letter of representation and the Statement of Accounts to the Chair of the FRAG committee alongside the Assistant Director - Resources. A copy of the letter of representation will be provided to the committee.

6. Value for Money

6.1 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.

6.2 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.

7. Conclusion

7.1 The Audit of the Statement of Accounts is almost complete. It is currently anticipated that unqualified audit opinions will be given on both the financial statements and the value for money conclusion. The Auditors have recommended that a number of amendments be made to the accounts and the appropriate adjustments have been made.

8. Recommendations

8.1 It is recommended that the Committee:

a) Note the adjustments to the Statement of Accounts 2017/18.

b) Delegate to the Accountancy Manager to make any necessary adjustments to the Statements for sign-off and publication by 31^{st} July 2018.

c) Delegate to the Chair of the Finance, Resources, Audit and Governance Committee to sign the letter of representation alongside the Assistant Director - Resources.

Statement of Accounts 2017/2018

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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. Greater Norwich is one of the fastest growing parts of the UK and is establishing itself as a leader in science, technology and manufacturing, with over 50% of workers in Greater Norwich being employed in knowledge-intensive industries.

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

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

As a Council, we are committed to making South Norfolk one of the best places to live and work in the country. Our vision and priorities are contained in the Annual Governance Statement beginning on page 19.

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.

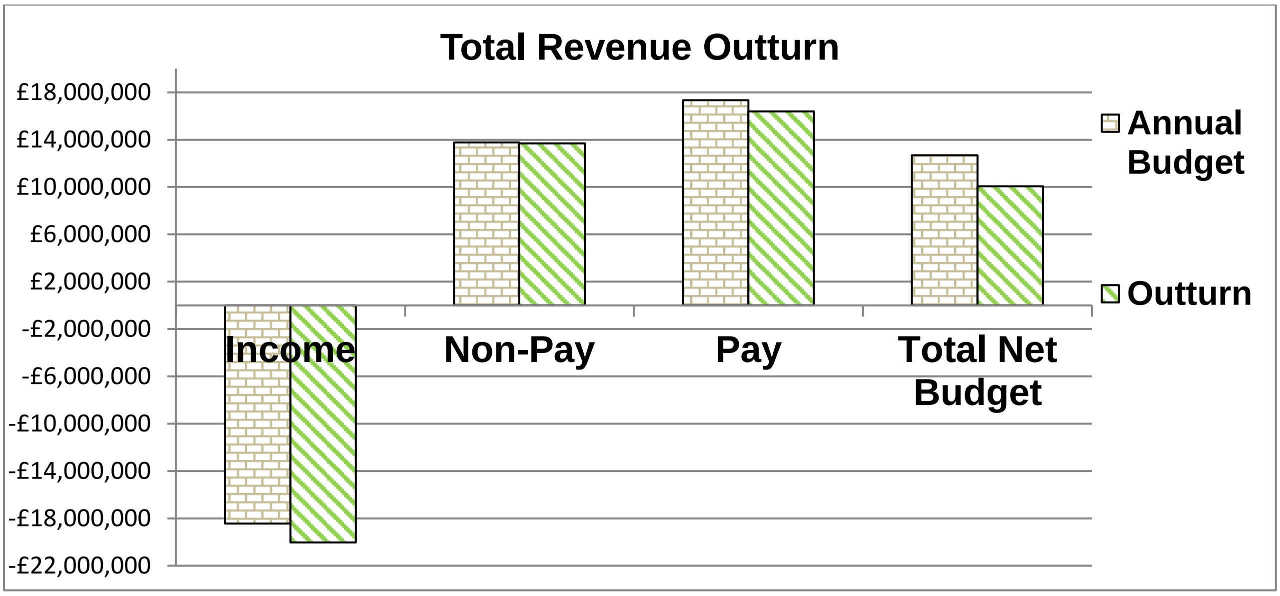
The local government finance settlement in February 2018 confirmed continuing reductions to the New Homes Bonus, which is given for every new home brought into use in the District. This will significantly reduce the amount South Norfolk Council receives, as we are currently a significant recipient of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

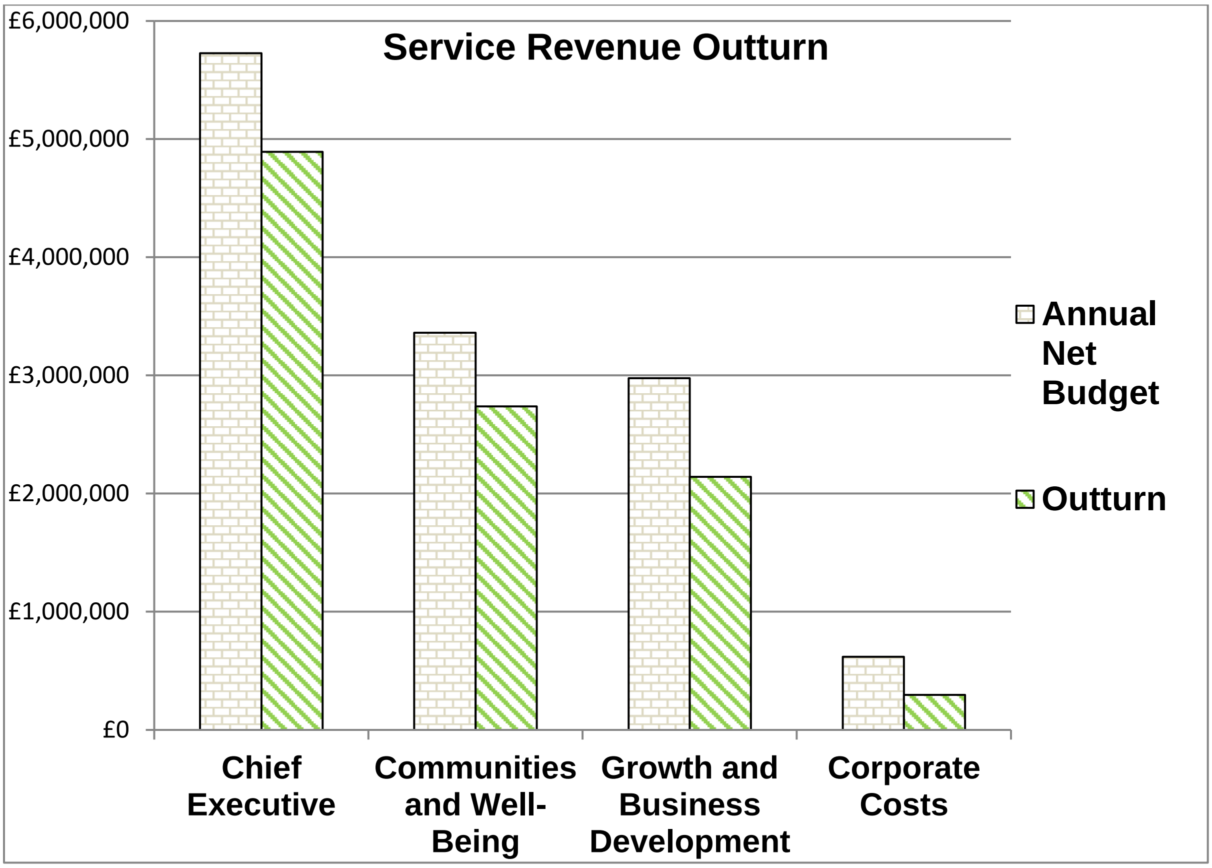
Robust financial standing

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 34), which covers both capital and revenue income and expenditure.

Revenue

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



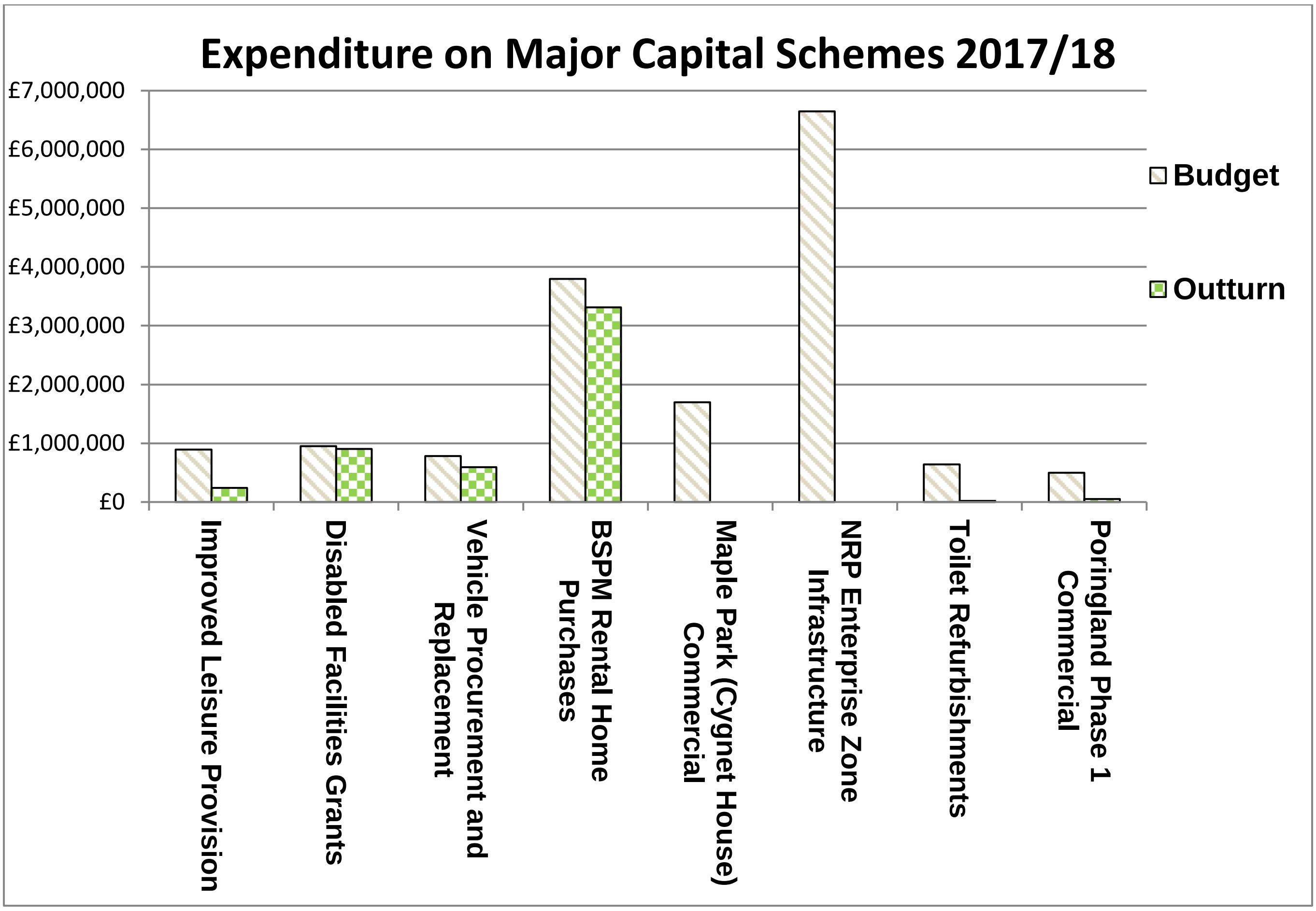


Analysis of major variances

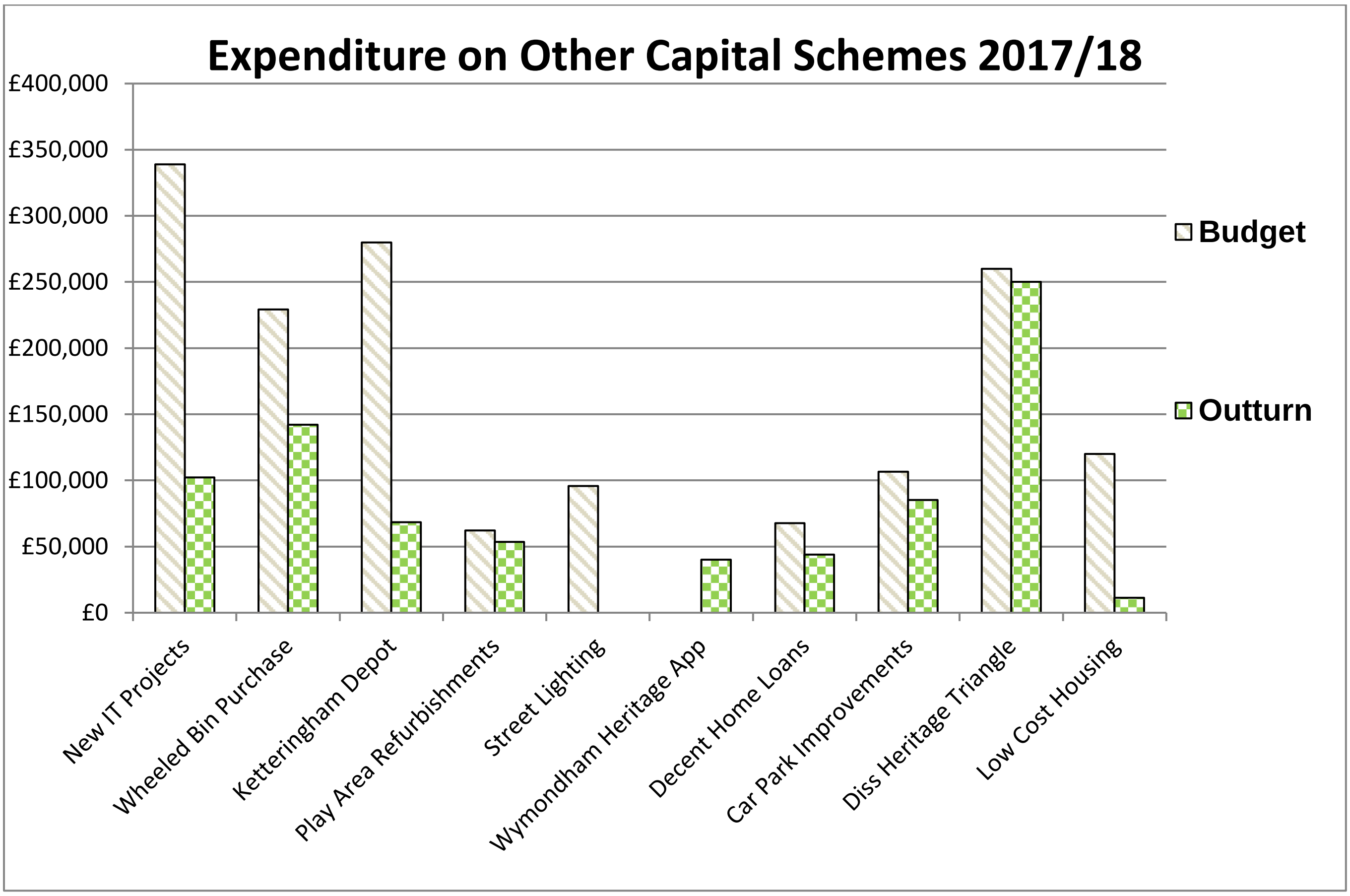
- The revenue surplus is caused by a combination of positive variances against pay and non-pay and income budgets. Positive variances on pay budgets reflect effective management of the staff budget, including management of staff vacancies, a reduction in the number of Directors and the effect of realignments 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

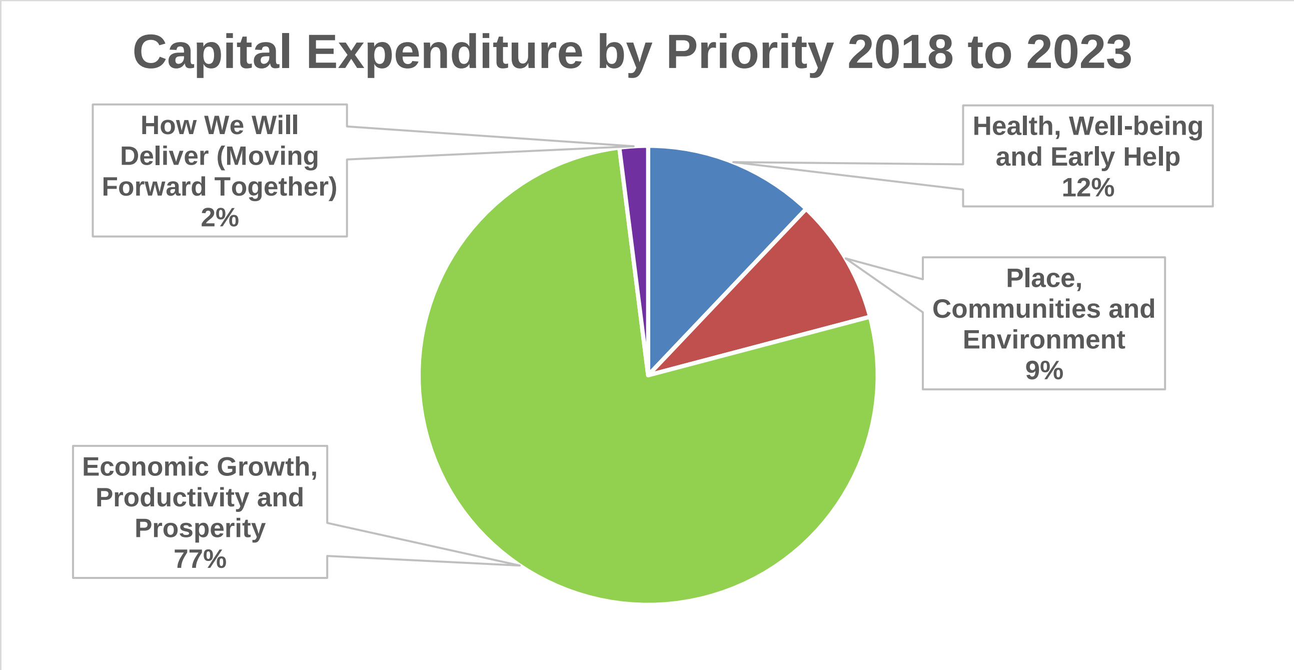


Expenditure on Other Capital Schemes 2017/18
£400,000
£350,000
£300,000
£250,000
£200,000
£150,000
£100,000
£50,000
£0
Budget
Outturn
New IT Projects
Wheeled Bin Purchase
Ketteringham Depot
Play Area Refurbishments
Street Lighting
Wymondham Heritage App
Decent Home Loans
Car Park Improvements
Diss Heritage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

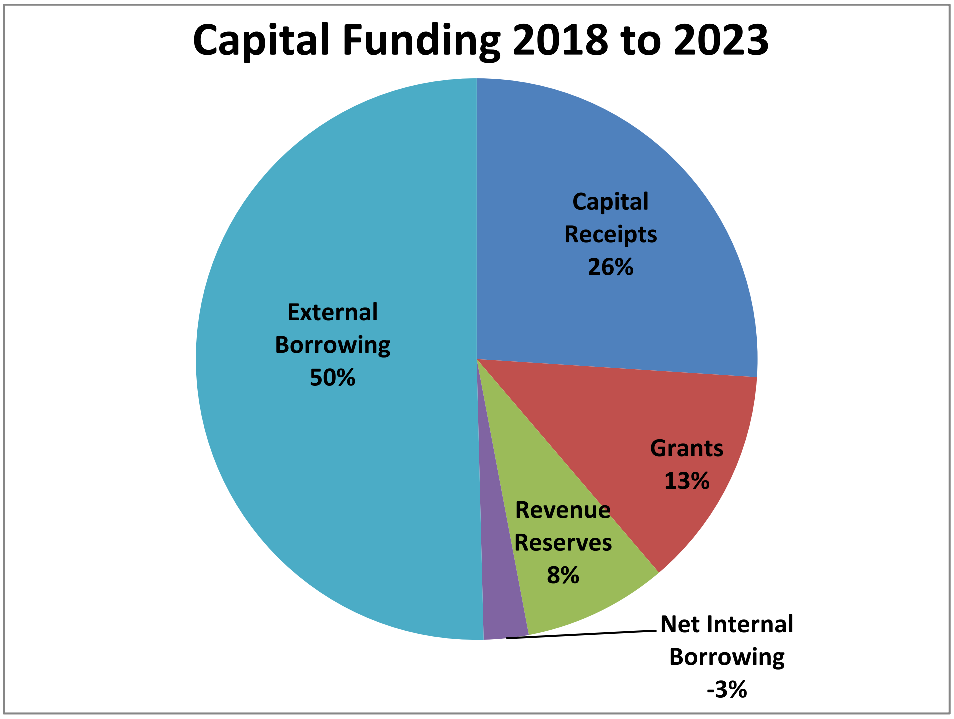
The main areas of capital expenditure during the financial year were:

- 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	50,377	52,613
Current assets	40,294	30,266
Current liabilities	(9,581)	(7,603)
Long term liabilities and provisions	(58,028)	(59,090)
Net Assets	**23,062**	**16,186**
Represented by: Usable reserves	25,289	22,371
Represented by: Unusable reserves	(2,227)	(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.

The Council's land and property are valued by Wilks Head & Eve LLP (RICS). There is a rolling five-year programme revaluing a proportion of the assets each year. All assets are therefore revalued at intervals not exceeding five years as required by the Code. Any major changes will be reflected in the accounts in the year they occur. The gross book value of assets revalued by Wilks Head & Eve LLP as at 1st April 2018 totalled £20.4 million which equates to approximately 72% of the Net Book Value of all Property, Plant & Equipment held at current value as at 31st March 2018. The basis of valuation and classification of Property, Plant and Equipment are explained in the Statement of Accounting Policies section of these accounts.

Cashflow

Total cash and cash equivalents at 31 March 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

Group Accounts

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

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

Future Financial Outlook

The Council's Medium Term Financial Strategy has been updated to reflect the Local Government Finance Settlement announced in February 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 2018 (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).

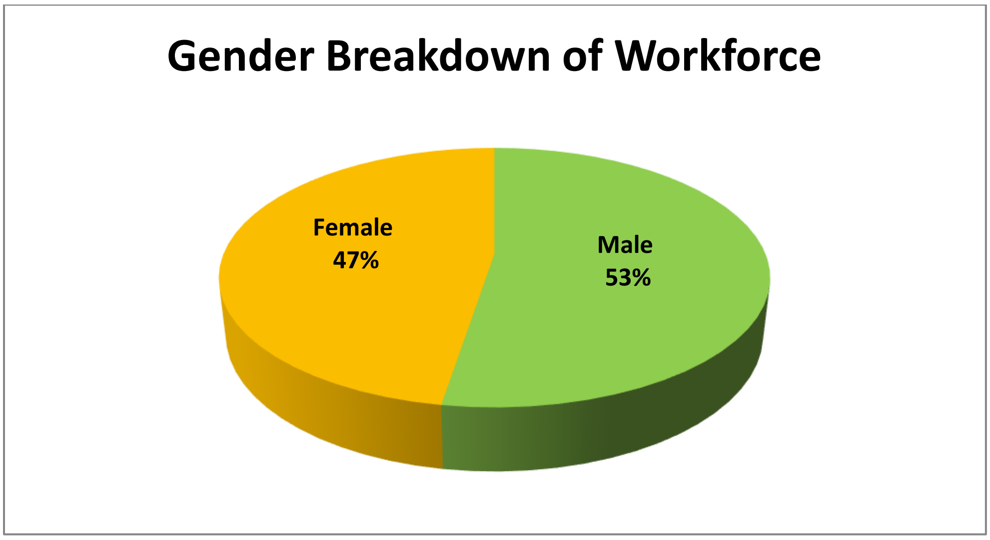
The Council was reassessed for Investors in People during 2017/18 and is still at the Platinum Standard, which is the highest level awarded. The Council was one of only 0.05% of organisations nationally to achieve this and was also only the second council in the country to do so.

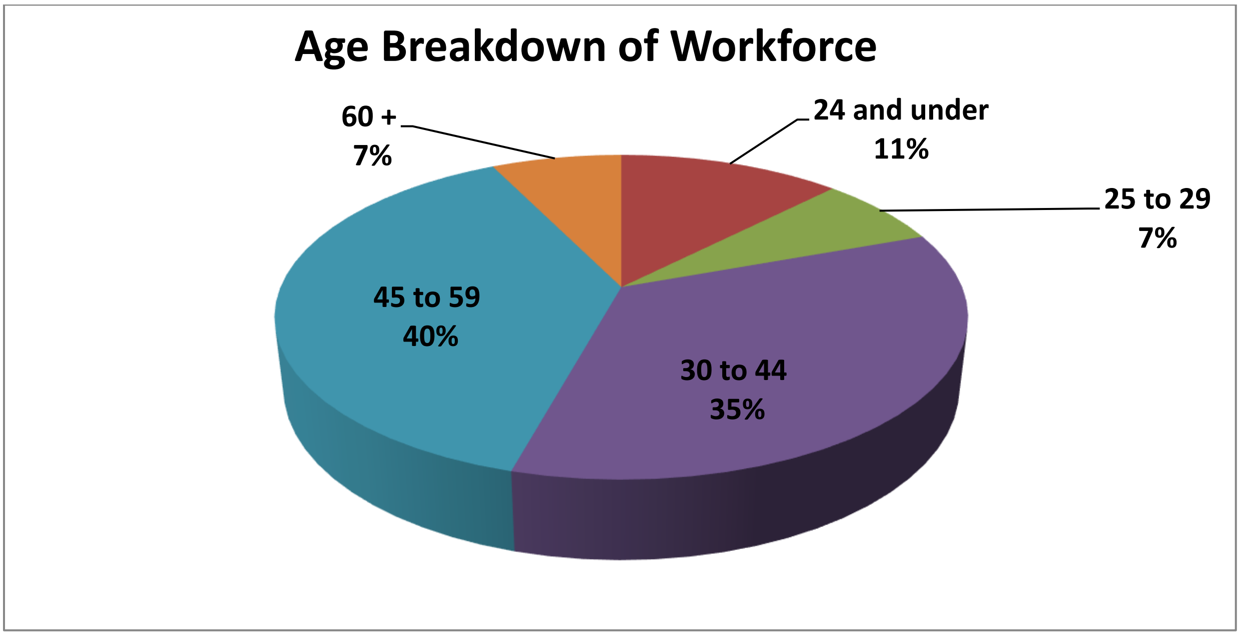
New legislation has been introduced which requires all UK organisations with more than 250 employees to report their gender pay gap figures every year. Many employers have been reporting that they have large pay gaps in favour of men. We are pleased to report that South Norfolk Council's pay gap shows 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

Job Title	Area of responsibility	Budget responsibility (South Norfolk Council)	Staffing responsibility (FTE)	Salary Band
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
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

Job Title	Area of responsibility	Budget responsibility (South Norfolk Council)	Staffing responsibility (FTE)	Salary Band
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.

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.

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.

<u>Risk Management</u>

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.

COUNCIL APPROVAL OF THE ANNUAL GOVERNANCE STATEMENT

I confirm that the Annual Governance Statement has been prepared and reviewed by the Council and was approved for signature by the Finance, Resources, Audit and Governance Committee of the Council at a meeting held on 22nd June 2018.

Signed:

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

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: 27th July 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 9) £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	4,355	(63)	4,292
Corporate Management	963	57	1,020
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 9) £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s
Chief Executive directorate	5,299	777	6,076
Communities and Wellbeing directorate	1,588	1,995	3,583
Growth and Business Development directorate	3,218	143	3,361
Corporate Management	1,220	63	1,283
Net Cost of Services	**11,325**	**2,978**	**14,303**
Other Income and Expenditure	(15,664)	(766)	(16,430)
(Surplus)/Deficit for the Year	**(4,339)**	**2,212**	**(2,127)**
Opening General Fund (including Earmarked Reserves)	(18,363)		
(Surplus)/Deficit on General Fund Balance for the Year	(4,339)		
Closing General Fund Balance (including Earmarked Reserves)	**(22,702)**		

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 9)	(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	2,127	0	**2,127**	4,749	**6,876**
Adjustments between accounting basis & funding basis under regulations (Note 9)	2,212	(1,421)	**791**	(791)	**0**
Increase/Decrease in Year	**4,339**	**(1,421)**	**2,918**	**3,958**	**6,876**
Balance carried forward at 31 March 2018	**22,702**	**2,587**	**25,289**	**(2,227)**	**23,062**

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	(30,957)	3,583	35,635	(31,071)	4,564
Growth and Business Development directorate	10,973	(7,612)	3,361	11,181	(6,889)	4,292
Corporate Management	1,300	(17)	1,283	1,408	(388)	1,020
Cost of Services	**54,482**	**(40,179)**	**14,303**	**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			(4,388)			(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			**(2,127)**			**(4,076)**
(Surplus)/deficit on revaluation of property, plant and equipment assets (Note 24)			(824)			(230)
Remeasurement of the pensions net defined benefit liability/(asset)			(3,925)			22,324
Other Comprehensive Income and Expenditure			**(4,749)**			**22,094**
Total Comprehensive Income and Expenditure			**(6,876)**			**18,018**

BALANCE SHEET

	As at 31 March 2018 £000s	As at 31 March 2017 £000s
Non Current Assets		
Property, Plant & Equipment (Note 10)	28,342	27,207
Intangible Fixed Assets	307	364
Investment Properties (Note 11)	11,901	12,252
Long Term Investments (Note 16)	5,880	4,750
Long Term Debtors (Note 15)	3,947	8,040
Total Non-Current Assets	**50,377**	**52,613**
Current Assets		
Assets Held for Sale	0	320
Cash and cash equivalents (Note 18)	17,803	15,101
Debtors (Note 17)	16,984	5,769
Short Term Investments (Note 19)	5,500	9,071
Inventories	7	5
Total Current Assets	**40,294**	**30,266**
Current Liabilities		
Creditors (Note 20)	(8,554)	(6,779)
Revenue Grants Receipts in Advance (Note 28)	(355)	(68)
Capital Grants Receipts in Advance (Note 28)	0	(5)
Short Term Provisions (Note 21)	(672)	(751)
Total Current Liabilities	**(9,581)**	**(7,603)**
Long Term Liabilities		
Long Term Creditors (Note 22)	(1,024)	(1,228)
Grants Receipts in Advance (Note 28)	(1,756)	(1,324)
Provisions (Note 21)	(399)	(942)
Pension Scheme Liability (Note 33)	(54,849)	(55,596)
Total Long Term Liabilities	**(58,028)**	**(59,090)**
Net Assets	**23,062**	**16,186**
Usable Reserves		
General Fund Balance	1,400	1,400
General Reserves (Note 23)	21,302	16,963
Usable Capital Receipts Reserve	2,587	4,008
Unusable Reserves (Note 24)		
Capital Adjustment Account	45,079	42,646
Collection Fund Adjustment Account	(599)	(521)
Deferred Capital Receipts Reserve	12	12
Pension Reserve	(54,849)	(55,596)
Revaluation Reserve	8,405	7,738
Short Term Accumulated Absences Account	(275)	(464)
Total Net Worth	**23,062**	**16,186**

CASHFLOW STATEMENT

	31 March 2018 £000s	31 March 2017 £000s
Net Surplus on the provision of services	**2,126**	**4,076**
Adjustment to surplus or deficit on the provision of services for noncash movements	1,904	785
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,467)	832
Net Cash flows from Operating activities	1,563	5,693
Net Cash flows from Investing Activities	1,267	(955)
Net Cash flows from Financing Activities	(128)	933
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 18)	**17,803**	**15,101**

The cash flows for operating activities include the following items:

	31 March 2018 £000s	31 March 2017 £000s
Interest received	724	708
Interest paid	(10)	(5)
	714	**703**

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

	31 March 2018 £000s	31 March 2017 £000s
Depreciation	1,405	1,387
Impairment and downward valuations	(247)	(42)
Amortisation	135	256
Increase/(decrease) in creditors	(539)	(756)
(Increase)/decrease in debtors	(2,277)	(1,730)
(Increase)/decrease in inventories	(2)	5
Movement in pension liability	3,126	1,245
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	34	1,407
Other non-cash items charged to the net surplus on the provision of services	269	(987)
	1,904	**785**

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

	31 March 2018 £000s	31 March 2017 £000s
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	4,001
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,319)	(2,145)
Any other items for which the cash effects are investing or financing cash flows	(1,148)	(1,023)
	(2,467)	**833**

NOTES TO THE FINANCIAL STATEMENTS

1. PRIOR PERIOD ADJUSTMENT

a. Changes made to 2016/17 Comparatives

In 2017/18 the Council undertook a senior management restructure, reducing its number of Directors from 3 to 2. This had an impact on the structure of the services within the Council. As a result of this restructure, the analysis lines within the Cost of Services in the Comprehensive Income and Expenditure Statement have been amended to reflect the new internal structure of the Council. The 2016/17 comparatives values in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis have been restated under the new service analysis lines. There is no impact on the bottom line of the Council's core financial statements for 2016/17 as the adjustments made are reclassification amendments.

b. Changes made to the Cashflow Statement

The presentation of the cashflow statement and the accompanying note was not in accordance with the CIPFA/LASAAC Code of Practice ("The Code"), which as a result has been restated. The changes made are as follows.

Cashflow Statement

	Original	Restated	Amount of correction	Nature of correction
	31-Mar-17	31-Mar-17	31-Mar-17	
	£000s	£000s	£000s	
Adjustments to net surplus or deficit on the provision of services for interest	(655)	0	655	Original figure not in accordance with the Code
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	4,001	4,001	Revised figure in accordance with the Code
Proceeds from Sale of Property, Plant or Equipment reported in net surplus/deficit of provision of service in Comprehensive Income and Expenditure Statement	(2,170)	(2,146)	24	Receipts that were not capital proceeds from the sale of non-current assets have been excluded in accordance with the Code.
Other cash flows arising from Operating Activities	632	0	(632)	Original figure not in accordance with the Code
(Purchase) of property, plant and equipment, investment	(4,582)	(4,779)	(197)	Correction of clerical error

property and intangible assets				
Proceeds from/(Purchase of) short-term and long-term investments	0	(100)	(100)	Revised figure in accordance with the Code
Other payments for investing activities	(187)	(124)	63	Minor amendments in accordance with the Code.
Long term loans granted	(64)	0	64	Moved to "Other payments for investing activities"
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	903	2,146	1,243	Original figure incorrectly excluded proceeds from sale of PPE
Other receipts from investing activities	0	902	902	Capital Grants received that were shown elsewhere in the original version are now shown here in accordance with the Code.
Capital grants	337	0	(337)	Revised figure in accordance with the Code.
Other receipts from financing activities (Council Tax and NNDR Adjustments)	(4,446)	548	4,994	Correction to the Council Tax and NNDR adjustments in accordance with the Code.

The table below provides a detailed breakdown that reconciles the original cashflow note to the restated note.

Cashflow Note

	Original	Restated	Amount of correction	Nature of correction
	31-Mar-17	**31-Mar-17**	**31-Mar-17**	
	£000s	**£000s**	**£000s**	
Interest and Investment Income	(660)	0	660	As required by the Code
Interest Paid	5	0	(5)	As required by the Code
Adjust net surplus or deficit on the provision of services for interest	**(655)**	**0**	**655**	**Total of "Interest and Investment Income" and "Interest Paid" shown above**

Depreciation & Amortisation Charge	1,643	0	(1,643)	This line is now split out between depreciation & amortisation for clarity, but no net change
Depreciation	0	1,387	1,387	Amortisation now shown on separate line
Amortisation	0	256	256	Amortisation now shown on separate line, separate from depreciation
Impairment of non-current assets and downward valuations	(42)	(42)	0	No change
Decrease/(Increase) in Inventories	5	5	0	No change
Decrease/(Increase) in Debtors	(1,479)	(1,577)	(98)	Minor amendments in accordance with the Code.
Increase/(Decrease) in Creditors	(122)	(524)	(402)	Collection Fund Creditors now shown in Financing Activities and not in this section
(Gain)/Losses on revaluation of investments	31	0	(31)	Now shown in "Other non-cash items charged to the net surplus or deficit on the provision of services"
Carrying amount of disposed non-current assets and investments	1,407	1,407	0	No change
Gain/(Losses) on revaluation of investment properties	(1,712)	0	1,712	Now shown in "Other non-cash items charged to the net surplus or deficit on the provision of services"
Movement in Pension Liability (IAS19)	3,673	1,245	(2,428)	Revised figure in accordance with the Code.
Provisions	663	0	(663)	Now shown in "Other non-cash items charged to the net surplus or deficit on the provision of services"
Provision for Bad Debts	145	0	(145)	Now accounted for within debtors' section above
Collection Fund	6,046	0	(6,046)	Cash income from Council Tax, NDR and Precepts incorrectly included as a non-cash adjustment
Revenue Funded from Capital Under Statute	368	0	(368)	Original figure not in accordance with the Code
Employee Balance of Holiday/Flex Charge	201	0	(201)	Now accounted for within creditors' section above
Other non-cash items charged to the net	0	(987)	(987)	Revised figure in accordance with the Code.

surplus or deficit on the provision of services				
Adjustments to the surplus or deficit on provision for non-cash movements	**10,827**	**1,170**	**(9,657)**	**Total as shown in the main cashflow statement**

2. 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 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.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

Appeals lodged against NNDR assessments may succeed, resulting in the need to refund all or part of the NNDR paid by the business concerned. The authority has considered the potential effect of the appeals outstanding as at 31 March 2018 and has made a reasoned judgement of the potential effect of these appeals.

4. 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.

NNDR Appeals and Localisation of Business Rates

Billing authorities are required to estimate and make provisions for the liabilities likely to arise from successful appeals against NNDR (Business Rates) bills issued as at 31 March each year. The authority has made a total provision for appeals of £971,000, which is detailed in Note 20 and Note 34 of the accounts. In addition it has an earmarked reserve to deal with all financial risks related to the Business Rates system and this is shown in Note 22 of the accounts. The operation of the Business Rates system is currently under review at a national level and changes are expected to impact from 2020/21 onwards.

5. 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 34 are shown in note 33.

6. 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.

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Restated:

	Year ended 31 March 2017			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1) £000s**	**Net change for Pensions Adjustments (Note 2) £000s**	**Other differences (Note 3) £000s**	**Total Adjustments 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)**

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

(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.

8. 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	1,476	1,126
Precepts and levies	3,361	3,218
Gain on disposal of assets	(1,290)	(763)
Gain/loss on revaluation	892	(1,681)
Other expenditure	43,132	45,378
Total expenditure	**68,072**	**66,733**

Income		
Fees, charges and other income	(14,044)	(12,765)
Interest and investment income	(160)	(188)
Income from Council Tax and Non-Domestic Rates	(23,021)	(22,255)
Government grants and contributions	(32,973)	(35,601)
Total income	**(70,198)**	**(70,809)**

9. 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**

10. PROPERTY, PLANT & EQUIPMENT

Valuation of Property, Plant & Equipment

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	0	0	0	0	**148**
Impairment losses written out to the Comprehensive Income & Expenditure Statement	0	(97)	0	0	0	**(97)**
De-recognition - disposals	0	(836)	0	0	0	**(836)**
Value as at 31 March 2018	**22,644**	**9,710**	**50**	**1,425**	**266**	**34,095**
Accumulated Depreciation						
At 1 April 2017	**(82)**	**(5,570)**	**(50)**	**0**	**0**	**(5,702)**
Reclassifications	0	0	0	0	0	0
Depreciation charge	(441)	(964)	0	0	0	(1,405)
Depreciation written out to the Revaluation Reserve	355	0	0	0	0	355
Depreciation written out to the Comprehensive Income & Expenditure Statement	116	81	0	0	0	197
De-recognition - disposals	0	802	0	0	0	802
At 31 March 2018	**(52)**	**(5,651)**	**(50)**	**0**	**0**	**(5,753)**
Net Book Value at 31 March 2018	**22,592**	**4,059**	**0**	**1,425**	**266**	**28,342**

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.

11. INVESTMENT PROPERTIES

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

	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.

12. FINANCE LEASES

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

13. OPERATING LEASES

Lessor

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

	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**

14. FINANCIAL INSTRUMENTS

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

	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	3,947	8,040	9,193	3,413
Total Debtors	**3,947**	**8,040**	**9,193**	**3,413**
Creditors				
Financial liabilities at amortised cost	1,756	1,324	5,859	3,640
Financial liabilities carried at contract amount	50	50	0	0
Total Creditors	**1,806**	**1,374**	**5,859**	**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:

	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Financial Liabilities - Creditors (Short Term)	5,859	5,859	3,640	3,640
Financial Liabilities - Creditors (Long Term)	1,806	1,806	1,374	1,374
Total Financial Liabilities	**7,665**	**7,665**	**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	9,193	9,193	3,413	3,413
Long Term Debtors	3,947	3,947	8,040	8,040
Total Loans & Receivables	**42,323**	**42,323**	**40,374**	**40,374**

Note 16 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 18.

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

	31 March 2018		31 March 2017	
	Financial assets: Loans and receivables £000s	Financial liabilities: measured at amortised cost £000s	Financial assets: Loans and receivables £000s	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 £1,592,000 (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	142	243
Three months to one year	385	89
More than one year	1,065	209
Total	**1,592**	**541**

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

Liquidity risk

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

Market Risk

Interest rate risk

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

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
Investments at fixed rates – the fair value of the assets will fall.

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

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

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

15. LONG TERM DEBTORS

	31 March 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	1,334	1,121
Total Long Term Debtors	**3,947**	**8,040**

16. 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**

17. SHORT TERM DEBTORS

	31 March 2018 £000s	31 March 2017 £000s
Central Government Bodies	2,662	1,090
Other Local Authorities	632	192
Other entities and individuals	7,820	4,487
Loans to Council owned companies	5,870	0
Total Short Term Debtors	**16,984**	**5,769**

18. 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**

19. SHORT TERM INVESTMENTS

The capital receipts resulting from the transfer of the Council's housing stock to the Saffron Housing Association and other receipts generated from asset sales together with working capital, has enabled short term investments to be made in various financial institutions of £5,500,000 as at 31 March 2018 (£9,071,000 2016/17).

20. SHORT TERM CREDITORS

	31 March 2018 £000s	31 March 2017 £000s
Central Government Bodies	264	322
Other Local Authorities	4,976	2,963
Council Tax Payers/Non-Domestic Rate Payers	644	610
Trade Creditors	631	504
Other entities and individuals	1,211	1,454
Receipts in Advance	828	926
Total Creditors	**8,554**	**6,779**

21. PROVISIONS

	Planning Provisions £000s	NDR Appeals Provision £000s	Total Provisions £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 73.

22. LONG TERM CREDITORS

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

	31 March 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**

23. USABLE RESERVES

Movements in the Council's Usable Reserves are included within the General Fund Balance in the Movement in Reserves Statement on page 33. 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	2,037	10,938
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**	**4,339**	**21,302**

24. UNUSABLE RESERVES

Capital Adjustment Account

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

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

	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	(1,305)	(1,345)
Amortisation of Intangible Assets	(135)	(256)
Revenue Expenditure Funded From Capital Under Statute	(1,457)	(1,173)
Revaluation gains/(losses) on Property, Plant and Equipment	148	0
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 67.

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

Payments made to the Chief Executive and the Director of Growth & Business Development that relate to their separate roles as Directors of Big Sky Developments Ltd during 2017/18 (as described in Note 29) are disclosed in the Group Accounts Note 7.

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 for: Big Sky Developments Ltd, and Big Sky Property Management Ltd. Following the sale of 50% of its share-holding to NPS Property Consultants Limited on 2nd January 2018, the Council now has a 50% share-holding in Build Insight Ventures Ltd which acts as a holding company with Build Insight Ltd and Build Insight Consulting Ltd. These companies had normal commercial trading relationships with each other and with the Council.

The Chief Executive of South Norfolk Council is Managing Director of all the Council's wholly and partly owned companies. The Director of Growth and Business Development was a Director of Big Sky Developments Ltd and Big Sky Property Management Ltd up to 30 November 2017. She was appointed as a Director of Build Insight Ventures Ltd, Build Insight Ltd and Build Insight Consulting Ltd on 15 January 2018 The Assistant Director – Resources was appointed as a Director of Big Sky Developments Ltd and Big Sky Property Management Ltd on 1 December 2017.

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

As at 31 March 2018, South Norfolk Council held £5.73 million in equity in Big Sky Ventures Ltd and £125k in Build Insight Ventures Ltd. It had outstanding loans to Big Sky Developments Ltd of £5.38 million and to Big Sky Property Management Ltd of £2.24 million. The Council charges a commercial rate of interest on each loan, that can vary to reflect the level of risk and asset base of each company.

During 2017/18, the Council received £430k in interest from Big Sky Developments Ltd and £50k for management and support services recharges. It received £59k in interest from Big Sky Property Management Ltd and £21k for management and support services recharges. It received £6k from Build Insight Ltd in interest (on a loan now repaid) and £138k for building control work done by CNC and for management and support services recharges. It received

£1.5k from Build Insight Consulting Ltd in interest (on a loan now repaid) and £11k for building control work done by CNC and for management and support services recharges.

During 2017/18, the Council made payments of £108k to Big Sky Developments Ltd, principally for services relating to the Council's own commercial properties and its Handyman scheme. It made payments of £25k to Build Insight Ltd, for building control services provided to CNC.

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 88.

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 Expenditure £000s	2017/18 Grants Received £000s	2017/18 Expenditure funded from other sources £000s		2016/17 Expenditure £000s	2016/17 Grants Received £000s	2016/17 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 71.
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)	1,043	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	3,874	(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	(79,925)	(76,910)
Net liability arising from defined benefit obligation	**54,849**	**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	1,043	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	**79,925**	**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	5,255	6.6%	5,728	7.4%
Manufacturing	4,482	5.6%	4,469	5.8%
Energy and utilities	1,426	1.8%	2,137	2.8%
Financial institutions	4,459	5.6%	4,943	6.4%
Health and care	1,465	1.8%	2,325	3.0%
Information Technology	2,506	3.1%	2,198	2.9%
Sub-total equity	19,593		21,800	
Debt securities:				
UK Government	1,203	1.5%	0	0.0%
	1,203		0	
Property:				
By type				
UK property	7,011	8.8%	7,179	9.3%
Overseas property	1,149	1.4%	1,200	1.6%
Sub-total property *	8,160		8,379	
Private equity:				
All	4,416	5.5%	4,807	6.3%
Sub-total private equity *	4,416		4,807	
Investment Funds and Unit Trusts:				
Equities	21,398	26.8%	20,427	26.6%
Bonds	22,116	27.7%	19,440	25.3%
Sub-total other investment funds	43,514		39,867	
Derivatives:				
Foreign Exchange	122	0.2%	(159)	-0.2%
Other	(61)	-0.1%	0	0.0%
	61		(159)	
Cash and Cash Equivalents:				
All	2,978	3.7%	2,216	2.9%
	2,978		2,216	
Total assets	79,925		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	6,596	6,123
Parish Councils	3,330	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

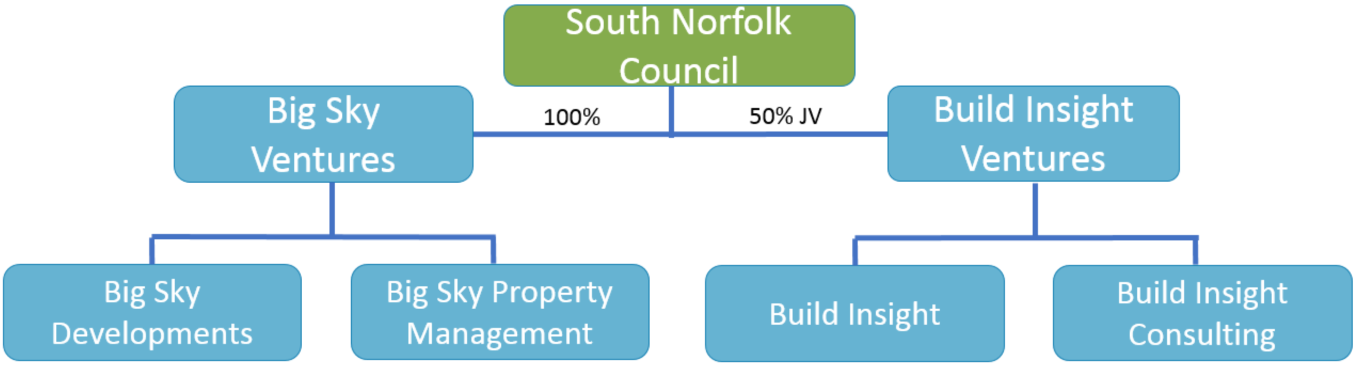
Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). In its capacity as a billing authority, the Council acts as an agent collecting and distributing Council Tax and 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, Big Sky Developments 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*

The Managing Director was paid £15,000 in 2017/18 for her continuing work for all the Big Sky group of companies. Payments made are in addition to payments disclosed in Note 26 of the single entity accounts for her separate role as Chief Executive of South Norfolk Council.

In addition, all 3 Directors of Big Sky Developments Ltd were each paid £10,000 in 2017/18 in recognition of the successful performance of Big Sky Developments Ltd in 2016/17.

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

Awaiting report

Awaiting report

Awaiting report

GLOSSARY OF FINANCIAL TERMS

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

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

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

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

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

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

Capital Receipts
The money received from the sale of assets.

Carrying Value
See ‘Net Book Value’ below.

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

Creditors
Amounts incurred by the Council but not yet paid.

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

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

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

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

Debtors
Amounts due to the Council but not yet received.

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

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

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

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

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

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

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

Gross Book Value
The gross value of an asset prior to depreciation.

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

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

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

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

Non-Current Assets (formerly Fixed Assets)
Assets which can be expected to be of use or benefit the Council in providing its service for more than one accounting period.

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

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

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

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

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

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

Revenue Expenditure Funded from Capital under Statute
Capital expenditure for which the Council either never had, or no longer holds a capital asset.

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

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

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

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

GLOSSARY OF ABBREVIATIONS

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

South Norfolk District Council

Audit results report

Year ended 31 March 2018

July 2018

Building a better working world

25 July 2018

Dear Finance, Resources, Audit and Governance Committee Members

We are pleased to attach an updated version of our audit results report which we originally presented to the June FRAG Committee briefing. This report summarises our preliminary audit conclusion in relation to the audit of South Norfolk District Council for 2017/18.

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

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

We recognise that the Authority agreed to be one of the first of our clients to be audited in this challenging year and would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the FRAG Committee meeting on 27 July 2018.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

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

01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the 9 March 2018 FRAG Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.187m (Audit Planning Report – £1.199m). This results in updated performance materiality, at 75% of overall materiality, of £0.89m, and an updated threshold for reporting misstatements of £0.059m.
- We planned for a fee increase of £3,743 to reflect the fact that the Council is required to produce group accounts. However we encountered unexpected challenges in the completion of the audit which we have set out on page 22. As a result of these challenges we are seeking to agree a further fee increase of £7,269 with management and PSAA. Of the £7,269 fee increase £3,400 relates to additional work required on the group. This is not a final position as the audit is ongoing as set out below.

Status of the audit

We have substantially completed our audit of South Norfolk District Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. We provide an update on the list of outstanding matters, as originally reported to you in June, below.

Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3:

- Receipt and audit of revised group accounts – this is still outstanding as of 25 July as the group balance sheet does not balance by £400k
- Receipt and review of revised cash flow statement – this has been received; with an outstanding question in respect of CIL debtors and creditor
- Completion of our review of the Authority's Cash and Bank position – this is now complete
- Agreement of the debtor/creditor positions of major preceptors – this is now substantially complete
- Completion of our review of the pension scheme liability – this is now substantially complete
- Completion of our review of the work of the Authority's property valuation expert – this is now complete
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission – this is outstanding as it cannot be completed until the opinion is given.
- Receipt and review of a revised set of statements incorporating audit adjustments – we are yet to receive the group accounts
- Receipt of the signed management representation letter (see Appendix B) – this cannot be provided until the accounts are finalised

We expect to issue the audit certificate at the same time as the audit opinion. As the group accounts are still outstanding, this may not be by 31 July.

Executive Summary

Audit differences

At the time of writing we have identified 2 unadjusted audit difference in the draft financial statements which management has chosen not to adjust. We ask that they be corrected or a rationale as to why they are not corrected be approved by the FRAG Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £391,000. We agree with management's assessment that the impact is not material.

We identified one audit difference with an aggregated impact of £10.832 million in the Authority and group cash flow statement. Management have agreed to adjust this audit difference which has no impact on the net worth of the Authority. Details can be found in Section 4 Audit Differences. The revised cash flow statement is now in the correct format. A new prior year adjustment note sets out the impact of the changes; many of which are material. We are currently reviewing the new 17/18 and revised 16/17 cash flow statements and have raised a query in relation to the treatment of CIL debtors and creditors.

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

Areas of audit focus

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

We did not identify any new key areas of focus since the Audit Planning Report.

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

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

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

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. As part of our work on cash and cash equivalents we noted weaknesses in the Authority's control over the income and payments bank accounts. There were £181,000 of transactions in the Authority's payments bank account statement that were not accounted for in the Authority's general ledger. Similarly the officers were unable to verify that transactions totalling £210,000 showing as Cash In Transit in the Authority's general ledger would be received by the bank after the year end. We are aware that officers are working on reconciling these positions and we would encourage this to continue until the situation is under full control.

Executive Summary

Value for money

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

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

Other reporting issues

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the instructions are yet to be issued. However as the Council is below the anticipated testing threshold set by the NAO we do not expect to have any issues to report.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition

What is the risk?

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

Having assessed the key income and expenditure streams of the Council, we judged that there was material opportunity and incentive for the incorrect classification of revenue spend as capital expenditure.

What judgements are we focused on?

We focused on:

- Understanding the controls put in place by management relevant to this significant risk
- Considering whether or not purchase invoices were being inappropriately classified as capital
- Whether management were inappropriately processing journals that transferred amounts from revenue to capital

What did we do?

- Documented our understanding of the controls relevant to this significant risk and confirmed they have been appropriately designed.
- Obtained breakdown of capital additions in the year and reviewed the descriptions to identify any items that could be revenue in nature.
- Amended our sample sizes when testing additions and REFCUS to reflect the existence of this risk. Agreed samples to source documentation to ensure the capital/revenue split was reasonable.
- Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes.

What are our conclusions?

Our testing did not identify any material misstatements from revenue and expenditure recognition.

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

Significant Risk

Significant risk

Misstatements due to fraud or error

What is the risk?

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

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

We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focused on the following:

- Understanding the risks of fraud and the controls put in place to address those risks by management and how the FRAG committee oversees management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions.

What did we do?

- Wrote to the s151 officer, Chair of the FRAG Committee, Head of Internal Audit and Monitoring Officer in this regard and reviewed their responses.
- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed.
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- Reviewed accounting estimates for evidence of management bias.
- Evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

Significant Risk

Other areas of audit focus

Property, Plant and Equipment Valuation

What is the risk?

Material misstatement of the next assets of the Authority as a result of inappropriate judgemental inputs and/or estimation techniques to calculate the year-end balances recorded in the balance sheet.

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

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

What judgements are we focused on?

We focused on the following:

- The adequacy of the scope of the work performed by the value including their professional capabilities
- The reasonableness of the underlying assumptions used by the Authority's expert valuer

What did we do?

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuers in performing their valuation.
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer.
- Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated.
- Considered changes to useful economic lives as a result of the most recent valuation.
- Tested accounting entries had been correctly processed in the financial statements.

What are our conclusions?

Our work in this area is complete and we have no issues to report.

Our testing to date has not identified any material misstatements from inappropriate judgements being applied to the property valuation estimates.

Other areas of audit focus

Pension Liability Valuation

What is the risk?

The Code of Practice on Local Authority Accounting and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is a scheduled body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement.

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

What judgements are we focused on?

We focused on the following:

- The reasonableness of the underlying assumptions used by the Authority's expert – Hymans Robertson.
- Ensuring the information supplied to the actuary in relation to South Norfolk District Council was complete and accurate
- Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Hymans Robertson.

What did we do?

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

What are our conclusions?

This work is now substantially complete.

Our report in June set out that we were waiting for information from the pension fund auditors. That information was provided, and raised the issue that the actuary's estimated value of the pension fund differed from the actual outturn at 31 March by £44m.

We estimated South Norfolk DC's share of this variance was £1.1m.

A revised IAS19 report was obtained from the actuary, and an adjustment has been processed. We are completing our review of this adjustment, but expect no further issues.

03 Audit Report

Draft audit report

Our proposed audit report – subject to the satisfactory completion of outstanding procedures

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

Opinion

We have audited the financial statements of South Norfolk District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement;
- Authority and Group Comprehensive Income and Expenditure Statement;
- Authority and Group Balance Sheet;
- Authority and Group Cash Flow Statement;
- Related notes 1 to 35 and the Expenditure and Funding Analysis, Notes 1 to 5 to the Group Accounts and Significant Accounting Policies; and
- Collection Fund and the related notes 1 to 6

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

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

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Assistant Director - Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Director - Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Draft audit report

Our proposed audit report – subject to the satisfactory completion of outstanding procedures

Other information

The other information comprises the information included in the Statement of Accounts 2017/18, other than the financial statements and our auditor's report thereon. The Assistant Director - Resources is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Responsibility of the Assistant Director - Resources

As explained more fully in the Statement of Responsibilities set out on page 29, the Assistant Director – Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

Draft audit report

Our proposed audit report – subject to the satisfactory completion of outstanding procedures

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Draft audit report

Our proposed audit report – subject to the satisfactory completion of outstanding procedures

Certificate

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

Use of our report

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

04 Audit Differences

Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £0.89m which have been corrected by management that were identified during the course of our audit.

Cash Flow Statements

Our work on the cash flow statement is incomplete as we are waiting for a third version from officers. Our work to date has highlighted material errors in the operating cash flows disclosed as it incorrectly added net income of £10.832 million relating to Council Tax, NDR and Precepts as a non-cash adjustment. As a result of this error further material adjustments to the single entity and group cash flow statements are expected in order to correct the statement. However we are unable to verify exactly what they are at the time of writing as officers continue to work on the statement. We will update the Committee once we are able to determine if there are any further material amendments to the cash flow or related disclosure notes.

Update July 2018: The 2016/17 and 2017/18 cash flow statements have been prepared from scratch using the standard CIPFA toolkit. The new prior year adjustment note in the revised financial statements lists the following material changes to the 2016/17 cash flow statement. Similar changes have been made to the 2017/18 cash flow statement.

- Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) up £4.001 million
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets; up £1.243 million
- Other receipts from investing activities; up £0.902 million
- Other receipts from financing activities (Council Tax and NNDR Adjustments); up £4.994 million
- Gain/(Losses) on revaluation of investment properties; £1.712 million reclassified
- Movement in Pension Liability (IAS19) reduced by £2.428 million
- Collection fund adjustment of £6.046 million removed
- Other non-cash items charged to the net surplus or deficit on the provision of services increased by £0.987 million
- Adjustments to the surplus or deficit on provision for non-cash movements adjusted by £9.657 million

Expenditure and Income Analysed by Nature

Officers agreed to amend the gain/loss on disposal of assets disclosure as it included a revaluation loss of £0.892 million

On page 12, we highlight the adjustment made to the net pension liability

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the **FRAG Committee** and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2018 (£000)	Effect on the current period:	Balance Sheet (Decrease)/Increase			
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
Errors					
Known differences:					
▸ Payments on the bank statement not in the ledger	181,000	(181,000)			
▸ Unexplained differences within the Cash in Transit accounts in the ledger	210,000	(210,000)			
Balance sheet totals		(391,000)	0	0	0
Income effect of uncorrected misstatements (before tax)	391,000	0	0	0	0
Cumulative effect of uncorrected misstatements before turnaround effect	391,000	(391,000)	0	0	0
Turnaround effect. See Note 1 below.	0	0	0	0	0
Cumulative effect of uncorrected misstatements, after turnaround effect	391,000	(391,000)	0	0	0

Uncorrected misstatements in the group accounts

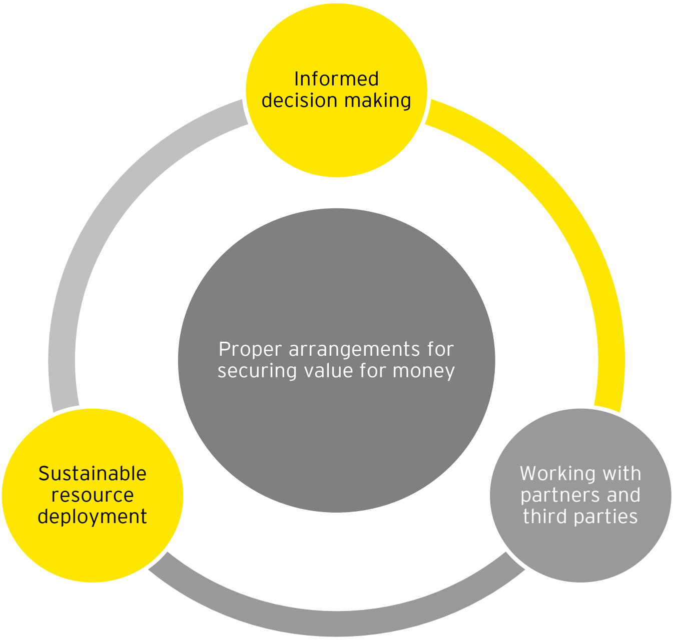
At the time of writing we have not yet received a set of group accounts. We understand there is a discrepancy of £0.4 million between the group reserves per the Group Movement in Reserves Statement and the Group balance sheet reserves. Officers continue to work on this difference.

The above adjustments have the same impact on the group financial statements. There are no additional amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2018.

Note 1: turnaround effect is the impact of uncorrected misstatements identified in the prior period, on results of the current period.

05 Value for Money Risks

Value for Money



Background

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

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

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

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

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

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

Overall conclusion

We did not identify any significant risks around these criteria. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

06 Other reporting issues

Other reporting issues

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

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

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

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

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

We are yet to conclude our work in this area, primarily as the instructions have yet to be issued. We will report any matters arising to the FRAG Committee.

Other powers and duties

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

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

Other reporting issues

Other matters

Difficulties encountered during the audit

We planned to complete our audit work within a 3 week period ending on 25 May 2018. This did not prove possible due to the following delays and unexpected matters arising:

- Responses from the Authority's auditor of its subsidiaries were delayed and when received were incomplete at both interim and final visits. This delayed our ability to review the work of the component auditor.
- The production of the Group Accounts were delayed until Monday of the final week and contained errors in the consolidation. They are currently being reworked for our review in July. This continues to be the case as of 25 July 2018.
- The transaction to sell 50% of Build Insight Ventures was complex and the accounting treatment at single entity and group level took longer than expected to agree due to that complexity.
- The Authority's cash flow statement contained material error in the current and prior year. We have seen a second version but that was also incorrect. We are waiting to see a 3rd version.
- The financial Instrument disclosures incorrectly included statutory rather than financial instrument balances.
- The Authority was initially unable to support the Housing Benefit Subsidy Debtor due from Central Government or the Housing Benefit Overpayment debtors. As the Committee will recall we raised this issue in our 2016/17 annual certification report as a risk to the faster close timetable. The Authority has not changed its arrangements in this regard. We have therefore asked officers to reconsider whether the £1.9 million debtor due from DWP is fully recoverable given the history of adjustments made by the benefits officers.
- Collection fund debtors and creditors as well as the Non-domestic Rates income in the Comprehensive Income and Expenditure Statement (CIES) did not agree to the supporting working papers.
- The delay in the accounts timetable meant we were unable to complete the CIPFA disclosure checklist until after the audit team completed its site visit.
- A review of the bank reconciliation identified items recorded on the bank statements that have not been recorded in the ledger and unexplained differences in the Cash in Transit accounts.
- The Authority amended its directorates in 2017/18 leading to additional time spent re-auditing the 2016/17 Expenditure and Funding Analysis and CIES.
- We also identified amendments to the operating leases note; officers remuneration disclosure; related party disclosure re intercompany balances and transactions; and PPE disclosures re impairment/revaluation.

As a result of the above matters arising the audit work has taken longer than anticipated. If the remaining work is resolved without any further delays we would seek to agree an additional fee of £11,000 with management and PSAA.

However, as of this update on 25July, we are providing further specialist resource to attempt to resolve your group accounts which will require further additional fees.

Other reporting issues

Other matters

Quality of the financial statement preparation process

As part of our audit approach we use data analytical tools which give us the easy ability to analyse and investigate the whole of the Authority's general ledger data. To some extent the quality of the analysis is dependent on the identification of unique ID references that prove individual journals net to nil. For the past 2 years we have received data without being able to identify a unique journal ID and this limits the functionality and effectiveness of this analysis. We recommend that the Authority work with the audit team (including our Data Analysts if necessary) to identify the relevant Unique ID so we can maximise the benefit of the analytics data for the audit team and finance officers.

Assessment of new Accounting Standards

- IFRS 9 Financial Instruments: The 2018/19 Code introduces IFRS 9 on financial instruments. Your view is that the impact on the Authority's financial statements will be immaterial. The Council will need to keep this standard under continued focus during 2018/19 because:
    - The standard may impact balances with the Authority's subsidiaries
    - Statutory overrides may be introduced by Central Government

- IFRS 15 Revenue from Contracts with Customers: Similarly the 2018/19 Code of Practice on Local Authority Accounting for the United Kingdom determines how IFRS 15 Revenue from Customers with Contracts will be adopted by local government bodies. In your view IFRS 15 will not have a material impact on this Council's single entity financial statements as the vast majority of the Council's income streams are taxation or grant based.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. However as part of our work on cash and cash equivalents we noted weaknesses in the Authority's control over its income and payments general ledger bank accounts. We noted a total of £181,000 of transactions in the Authority's payments bank statement that were not accounted for in the Authority's general ledger. Similarly officers were unable to verify that transactions totalling £210,000 showing as Cash In Transit in the Authority's general ledger would be received by the bank after the year end. We are aware that officers are working on reconciling these positions and we would encourage this to continue until the situation is under full control.

08 Data Analytics

Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We can then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

Data Analytics

Journal Entry Insights

We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples. Note to protect data confidentiality we have not shared the outputs in this report. We have shared the output with officers.

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.

Payroll Analyser Insights

We review transactions for payroll at a more granular level, which allows us to identify items with a higher likelihood of containing material misstatements or to identify unusual patterns within a population of data and to design tests of details. This allows us to provide a more effective and risk focused audit on payroll, improving efficiency for both audit and the management as we reduce the need for evidence support for larger random sample.

09 Independence

Independence

Confirmation

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

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you **and your FRAG Committee** consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the FRAG Committee on 22 June 2018.

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

Relationships, services and related threats and safeguards

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

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

Services provided by Ernst & Young

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

We confirm that none of the services listed in the table below has been provided on a contingent fee basis.

As at the date of this report, we have been retained to provide audit services for five years from 1 April 2018. In addition the Authority has agreed to our proposal to provide the Housing Benefit Subsidy Assurance service from 2018/19

Fee analysis

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

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

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee – Code work (note 1)	61,961	54,692	50,949	56,204
Total non-audit services – Housing Benefit Subsidy	tbc	14,236	14,236	14,885

Note 1:

The 2017/18 planned fee included an estimated fee variation of £3,743 to reflect the fact that the Council produces group accounts based on prior year scoping.

The final fee for 2017/18 includes a proposed further variation of £7,269 from the scale fee as a result of changes in the group scoping; the delays incurred; and other issues identified during the audit, as set out on page 22. This variation remains subject to agreement with management and the PSAA. It assumes the remaining audit work is completed without further complication or delay, but will now be subject to further variation to resolve your group accounts.

The final fee for the Housing Benefit Subsidy certification will be confirmed upon completion by the 30 November deadline. We will report the final fee in our annual grant certification report.

10 Appendices

Appendix A

Required communications with the FRAG Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the FRAG Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	February 2018 -Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	February 2018 -Audit planning report
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	June 2018 - Audit results report

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about South Norfolk District Council's ability to continue for the 12 months from the date of our report
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	June 2018 - Audit results report
Subsequent events	▸ Enquiry of the FRAG Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	June 2018 - Audit results report
Fraud	▸ Enquiries of the FRAG Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to FRAG Committee responsibility.	June 2018 - Audit results report Enquiries were made during the audit, and there are no issues to report to you.

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	June 2018 - Audit results report No issues to report
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	February 2018 - Audit planning report June 2018 - Audit results report
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the FRAG Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the FRAG Committee may be aware of	We have made inquiries of management, the Monitoring Officer and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	We have not identified any significant deficiencies in internal controls.

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	February 2018 - Audit planning report June 2018 - Audit results report
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	June 2018 - Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	June 2018 - Audit results report No issues to report.
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	June 2018 - Audit results report No circumstances.
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	February 2018 -Audit Planning Report June 2018 - Audit results report
Certification work	▸ Summary of certification work	Certification Report – expected December 2018 / January 2019

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young LLP
400 Capability Green
Luton LU1 3LU

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of South Norfolk District Council ("the Group and Council") for the year ended 31st March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of South Norfolk District Council as of 31st March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and the Council.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and Council.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and Council that are free from material misstatement, whether due to fraud or error.

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5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

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

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.

3. We have made available to you all minutes of the meetings of the Full Council, Cabinet and Finance Resources Audit and Governance committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: DATE TO BE ADVISED.

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

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed to you all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1.There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

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H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Accounting Estimates

Valuation of Pension Asset/Liabilities and Property, Plant and Equipment Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the significant assumptions used in making the estimated valuations of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Group and the Council.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

J. Retirement benefits

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

K. Prior Period Adjustments

Expenditure and Funding Analysis and Cash Flow Statement

- We confirm we have amended the 2017/18 financial statements as follows: The 2016/17 comparatives in the Expenditure and Funding Analysis to replace the previous segmental reporting analysis.
- The Group and Council cash flow statements have been restated to comply with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We confirm that all required amendments to the Group and Council financial statements and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.

Yours faithfully,

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(Assistant Director - Resources)

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(Chair of the Finance, Resources, Audit and Governance Committee)

FRAG Work Programme

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
Jun-19	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 2018/19, including Review of the Effectiveness of Internal Audit	Faye Haywood	FORMAL
	Annual Governance Statement 2018-19	Emma Hodds	FORMAL
	Annual Report on Counter Fraud Activity 2018/19 (if anything to report)		FORMAL
	Draft Statement of Accounts		INFORMAL
Jul-19	Audit Results Report	External Audit	FORMAL
	Final Statement of Accounts 18/19	Peter Catchpole	FORMAL