

# **Audit Committee**

## **Agenda**

### **Members of the Audit Committee**

Cllr G K Nurden (Chairman)

Cllr P C Bulman (Vice Chairman)

Cllr A D Crotch

Cllr S I Holland

Cllr K A Vincent

### **Date & Time:**

Thursday 27 October 2022 at 10.00am

### **Place:**

Trafford Room, Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich

### **Contact:**

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### **PUBLIC ATTENDANCE:**

If a member of the public would like to attend to speak on an agenda item, please email your request to [committee.bdc@southnorfolkandbroadland.gov.uk](mailto:committee.bdc@southnorfolkandbroadland.gov.uk), no later than 5.00pm Monday 25 October 2022.

## **Pool of Trained Members**

### **Conservatives**

<u>Councillor</u>	<u>Training Received</u>
G Nurden (Chairman)	09/06/2022
P Bulman (Vice Chairman)	20/06/2019
A Crotch (Committee Member)	09/06/2022
K Vincent (Committee Member)	09/06/2022
N Brennan	09/06/2022
K Kelly	09/06/2022
D King	20/06/2019
K Leggett	09/06/2022
M Murrell	09/06/2022
J Ward	09/06/2022

### **Liberal Democrats**

<u>Councillor</u>	<u>Training Received</u>
S Holland (Committee Member)	09/06/2022
D Britcher	09/06/2022
S Catchpole	20/06/2019

# Glossary

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

# AGENDA

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## DECLARATIONS OF INTEREST AT MEETINGS

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

<p>Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.</p>
<p>Does the interest directly:</p> <ol style="list-style-type: none"> <li>1. affect yours, or your spouse / partner's financial position?</li> <li>2. relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner?</li> <li>3. Relate to a contract you, or your spouse / partner have with the Council</li> <li>4. Affect land you or your spouse / partner own</li> <li>5. Affect a company that you or your partner own, or have a shareholding in</li> </ol> <p>If the answer is "yes" to any of the above, it is likely to be pecuniary.</p> <p>Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.</p>
<p>Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?</p> <p>If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but you should not partake in general discussion or vote.</p>
<p>Is the interest not related to any of the above? If so, it is likely to be an other interest. You will need to declare the interest, but may participate in discussion and voting on the item.</p>
<p>Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.</p>

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

## DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



**Agenda Item: 3**

## **AUDIT COMMITTEE**

**Minutes of a meeting of the Audit Committee of Broadland District Council, held on Thursday 22 September 2022 at 10.03am.**

**Committee Members Present:** Councillors: G Nurden (Chairman), P Bulman and A Crotch

**Apologies for Absence:** Councillor: S Holland and K Vincent

**Substitute:** Councillor: N Brennan (for K Vincent)

**Officers in Attendance:** The Assistant Director of Finance (R Fincham), the Head of Internal Audit (F Haywood), the Interim Head of ICT and Digital (M Harris), the Corporate Accountant (D Staff-Howes), the Capital and Treasury Accountant (D Slowther), the Internal Audit Trainee (E Voinic) and the Democratic Services Officer (J Hammond)

**Also in Attendance:** Councillor S Beadle

### **10 DECLARATIONS OF INTEREST**

No declarations of interest were received.

### **11 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs S Holland and K Vincent (with N Brennan substituting).

### **12 MINUTES**

The minutes of the meeting of the Audit Committee held on 21 July 2022 were agreed as a correct record.

## 13 MATTERS ARISING

### *Minute No: 19 – Statement of Accounts 2020/21*

In response to questions, the Assistant Director of Finance informed members that Public Sector Audit Appointments Ltd (PSAA) had procured 96.5% of the needed auditor appointments and was currently undertaking a supplementary procurement exercise.

### *Minute No: 28 – Opting into the National Scheme for External Auditor Appointments*

Members requested an update on whether PSAA had been successful in increasing the number of accredited firms who could carry out local government audits. The Assistant Director of Finance explained that the number of accredited firms would not be confirmed until the full procurement had been completed.

### *Minute No: 35 – Strategic and Annual Internal Audit Plans 2022/23*

With regard to the Risk Management Policy Review, the Head of Internal Audit advised the Committee that she had met with officers to discuss areas of focus within the review. She added that a wider comparison would be carried out across the consortium to gauge best practices. Once the review had been completed, the results would be shared with the Audit Committee in an informal workshop.

The conversation moved to the Strategic Risk Register, where the head of Internal Audit explained that officers were working with the Leader of the Council on how the register should be formatted and what risks should be included within it. The results of this work would feed into how the register would be presented to the Committee in the future.

### *Minute No: 5 – Progress Report on Internal Audit Activity*

Members queried whether the requested wording change in the Disaster Recovery executive summary had been actioned. The head of Internal Audit explained that she had updated the template, however it now needed to be updated in the Internal Audit Contractor (TIAA)'s system to be formally changed.

The Committee were then advised that the Cyber Security audit had been finalised and would now be fed into the Internal Audit reporting process at future Audit Committee meetings.



#### *Minute No: 7 – Annual Governance Statement 2021/22*

The Chairman queried whether the Annual Governance Statement had been updated to amend the typographical errors and re-wordings requested by the Committee at its last meeting. The Assistant Director of Finance explained that some but not all of the requested changes had been implemented.

Members expressed disappointment that not all of the changes had been implemented and requested that officers explained how this occurred. The meeting was then paused for five minutes whilst an update from the Monitoring Officer was obtained.

The Committee were advised that some of the changes had been missed in error. As the Statement was signed off by the Managing Director and Leader of the Council, the Assistant Director of Finance would investigate whether the remaining requested changes could be implemented.

#### *Minute No: 8 – Verbal Update on the Counter Fraud Service*

The Assistant Director of Finance informed members that the report had been presented to Cabinet, who resolved to progress with option 3 – work in partnership with the Anglia Revenues Partnership (ARP). He explained that agreement by South Norfolk Cabinet would need to be obtained, at its next meeting, before the partnership with ARP could be progressed.

### **14 INTERNAL AUDIT UPDATE – PROGRESS AND FOLLOW UP**

Members considered the report of the Head of Internal Audit, which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2022/23 during the period 1 April 2022 to 12 September 2022.

The Head of Internal Audit explained that 22 days of programmed work had been completed, which equated to 14% of the Internal Audit Plan for 2022/23, however no reports had been finalised.

Members were then advised of the progress made in completing the agreed audit work, which included:

- Community Activity – fieldwork underway
- Covid-19 Relief Grants – fieldwork underway
- Community Assets – fieldwork underway
- Risk Management – scoping of the audit underway
- Elections – Audit Management Memorandum issued on 11 July 2022.  
Fieldwork due to start on 4 October 2022
- Economic Development - Audit Management Memorandum in preparation

In response to queries on the Internal Audit performance, the Head of Internal Audit advised members that TIAA's performance issues, including capacity, recruitment and retention had been ongoing, and that she had been disappointed with the lack of progress.

Members were advised that the Head of Internal Audit held a consortium-wide meeting with TIAA to discuss their performance issues and a formal amber key performance indicator (KPI) notice was issued. Were TIAA to fail to meet their KPI's in a further two quarters the Council would be entitled to retain 10% of the fee. The Head of Internal Audit thanked the Committee for their continued focus on the Internal Audit performance issues.

With regard to the Cyber Security audit, the Head of Internal Audit explained that audit work had not been completed in time for the 2021/22 Opinion Report, and a limited assurance result had been indicated. She added that the audit had now been issued in draft and was awaiting management responses. However, given the significant nature of the risks, management had commissioned further work from an external contractor.

In response to questions, the Interim Head of ICT and Digital explained that the work the consultant had been commissioned to undertake was very in-depth and specific to information security. He added that the consultant would fully assess the processes, technical controls, education and culture in relation to cyber security, and enable the Council to develop enhancements to the control framework. Members were further advised that the Council was seeking to gain Cyber Essentials and Cyber Essentials Plus accreditation.

One member queried whether any red flags had been highlighted as a result of the work already undertaken. The Interim Head of ICT and Digital advised the Committee that results of external penetration testing had been good and no major concerns had been highlighted. He added that at present concerns had focussed on education, enforcement, and the lack of a dedicated Cyber Security Officer.

Discussion turned to the outstanding internal audit recommendations, where the head of Internal Audit advised that for:

- HR and Payroll recommendation 3 – the deadline had been revised to 31 December 2022 due to the ongoing issues with the Oracle system.
- Remote Access recommendation 3 – deadline revised to 31 December 2022 to allow for all work to be completed once the commissioned review has been undertaken.
- Disaster Recovery

- Recommendation 1 – awaiting evidence before recommendation is signed off
- Recommendation 3 – the new infrastructure project had been completed; however further testing was required before the recommendation could be signed off.
- Recommendation 4 – deadline had been revised to 31 December 2022
- Recommendation 5 – same as recommendation 3
- Counter Fraud and Corruption – the Assistant Director of Finance advised that all outstanding Internal Audit recommendations would be actioned by ARP once the partnership had been established.

Members raised concerns over the number of Internal Audit recommendation deadlines which had been extended, as well as the lack of detail included within the published responses. Members requested that Internal Audit sought more detailed responses from officers with regard to the progress in completing the Internal Audit Recommendations, especially in instances where deadline extensions had been requested.

After further detailed discussion, it was unanimously

## **RESOLVED**

To

1. Receive the progress report covering progress in delivering the internal audit plan of work for the 2022/23 financial year and responses to outstanding internal audit recommendations.
2. Request that Internal Audit seek more detailed responses from officers, regarding the progress of outstanding Internal Audit recommendations.

## **15 VERBAL UPDATE ON THE PROGRESS WITH THE 2020/21 EXTERNAL AUDIT**

The Assistant Director of Finance updated members on the progress made in relation to the 2020/21 external audit.

Members were informed that Ernst & Young (EY) had not completed their audit work in August 2022 as expected. However, EY had begun working remotely with officers this week for a further two weeks. In response to queries on an expected finish date, the Assistant Director of Finance explained that no formal finish date had been given, but as EY had requested

an updated copy of the accounts it was likely they were in the last stage of the audit.

It was highlighted that the Chairman of the Audit Committee and the Chairman of South Norfolk's Finance, Resources, Audit and Governance Committee had previously written a joint letter to PSAA to express their disappointment in the delays. Members queried whether there was more that the Chairman or officers could do. The Assistant Director of Finance stated that as EY were appointed by PSAA and not by the Councils directly, there was little the Council could do. He informed members that he was having weekly progress meetings with EY and was more confident that the audit results report would be ready for the January 2023 meeting, than he had been at the last Audit Committee meeting in July 2022.

The Committee thanked officers for the update and expressed their continued disappointment with the external audit delays.

## **16 AUDIT COMMITTEE WORK PROGRAMME**

The Committee considered each item within the Work Programme.

The Head of Internal Audit informed the Committee that the Progress on Internal Audit Activity and Internal Audit Follow Up would continue to be presented as a single report.

In response to a query, the Head of Internal Audit explained that a report would be brought to the next meeting of the Committee outlining requirements and options in relation to an independent person. She added that it was not yet mandatory for Councils to appoint an independent person onto their Audit Committees.

The Assistant Director of Finance informed the Committee that the Audit Results Report for 2020/21 and the formal approval of the Statement of Accounts for 2020/21 would be brought to the Committee at its meeting on 26 January 2023. The Draft Statement of Accounts for 2021/22 would also be presented at the January 2023 meeting. However, members were reminded that the 2021/22 accounts could not be formally signed off until they had been audited by the External Auditor.

(The meeting concluded at 11.34am)

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Chairman

## **STATEMENT OF ACCOUNTS 2020/21**

**Report Author(s):** Rodney Fincham  
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**Portfolio:** Finance

**Ward(s) Affected:** All

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

This report provides a commentary on the significant changes to the Statement of Accounts since the Draft Statement of Accounts was published, in order to approve and finalise these for publication.

### **Recommendations:**

1. To note the adjustments to the Statement of Accounts 2020/21.
2. Delegate to the Chair of the Audit Committee to sign the letter of representation alongside the Assistant Director of Finance.

### **1 Background**

- 1.1 The Council's Draft Statement of Accounts were formally approved by the Assistant Director of Finance on 30<sup>th</sup> July 2021 (in line with the statutory deadline) and were published on the Council's website.
- 1.2 The Accounts were available for public inspection from 2 August 2021 to 13 September 2021 inclusive. One request to inspect the Accounts was received from a journalist interested in Covid Business Grants and rent deferrals.

- 1.3 The Council fulfilled its statutory requirements to publish its Statement of Accounts by 30<sup>th</sup> September 2021. However, these were not the final audited version and a statement to explain this accompanied these on the website.

## 2 Current position

- 2.1 The external audit of the 20/21 accounts by EY was completed on 16th September 2022.
- 2.2 Delays have been experienced due to Covid impacts and resourcing levels.
- 2.3 Audit identified 3 areas where changes were required to the accounts, which are summarised in the table below.

<b>Comprehensive Income and Expenditure Statement</b>	<b>£000</b>
Reduction in pensions liability to reflect actual return on investment assets (following revised report from actuaries) Note 1	675
Net increase in property valuations	112
Correction of Business Rates Income (transferred from Council Tax income) £124,000 on the face of the Comprehensive Income and Expenditure Statement with no bottom line impact (presentational only)	0
<b>Total (positive impact on Total Comprehensive Income and Expenditure)</b>	<b>787</b>

Note 1: The final Norfolk Pension accounts 2020/21, were not audited and finalised at the time of draft accounts publication. Therefore, an adjustment is required to reflect the impact of the latest Pension Fund liability calculation carried out by the actuary

- 2.4 The Balance Sheet net assets also increased by £787k as a result of the audit adjustments above, with the Pensions Reserve increasing by £675k and the Revaluation Reserve increasing by £112k from the draft accounts.
- 2.5 A small number of minor adjustments were also made to disclosures in the accounts.
- 2.6 In addition, the auditors suggested the inclusion of a bad debt provision for sundry debtors. Officers have agreed that this will be considered for future years. However, the data is not available to calculate this with any accuracy for the year ended 31 March 2021 and, the Statements have therefore not been adjusted.
- 2.7 The auditors are proposing to give an unqualified audit opinion and value for money conclusion, which is detailed further in the Audit Results Report elsewhere on this agenda.

### **3 Recommendation**

- 3.1 To note the adjustments to the Statement of Accounts 2020/21.
- 3.2 Delegate to the Chair of the Audit Committee to sign the letter of representation alongside the Assistant Director of Finance.

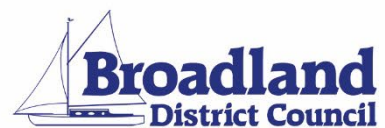
### **Background papers**

None

# Statement of Accounts 2020/2021



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*Community at heart*



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# NARRATIVE REPORT

## 1. About Broadland District Council

Broadland is home to approximately 130,783 people, and has an area of 213 square miles. It is equally divided between urban and rural locations. There are large urban areas on the borders of Norwich City including, Catton, Hellesdon, Thorpe St Andrew and Sprowston. The 3 market towns of Acle, Aylsham and Reepham provide vital amenities for local residents and visitors and are employment centres for many residents. Other large and small settlements play a vital role in supporting the local economy and providing key facilities for residents including North Walsham, Reedham, Blofield, Brundall and Taverham. Wroxham Broad and the River Bure are tourist attractions and contribute to the local economy.

We anticipate significant growth over the next five years from a strong and diverse business base, which is home to a wealth of micro businesses and SME enterprises. Key local business sectors are:

- Advanced Manufacturing
- Engineering
- Agri-tech
- ICT
- Digital Creative
- Visitor Economy.

There are 15 large businesses with over 250 staff. To complement the large employers there is a strong base of smaller businesses with 89% employing fewer than 10 employees.

Broadland has excellent transport connections, by air through Norwich International Airport and by sea through the East Coast ports of Felixstowe, Great Yarmouth, Harwich and Lowestoft. There are also mainline train connections, including an express service to London. Road links South are good and work has been undertaken to strengthen routes westwards, to the Midlands and beyond.

The Council delivers services including:

- Waste and recycling
- Street cleansing
- Car parking
- Electoral registration
- Planning
- Housing benefits
- Council Tax assistance
- Tourism and leisure
- Open spaces.

The Council is made up of 47 councillors representing 27 wards. The current composition is 33 Conservatives, 12 Liberal Democrats and 2 Labour members.

The Cabinet consists of 7 portfolio members of the Conservative Group.

Broadland comprises 65 parishes of varying sizes.

Broadland District Council is headed by a Corporate Management Team consisting of a Managing Director, 3 Directors and 8 Assistant Directors. Each Assistant Director has overall responsibility for their service areas.

Broadland District Council's Band D Council tax for 2020/21 (excluding special expenses) was £125.52.

## **2. Format of Accounts**

The financial statements are prepared on an accruals basis and follow best practice recommended by the Code of Practice on Local Authority Accounting. The various statements include, where relevant, comparative figures relating to the previous financial year and supporting notes.

The statements summarise the overall financial position of the Authority and include the following:

**Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices and shows how that cost has been financed from Council Tax payers, Business Rate income and Government grants.

**Movement in Reserves Statement** - This statement shows the movement in the year of the different reserves held by the Authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

**Balance Sheet** – This statement shows the assets and liabilities of all the activities of the Authority and the balances and reserves at the Authority's disposal.

**Cash Flow Statement** – This statement shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**Collection Fund** – This statement reflects a statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Authority as a billing authority in relation to Council Tax and Non-Domestic Rates, and the way in which the total amount collected has been distributed to the precepting authorities and central Government.

## **3. Joint Working Arrangement with South Norfolk Council**

On 12 July 2018, Broadland District Council and South Norfolk Council agreed collaborative working arrangements. This included the proposal to form one joint officer team across the two autonomous Councils. Consequently, the authorities had a shared Corporate Management Team throughout 2019/20 and the remainder of the workforce worked jointly from 1<sup>st</sup> January 2020.

However, the authorities remain sovereign independent bodies, and keep their separate identities, retain their own Councillors and budgets, and set their own council taxes.

#### 4. Strategic Plan 2020-24

The Broadland Strategic Plan for 2020-24 contains key ambitions to improve the district for all who live, work or visit Broadland. Some of the major achievements against these ambitions during the year were:

- The Council continues to have good reputation locally and nationally.
- It remains strong in light of the implementation of the “one team” in January 2020 across South Norfolk and Broadland District Council.
- We have worked together and with central Government to make the case for increased funding for districts to support our ongoing Covid response. These funds have been used to support those businesses and residents in our communities who have needed our help the most.
- We have launched a new and improved housing system and operate effectively across a single housing team for our residents. Our new housing allocations policy and housing register gives our residents more flexibility to choose their own home based on their individual priorities and circumstances.
- Our elections team have moved to a single way of working, including implementing a new system to manage elections more effectively and efficiently. This has included sharing a count venue and aligning training and ballot box preparation, building resilience and reducing duplication of effort.
- We have collectively brought investment into the districts to support growth in our local economy. Together, we have been successful in securing millions of pounds to support our local businesses and key businesses sectors to flourish, as well as supporting investment in vital infrastructure.  
Examples include:
  - Food Innovation Centre on the Food Enterprise Park
  - Broadland Country Park
  - Bure Valley Railway
  - Aylsham and Brundall Sports hubs
  - Marriott's Way.

## 5. Financial Outturn

### Revenue Income and Expenditure

The table below summarises the Authority's revenue income and expenditure and compares this to the budget for the year. It also shows how the overall Authority expenditure was funded by income from Council Tax payers, business rate income, and Government Grants. The numbers here differ to the figures shown on the Comprehensive Income and Expenditure Statement as some items of expenditure, such as depreciation, are presented differently.

	Latest Budget			Actual		
	Expend £'000	Income £'000	Net £'000	Expend £'000	Income £'000	Net £'000
<b>Resources / MD</b>						
Corporate Costs	979	-	979	876	-1	875
Covid Response	684	-1,401	-717	5,589	-6,924	-1,334
Finance & Revenues	1,099	-209	891	1,180	-214	966
Governance & Business Support	3,359	-74	3,285	3,094	-118	2,976
Managing Director and Chief of Staff	956	-5	951	907	-4	903
	7,078	-1,688	5,389	11,647	-7,260	4,386
<b>Place</b>						
Economic Growth	1,314	-223	1,090	1,294	-355	939
Regulatory Services	654	-194	459	619	-209	410
Planning	1,722	-1,051	671	1,477	-1,135	342
	3,689	-1,468	2,221	3,390	-1,700	1,691
<b>People &amp; Communities</b>						
Individuals & Families	23,757	-22,028	1,729	19,632	-18,665	967
Waste Services	6,049	-3,394	2,655	5,922	-3,694	2,229
	29,806	-25,422	4,384	25,555	-22,359	3,196
	<b>40,573</b>	<b>-28,579</b>	<b>11,994</b>	<b>40,592</b>	<b>-31,319</b>	<b>9,273</b>
Precepts - Parish Councils			3,826			3,826
Precepts - Internal Drainage Boards			252			252
Interest Payable / MRP			75			3
Revenue contributions to Capital Expenditure			115			567
Interest Receivable			-282			-458
Transfers to / (from) Earmarked Reserves			-525			17,392
Collection Fund (Surplus)/Deficit - CTAX			224			-195
Collection Fund (Surplus)/Deficit - NDR			-125			5,486
Collection Fund Adjustments			-			-5,421
<b>Budget Requirement</b>			<b>15,554</b>			<b>30,724</b>
Council Tax			-9,795			-9,795
NNDR (Business Rates)			-3,888			-9,524
New Homes Bonus			-2,318			-2,318
Government Grant - Other			-			-140
<b>Net Deficit / (Surplus) for the Year</b>			<b>-447</b>			<b>8,947</b>

The following table then reconciles the above figures to the figures in the Statement of Accounts.

Deficit / (Surplus ) on Provision of Services (From Comprehensive I&E Statement on page 15)	-3,483
Adjustments between Accounting Basis and Funding Basis (From Movement in Reserves on page 16)	-4,962
Net Transfer to Earmarked Reserves	17,392
<b>Decrease in General Fund Reserve</b>	<b>8,947</b>

All figures in this table can be found in the first column (General Fund Balance) of the Movement in Reserves Statement on page 16.

## **Movement in Reserves**

The Movement in Reserves Statement shows the movement in the year of the different reserves held by the Authority.

The key movements in the Authority's usable reserves are as follows.

- The General Fund Balance decreased overall by £8.9m to £6.4m.
- Earmarked Reserves increased overall by £17.4m to £26.2m.

Both the above movements were in part due to the creation of new Earmarked Reserves.

- The Authority's Capital Receipts Reserve increased by £1.5m principally as funds were returned by Broadland Growth Ltd.

The Authorities Unusable Reserves decreased by £14.5m. This is primarily because the pension fund deficit increased by £10.0m.

## **Capital Expenditure**

Capital expenditure during 2020/21 amounted to £2.4 m. Of this sum, £1.5m was spent as capital grants to external organisations and individuals, and did not result in the acquisition of assets on the Authority's balance sheet.

Broadland can borrow via the Public Works Loans Board (PWLB) to fund capital expenditure, provided that it has fully considered the affordability and sustainability of the debt beforehand. The Authority evaluated the cost of borrowing and concluded that it was more cost effective to fund the 2020/21 capital programme from internal resources.

## **Financial Position at Year End**

The Balance Sheet shows the Authority's assets and liabilities as at 31 March and the following table provides a summary of the Authority's key assets and liabilities.

	Value 31 March 2020 £m	Value 31 March 2021 £m
<b>Assets</b>		
Property, Plant and Equipment	8.4	10.1
Long Term Debtors	2.6	1.1
Investments	22.7	20.2
Short Term Debtors	11.8	23.3
Cash and Bank holdings	13.0	29.5
<b>Liabilities</b>		
Short Term Creditors	-21.7	-38.8
Pension Liability	-24.1	-34.1

The Authority, as part of the terms and conditions of employment, offers retirement benefits to staff. Although these benefits will not be payable until employees retire, the Authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

This pension liability has been accounted for under International Accounting Standard 19 Employee Benefits (IAS19) and in common with many public and private companies, who offer defined benefit pension schemes, the current IAS19 valuation of the pension fund assets is significantly less than the actuarial estimate of the liability. For Broadland the pension asset value is £70.3m and the liability £104.4m giving a net deficit of £34.1m as at 31 March 2021.

However, the Authority's actual contributions to the pension fund are independently assessed by the scheme actuary on a different statutory basis to ensure that any deficit on the pension fund is made good over the period that the liabilities will arise and contributions to the fund are determined by the actuary's advice.

### **Cash Flow**

The Cash Flow Statement shows the inflows and outflows of cash arising from transactions with third parties.

It shows that in 2020/21 the amount of cash and cash equivalents held by the Authority increased by £16.5m to £29.5m.

### **Collection Fund**

The Collection Fund Statement shows the transactions of the Authority, as a billing authority, in relation to council tax and non-domestic rates.

In 2020/21 BDC raised £88.7m in Council Tax. Council Tax income is paid over to the precepting bodies (Norfolk County Council, Office of the Police & Crime Commissioner and BDC) and the amount paid over in 2020/21 (£87.8m) equals the amount that was requested as part of the 2020/21 budget setting process.

In 2020/21 BDC raised £16.7m in business rates. Business rate income is shared as follows: Central Government 50%; BDC 40%, Norfolk County Council 10%. Business rates income in excess of this figure is shared on a different basis as the Council was part of a Business Rates Pool in 2020/21.

## 6. Other Matters to Report

### Covid

On 23rd March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Covid restrictions, of one form or another, remained in place during the whole of 20/21, and effectively this meant that a lot of businesses became unable to carry on operating normally and many employees were 'furloughed' on 80% of their existing salary paid by central Government.

The financial and social outcomes of this pandemic therefore had a significant impact upon the UK and global economy during 20/21, and the impacts are continuing.

Regarding the effect on BDC, we adopted new ways of working and continued to provide our core services during the pandemic.

In addition, working jointly with South Norfolk Council, we stood up our Covid response, to ensure support for residents and businesses. Some of the highlights of the actions taken by our joint officer team are detailed below.

- Corporate achievements
  - 85% of staff working remotely and 15% of staff working from our offices
  - 32 leisure staff redeployed to the NHS, with a further 48 of our staff offering time to help the NHS
  - Launched zoom to over 600 staff and Councillors. 140 virtual committee meetings broadcast on YouTube, with over 19,500 views, totalling 4,700 hours watch time
  - 44 Trained Mental Health First Aiders
- Help Hub
  - 20,104 calls taken from residents asking for help, 5,000 calls made to shielding residents
  - 7 day a week working. Help support line open until 22:00
  - 4,373 individuals visited on enhanced contact tracing to support self- isolation
- In the Community
  - 2750 Prescriptions collected
  - 3150 Shopping trips done
  - 560 households in food poverty fed. 4000 food parcels delivered. 8 Tons of food distributed to residents
  - 45 community support groups formed with 4,000 volunteers
- Housing
  - 73 residents provided with temporary accommodation. 739 residents housed
  - 781 people helped onto the housing register
  - 1,694 people a month provided housing advice
- Financial support to residents
  - 51,764 calls taken by the Housing and Benefit Team. 5,821 Benefit and Council Tax Support claims received
  - £73,000 paid through Covid-19 hardship fund
  - £1,260,935 paid in extra Council Tax support
  - £263,000 paid in track and trace payments



- Supporting Businesses
  - 10,000 businesses called offering support. £84 million in grants distributed to local businesses
  - First Councils to distribute £1 million to businesses forced to close
  - £1 million of support distributed for every week of lockdown

Consequently both Councils incurred additional expenditure on service provision, and reduced Income from services. Further information about the effect on BDC is set out in Note 6 to the Accounts.

### **Housing Benefit Expenditure**

The Authority has a statutory duty to assess and, where appropriate, pay housing benefit claims from residents of the district on behalf of the Department of Work and Pensions (DWP). Payments are reimbursed by the DWP. These are normally the largest items of expenditure and income within the Comprehensive Income & Expenditure Statement. In 2020/21, total Housing Benefits payments were £16.5m and the claim for reimbursement was £16.4m.

### **Other Matters**

We also report to you the following matters:

- Apart from the matters disclosed above, there are no other significant factors affecting the Accounts that require highlighting in 2020/21.
- There are no significant changes in accounting policy to report.
- There are no significant contingencies or material write offs to report.

## 7. Future Plans

The Council in February 2020 adopted a new Strategic Plan for 2020-2024 which sets out the following joint priorities for the coming years.

### OUR PRIORITIES, OUR PEOPLE, OUR APPROACH



Growing the economy



Supporting individuals and  
empowering communities



Protecting our natural  
and built environment,  
whilst maximising quality  
of life



Moving with the times,  
working smartly and  
collaboratively

Looking forward to 2021/22 – the following are just some of the projects and initiatives we will be delivering to support our Council to go from strength to strength, support our area to recover from the pandemic, drive economic growth and support and empower our community.

#### **Growing our economy**

We will lead the way with ambitious ideas for growth and productivity, promoting our place as an area for investment by:

- Working with landowners and developers to accelerate and maximise the value of sites such as Apex and Beeston Park
- Working collaboratively to deliver the strategic green Infrastructure such as Broadland Country Park
- Promoting and supporting the work of Greater Norwich as key partners in plan making and growth delivery
- Securing further funding to deliver more ambitious initiatives which broaden the scope of Councils' place making role

so that we can achieve higher value jobs and skills, greater inward investment and an inclusive economy.

#### **Protecting & improving our natural and built environment, whilst maximising quality of life**

We will continue to take proactive steps forward to deliver key projects and initiatives for the environment by:

- Implementing the Environmental Strategies utilising the resources committed by the Council
- Delivering everything from stronger environmental enforcement to a proactive and ambitious tree planting programme
- Completing the re-procurement of the Broadland Refuse, Recycling and Street Cleansing services

to ensure we develop and build upon a place everyone can be proud of.

## **Supporting individuals and empowering communities**

We will work collaboratively to empower and support individuals and communities to adapt and recover from the impact of Covid by:

- Developing and delivering our Joint Covid Recovery Plan
- Working with the DWP on the Wrk4All and Kickstart Programmes – targeting those who are out of education and struggling to get into employment
- Supporting households facing hardship, ensuring people have a roof over their head, and are supported to manage debt and avoid financial hardship
- Expanding the Choices programme to support those older working age residents who need assistance with transition in their careers
- Developing schemes such as Tots2Teens and Kids Camp to engage with and raise aspirations of younger people
- Seize opportunities for collaboration with the Adult Learning Service

so that our most vulnerable people feel safe, well and healthy and are able to thrive in our Communities.

## **Moving with the times, working smartly and collaboratively**

We will promote our place and our ambitious offer, while seizing the opportunities of our collaboration to release capacity by:

- Delivering a balanced mid-term financial plan and investment programme for each council, supported by our ongoing programme of transformation of our services
- Developing an agile service delivery at a time and space that meets our resident's needs, ensuring a true team culture that drives services forwards and enables best in class services
- Delivering our new single website, releasing capacity and providing better engagement for our residents
- Ensuring our services are accessible to our customers when they need it, supported by implementation of a new Customer Experience Strategy and Charter
- Conducting an Accommodation Review that will provide options and a business case for our future working location, combined with exploring the hub and spoke model to enable us to be closer to our residents
- Enhancing our Member training programme, utilising our Skillsgate platform and providing more bespoke training to support ongoing development
- Implementing a management and leadership programme so our leaders have the right tools and skills to drive our teams forward to be the best they can be
- Developing and delivering our two year Delivery Plan and Budget for 2022/23 – 2023/24 which sets out our ambitions for the coming two years
- Providing proactive communications to grow and enhance our reputations by reinventing Broadland News, ensuring it has clear links with our delivery plan and encourage channel shift to our websites so we can deliver better outcomes for our residents, businesses and communities.

## **Financial Outlook**

The outlook for the public sector in general remains uncertain, with levels of Government funding forecast to decrease in real terms. The Authority's Medium Term Financial Plan estimates a funding gap of approximately £1m. This will require either successful income generation schemes or additional efficiency savings to be made.

Furthermore, pressures on the Authority's services have increased as the economic situation due to Covid 19 affects the district's residents and businesses.

## **8. Further Information**

Additional information relating to these accounts is available from:

Assistant Director – Finance  
Broadland District Council  
Thorpe Lodge  
1 Yarmouth Road  
Thorpe St. Andrew  
Norwich  
NR7 0DU

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Director of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## The Assistant Director of Finance's Responsibilities

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

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

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

The Assistant Director of Finance has also:

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

I confirm that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2021.

*R Fincham*

Assistant Director of Finance

Date: 27 October 2022

# COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; which is likely to be different from the accounting cost.

2019/20				Note	2020/21		
Gross Expend £'000	Gross Income £'000	Net Expend £'000			Gross Expend £'000	Gross Income £'000	Net Expend £'000
			<b>Resources / MD</b>				
571	-15	556	Corporate Costs		127	-1	126
38	-38	-	Covid Response		5,593	-6,924	-1,331
2,041	-237	1,804	Finance & Revenues		1,318	-214	1,104
4,011	-600	3,411	Governance & Business Support		3,450	-118	3,332
880	-4	876	Managing Director and Chief of Staff		1,041	-4	1,037
			<b>Place</b>				
1,841	-834	1,007	Economic Growth		1,408	-355	1,053
2,590	-259	2,331	Regulatory Services		709	-209	500
2,195	-1,353	842	Planning		2,105	-1,526	579
			<b>People</b>				
20,675	-21,029	-354	Individuals & Families		19,896	-18,685	1,211
5,362	-3,356	2,006	Waste & Recycling		6,031	-3,694	2,337
<b>40,204</b>	<b>-27,725</b>	<b>12,479</b>	<b>Cost of Services</b>		<b>41,678</b>	<b>-31,730</b>	<b>9,948</b>
			<b>Other Operating Expenditure</b>				
		3,601	Precepts - Parish Councils				3,826
		245	Precepts - Internal Drainage Boards				252
		-189	Community Infrastructure Levy				-
		51	(Gain)/loss on disposal of non-current assets				-181
		-127	Donated Assets				-
			<b>Financing and Investment Income and Expenditure</b>				
		789	Interest payable and similar charges	16			2
		2,196	Pensions Net Interest Cost	31			1,858
		-1,438	Expected return on pension costs	31			-1,301
		-690	Interest receivable and similar income	16			-1,219
			<b>Taxation and Non-Specific Grant Income and Expenditure</b>				
		-9,292	Council tax income				-9,865
		-4,627	Non domestic rates income				-4,132
		-	Revenue Support Grant				-30
		-2,174	New Homes Bonus				-2,318
		-196	Non service related Government grants				-140
		-141	Capital Grants and Contributions				-183
		<b>487</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>-3,483</b>
		-296	(Surplus) or deficit on revaluation of Property, Plant & Equipment assets	11			-1,231
		-8,518	Remeasurements of the net defined benefit liability	31			9,164
		<b>-8,814</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>7,933</b>
		<b>-8,327</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>4,450</b>

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before the Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2019</b>	<b>14,299</b>	<b>8,249</b>	<b>2,721</b>	<b>133</b>	<b>25,402</b>	<b>-23,174</b>	<b>2,228</b>
Total Comprehensive Income and Expenditure	-487	-	-	-	-487	8,814	8,327
Adjustment between accounting basis and funding basis under regulations (Note 8)	2,018	-	-1,907	-	111	-111	-
Net Increase / Decrease before Transfers to Earmarked Reserves	1,531	-	-1,907	-	-376	8,703	8,327
Transfers to / from Earmarked Reserves (Note 10)	-484	484	-	-	-	-	-
<b>Balance at 31 March 2020</b>	<b>15,346</b>	<b>8,733</b>	<b>814</b>	<b>133</b>	<b>25,026</b>	<b>-14,471</b>	<b>10,555</b>
Total Comprehensive Income and Expenditure	3,483	-	-	-	3,483	-7,933	-4,450
Adjustment between accounting basis and funding basis under regulations (Note 8)	4,962	-	1,507	14	6,483	-6,483	-
Net Increase / Decrease before Transfers to Earmarked Reserves	8,445	-	1,507	14	9,966	-14,416	-4,450
Transfers to / from Earmarked Reserves (Note 10)	-17,392	17,392	-	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>6,399</b>	<b>26,125</b>	<b>2,321</b>	<b>147</b>	<b>34,992</b>	<b>-28,887</b>	<b>6,105</b>

## BALANCE SHEET

The Balance Sheet shows the value, as at the Balance Sheet date, of assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

	Note	31 March 2020 £'000	31 March 2021 £'000
Property, Plant and Equipment	11	8,363	10,137
Heritage Assets	12	-	-
Intangible Assets	13	158	180
Investments in Associates & Joint Ventures	15	10	10
Long Term Debtors	18	2,577	1,134
<b>Long Term Assets</b>		<b>11,108</b>	<b>11,461</b>
Short Term Investments	20	22,726	20,168
Inventories		3	4
Short Term Debtors	19	11,783	23,263
Cash & Cash Equivalents		12,981	29,462
<b>Current Assets</b>		<b>47,493</b>	<b>72,897</b>
Short Term Creditors	21	-21,702	-38,752
Short Term Provisions	22	-491	-417
Capital Grants Receipts in Advance	23	-1	-3,478
<b>Current Liabilities</b>		<b>-22,194</b>	<b>-42,647</b>
Other Long Term Liabilities – Pension Fund	31	-24,080	-34,118
Long-Term Provisions	22	-1,509	-1,225
Capital Grants Receipts in Advance	23	-263	-263
<b>Long Term Liabilities</b>		<b>-25,852</b>	<b>-35,606</b>
<b>Total Net Assets</b>		<b>10,555</b>	<b>6,105</b>
Usable Reserves			
General Fund		15,346	6,399
Earmarked Reserves	10	8,733	26,125
Usable Capital Receipts Reserve		814	2,321
Capital Grants Unapplied		133	147
Unusable Reserves	24		
Revaluation Reserve		2,468	3,700
Pension Fund Reserve		-24,080	-34,118
Capital Adjustment Account		8,323	7,511
Collection Fund Adjustment Account		-167	-5,588
Financial Instruments Adjustment Account		-177	-172
Deferred Capital Receipts – Mortgages		60	60
Accumulated Absences Account		-125	-262
Pooled Investment Funds Adjustment Account		-773	-18
<b>Total Reserves</b>		<b>10,555</b>	<b>6,105</b>

*R Fincham*

Assistant Director of Finance

Date:

27 October 2022



## CASHFLOW STATEMENT

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

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Note	2019/20 £'000	2020/21 £'000
Net (Surplus) / Deficit on Provision of Services		487	-3,483
Adjustment for Non cash Movements		-3,886	-19,705
Adjustment for Investment and Finance Activities	35	205	473
<b>Net Cash Flows from Operating Activities</b>		<b>-3,194</b>	<b>-22,715</b>
<b>Investing Activities</b>			
Purchase of PPE and intangible assets		929	894
Purchase of short- term and long-term investments		48,486	2,000
Other payments for investing activities		-	390
Proceeds from the sale of PPE		-	-200
Proceeds from short-term and long-term investments		-51,000	-5,000
Other receipts from investing activities		-655	-90
<b>Net Cash Flow from Investing Activities</b>		<b>-2,240</b>	<b>-2,006</b>
<b>Finance Activities</b>			
Cash Payments for the reduction of the outstanding liabilities relating to finance leases		120	-
Billing Authorities – Council Tax & NDR adjustments		-759	8,240
Other receipts from financing activities		-1	-
<b>Net Cash Flows from Financing Activities</b>		<b>-640</b>	<b>8,240</b>
<b>Net Cash Flow</b>		<b>-6,073</b>	<b>-16,481</b>
<b>Cash and Cash Equivalents at 1 April</b>		<b>-6,908</b>	<b>-12,981</b>
<b>Cash and Cash Equivalents at 31 March</b>		<b>-12,981</b>	<b>-29,462</b>

<b>Analysis of Cash &amp; Cash Equivalents</b>		
Cash held	-1	-1
Bank current accounts	-373	-362
Short Term Deposits with Banks and other institutions	-12,607	-29,099
	<b>-12,981</b>	<b>-29,462</b>

# NOTES TO THE ACCOUNTS

## 1. Accounting Policies

### General

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

### Accruals of Income and Expenditure

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

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

An exception to this principle relates to utility bills and other quarterly payments, which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied and does not have a material effect on the year's accounts.

### Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in two working days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

### **Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. These charges are therefore reversed out of the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

### **Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central Government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### **Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under statutory arrangements will not be made, the asset is

written down and a charge made to the taxation and non-specific income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave eg time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to the surplus of deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

### **Post-Employment Benefits**

Employees of the Authority are members of the Local Government Pension Scheme, administered by Norfolk County Council.

This scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Authority.

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

The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond.

The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

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

The change in the net pension's liability is analysed into the following components:

Service cost, comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability (asset) ie net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any change in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements, comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset). Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. Charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
- Contributions paid to the Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

## Discretionary Benefits

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

## Events after the Reporting Period

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

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

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

## Financial Instruments

### Financial Liabilities

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

### Financial Assets

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Authority holds financial assets measured at:

- Amortised cost, and
- Fair value through profit or loss (FVPL).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the

asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### Expected Credit Loss Model

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

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

### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services. However, in December 2019 the Government issued guidance allowing local authorities to mitigate the effect of these gains and losses by means of a statutory override whereby any gains or losses can be reversed, so as not to effect General Fund Balances, and held in an unusable reserve.

### Fair Value Measurement of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Authority's financial assets are based on the following techniques.

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels.

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

## **Government Grants and Contributions**

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

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

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

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

When capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **Community Infrastructure Levy**

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

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

## **Heritage Assets**

The Authority's heritage assets consist of bridges, culverts and a tunnel along a stretch of the Bure Valley Railway line.

The Authority values its Heritage assets at historical cost, which is nil (the original cost to the Authority). A valuation based on open market price or replacement cost would not be appropriate, as the Authority does not intend to either sell the bridges or to rebuild them in their current style or location if the need should arise. The valuation will be reconsidered at least every five years.



## **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the Intangible Asset to the Authority.

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

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

## **Interest in Companies and Other Entities**

The Authority has an interest in one company and one joint arrangement.

- The Authority and NPS Group jointly control Broadland Growth Limited, with voting arrangements that allow for each party to participate in all decisions. This arrangement has been classified as a joint venture in accordance with the guidelines set down in CIPFA's codes of best practice in group accounting, and would therefore be consolidated by the equity accounting method if transactions are material enough to require group accounts to be prepared.
- Norse Environmental Waste Limited (NEWS) has contracted to provide recycling sorting and processing and garden waste composting to seven second tier Norfolk councils, with voting arrangements that give 7% influence to each minor body (including Broadland) and 51% to Norse Group. This relationship has been assessed as a joint venture, as the Authority has neither significant influence nor control.

Group accounts have not been prepared as the overall change between the single entity and the group statements is not material.

## **Inventories and Long-term Contracts**

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

## Leases

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

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

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

### The Authority as Lessee:

#### Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

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

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

## The Authority as Lessor

### Finance Leases

The Authority does not currently have any finance leases for any Property, Plant or Equipment.

### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

### Overheads and Support Services

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

### Property, Plant and Equipment

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost.
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to reflect unrealised gains. Exceptionally gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

### Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amount over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Buildings - straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet.
- Infrastructure – straight- line allocation.

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and the fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as Capital Receipts. The Capital Receipt is transferred to the Capital Receipts Reserve, and can then only be used for new capital 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation, and are measured at the best estimate at the balance sheet data of the expenditure required to settle the obligation, taking account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some of all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority.

### **Revenue Expenditure funded from Capital under Statute**

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

### **VAT**

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

### **Fair Value Measurement of Non-Financial Assets**

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

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

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

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

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

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

## **2. Accounting Standards that have been issued but have not yet been adopted**

The Code requires the Authority to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts.

This year there are three changes being introduced in the 2021/22 Code of Practice of Local Authority Accounting:

- Definition of a Business: Amendments to IFRS 3 Business Combinations.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

None of these is expected to have a material impact on the Authority.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgments made in this Statement of Accounts are:

- There is a degree of uncertainty about future funding levels for local government, with a funding review due and future changes to the Business Rates system. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision.
- Judgement is applied to decisions concerning the Authority's property, plant and equipment in matters such as determining the classification of each asset and the appropriate basis for valuation. Assets are classified according to their characteristics, after comparing them to the guidelines set out within the Code, with these classifications kept under review. Valuations are made by a professional with appropriate and relevant qualifications at intervals not exceeding five years.
- The Authority assesses any lease it enters into under the requirements of the code. The Authority's waste collection contract is deemed to contain an implied finance lease over the vehicles used in the operation of the contract. The vehicles have been added to the Authority's balance sheet and are depreciated in line with the term of the contract.
- Appeals lodged against Business Rates assessments may succeed, resulting in the need to refund all or part of the Business Rates paid by the business concerned. The Authority has considered the potential effect of the appeals outstanding as at 31 March 2021 and has made a reasoned judgement of the potential effect of these appeals. Further details are given in Note 4 to the Collection Fund Statement.
- Group Accounts - The Authority has considered the nature of its relationships with the two limited companies in which it holds interests, and has classified them according to proper accounting practice. Although there is a requirement to produce group accounts where an entity has interests in subsidiaries, associates or joint arrangements, the Authority has considered the effect of the transactions as at 31 March and has concluded that group statements would not differ materially from the single entity statements. Further details are given in Note 15.



#### **4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

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

##### **Property, Plant and Equipment**

Property, Plant and Equipment assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

If the Council was unable to sustain its current spending on repairs and maintenance, this would bring into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall.

##### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Norfolk Pension Fund employs a firm of consulting actuaries to provide expert advice about the assumptions to be applied. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:-

Change in assumptions at year ended 31 March 2021	Approximate increase to employer liability	
	%	£'000
0.5% decrease in Real Discount Rate	10	10,462
Increase in member life expectancy of one year	Between 3% and 5%	Dependent on age group affected
0.5% increase in the salary increase rate	1	1,300
0.5% increase in the pension increase rate	9	8,921

##### **Business Rates Appeals Provision**

Billing authorities are required to estimate and make provisions for the liabilities likely to arise from successful appeals against Business Rates bills issued as at 31 March. The Authority has made a total provision for appeals of £4.103m, with 40% of this shown in its balance sheet as its share.

The estimate was informed by a specialist organisation in the field whose modelling takes into account factors such as the type of proposal and type of hereditament before identifying similar or comparable cases on which to base its results. Yield loss figures are calculated using the relevant multipliers for each affected financial year and the potential losses in rateable value; allowances are made for Small Business Rates Relief supplement losses where this is a factor. As part of the process, certain appeal records that could potentially be withdrawn are also flagged based on the appeal history for the hereditament in the current and previous rating lists.

Should the value of appeals settlements vary by +/- 1% of the total rateable value of the district, this will result in a variation of £785,000 in the refund. This would be allocated amongst the participants as follows; £392,500 to Central Government, £314,000 to Broadland District Council and £78,500 to Norfolk County Council.

## **5. Events after the Reporting Period**

The audited Statement of Accounts were issued by the Assistant Director of Finance on 27 October 2022. Events taking place after this date are not reflected in the financial statement or notes.

Where events taking place before this date provided information about the conditions existing at 31 March 2021, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information.

The financial statement and notes would not be adjusted for events which took place after 31 March 2021 if they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date. However where a category of events would have a material effect, disclosure would be made in the notes of the nature of the events and their estimated financial effect.

## **6. Material Items of Income and Expense**

### **Covid Grants**

In response to the Covid-19 pandemic, a significant amount of additional Government grants were provided to local authorities. Some of these grants were to support the Council's own response, but the vast majority were to be used to provide financial support to residents and businesses.

The accounting requirements differ dependent on whether the Council was acting as either a principal or an agent, and whether they are non-ringfenced grants. In general terms:

- If the Council has discretion on grant scheme criteria they are acting as a principal, and the transactions will be included in the CIES,
- Where there is no discretion the Council acts as an intermediary agent, and transactions will not be shown in the CIES.

Additional grant funding relating to the pandemic was received throughout 2020/21. However some grants were to cover both 2020/21 and 2021/22. As a result, where grant funding has not been fully used in 2020/21 it has been carried forward into 2021/22 either:

- via an new specific Covid Earmarked Reserve (when acting as principal)
- via Grants Received in Advance (when acting as agent).

The table below details the most significant grants received and how they have been shown in the financial statements.

Grant Name	Transaction Type	Received £'000	Amount Due in Short Term Debtor £'000	Spent £'000	Balance in Short Term Creditor £'000	Balance Held in Earmarked Reserve £'000
<b>General Funding (see Note 1)</b>						
COVID 19 Emergency Funding for Local Government	Principal	-1,525	-	642	-	883
<b>Supporting Towns, Villages and the Economy</b>						
EU High Streets Work/Welcome back Fund	Principal	-	-68	68	-	-
<b>Track and Trace (Isolation Support)</b>						
Mandatory Scheme	Agent	-172	-	112	60	-
Discretionary Scheme	Principal	-116	-	76	-	40
Admin Grant	Principal	-39	-	20	-	19
<b>Enforcement/Contain Outbreak Management Fund (COMF) Funding</b>						
Local Authority Compliance and Enforcement Grant	Principal	-49	-	21	28	-
Local Outbreak Control Plan	Principal	-100	-	-	100	-
COMF Funding via Norfolk CC	Principal	-760	-	83	678	-
<b>Hardship</b>						
Norfolk Community Foundation	Principal	-4	-	4	-	-
Direct Hardship Payments	Principal	-23	-	13	-	10
Council Tax Support Hardship Grant	Principal	-714	-	684	-	30
Support to the Shielded Population	Principal	-42	-	27	-	15
<b>Business Grants</b>						
Mandatory Lockdown Grants	Agent	-24,425	-	24,220	205	-
Discretionary Lockdown Grants	Principal	-1,223	-	1,223	-	-
Local Restriction Grants	Agent	-11,803	-	11,690	114	-
Additional Restriction Grants	Principal	-3,777	-	2,708	1,070	-
Tourism Grants	Principal	-115	-	96	-	19
<b>Grants to Cover Specific Cost Pressures</b>						
New Burdens Funding	Principal	-282	-	65	-	217
<b>Additional Business Rates Reliefs</b>						
NNDR Compensation Grants	Offset Lost Income	-13,572	-	-	9,052	5,155
<b>Lost Income Compensation</b>						
Sales, Fees and Charges Compensation Scheme	Offset Lost Income	-348	-	247	101	-
		<b>-59,089</b>	<b>-68</b>	<b>41,997</b>	<b>11,406</b>	<b>6,837</b>

**Note 1** - In total BDC received £1,625,000 in Covid 19 Emergency Funding. However, it allocated £100,000 of this to top up the hardship funds, and thus this £100,000 is included in the Hardship lines rather than the General Funding line.

### **New Covid Business Rates Reliefs**

Note: Business Rates income is accounted for in the Collection Fund.

In response to the Covid 19 pandemic, the Government announced new 100% Business Rates reliefs for the Retail, Hospitality, Leisure and Nursery sectors for 2020/21.

These new reliefs totalled £14.3m in 2020/21, and consequently significantly reduced the amount of Business Rates income being collected.

However, the Council was required to continue to pay across the precept amounts in full to central Government, Norfolk County Council, and the Broadland General Fund throughout the year.

This has therefore caused a significant deficit on the Collection Fund.

The Government however committed to fully compensate local authorities for these new reliefs, and grant funding has been received in the General Fund Account to cover this deficit.

To do this the Government paid the full compensation grant to Broadland, even though only 40% of it is ultimately due to Broadland, as the Collection Fund deficit is shared between central Government, Norfolk County Council and Broadland.

At the end of the year, the Council has therefore accrued the 60% value owed back to Government, and this is shown in short term creditors.

The other 40% is held in a new COVID 19 S31 Grants Reserve. This will be used to offset the deficit value in future years.

### **Housing Benefit**

Housing Benefit subsidy of £17.02 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 Cost**

Pension costs charged to the Comprehensive Income and Expenditure Statement on page 15 are shown in Note 31.

## 7. Expenditure and Funding Analysis

This note reconciles the **Funding Presentation** (ie the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure) to the **Accounting Presentation** (ie the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice).

	Net Expend Chargeable to General Fund <b>Funding</b>	Adjustment for Capital Purposes	Net Change for Employee Absences	Net Change for Pooled Investments	Net Change for Pension Adjustment	Other Differences	Total Adjustment	Net Expend in the CIES  <b>Accounting</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2020/21</b>								
Corporate Costs	875	-	-		-749		-749	126
Covid Response	-1,334	-	3		-		3	-1,331
Finance and Revenues	966	-	16		122		138	1,104
Governance and Business Support	2,976	180	21		155		356	3,332
Managing Director and Chief of Staff	903	-	16		118		134	1,037
Economic Growth	939	55	2		56		114	1,053
Regulatory Services	410	4	10		76		90	500
Planning	342	3	26		208		237	579
Individuals and Families	967	-61	33		273		244	1,211
Waste and Recycling	2,229	40	10		58		108	2,337
<b>Net Cost of Services</b>	<b>9,273</b>	<b>221</b>	<b>137</b>	<b>-</b>	<b>317</b>	<b>-</b>	<b>675</b>	<b>9,948</b>
Other income and expenditure from the Expenditure & Funding Analysis	-17,718	-936		-755	557	5,421	4,287	-13,431
<b>Difference between General Fund Surplus (before ER) and CIES Surplus on the Provision of Services</b>	<b>-8,445</b>	<b>-715</b>	<b>137</b>	<b>-755</b>	<b>874</b>	<b>5,421</b>	<b>4,962</b>	<b>-3,483</b>
<b>2019/20</b>								
Corporate Costs	275	560			-279		281	556
Covid Response	-	-	-		-		-	-
Finance and Revenues	1,599		21		184		205	1,804
Governance and Business Support	3,013	198	22		178		398	3,411
Managing Director and Chief of Staff	796		8		72		80	876
Economic Growth	969	-46	8		76		38	1,007
Regulatory Services	2,010	4	39		278		321	2,331
Planning	593	12	27		210		249	842
Individuals and Families	-456	101	0		0		101	-354
Waste and Recycling	1,853	153	0		0		153	2,006
<b>Net Cost of Services</b>	<b>10,652</b>	<b>983</b>	<b>125</b>	<b>-</b>	<b>719</b>	<b>-</b>	<b>1,827</b>	<b>12,479</b>
Other income and expenditure from the Expenditure & Funding Analysis	-12,183	-369		773	758	-971	191	-11,992
<b>Difference between General Fund Surplus (before ER) and CIES Surplus on the Provision of Services</b>	<b>-1,531</b>	<b>614</b>	<b>125</b>	<b>773</b>	<b>1,477</b>	<b>-971</b>	<b>2,018</b>	<b>487</b>

## 8. Adjustments between Accounting Basis and Funding Basis under Regulations

	2019/20					2020/21			
	General Fund Balance	Capital Grants Unapplied	Usable Capital Receipts Reserve	Unusable Reserves		General Fund Balance	Capital Grants Unapplied	Usable Capital Receipts Reserve	Unusable Reserves
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account</b>									
<i>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</i>									
Revaluation gains/losses on Property, Plant and Equipment	92			-92		-			-
Charges for Depreciation and Impairment of non-current assets	-325			325		-212			212
Amortisation of Intangible Assets	-81			81		-66			66
Government Grants and Contributions	1,667			-1,667		1,482			-1,482
Revenue Expenditure funded from Capital under Statute	-2,234			2,234		-1,514			1,514
Amounts of non-current assets written off on disposal to the CI&ES	-51			51		-19			19
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>									
Statutory provision for the financing of capital expenditure	120			-120		-			-
Capital Expenditure charged against the General Fund Balance	27			-27		567			-567
<b>Adjustments involving the Capital Grants Unapplied Account</b>									
Reversal of Unapplied Capital Grants and Contributions credited to the CI&ES	13	-13				183	-183		
Application of Grants to Capital Financing		13		-13			169		-169
<b>Adjustments involving the Capital Receipts Reserve</b>									
Transfer of Sale Proceeds credited as part of gain / loss on disposal to the CIES	-		-			200		-200	
Transfer of Receipts from Deferred Capital Receipts Reserve									
Cash receipts of a capital nature	193		-193			89		-89	
Use of Capital Receipts Reserve to finance new Capital Expend			2,808	-2,808				158	-158
Transfers between reserves required by legislation			-708	708				-1,376	1,376
<b>Adjustments involving the Financial Instruments Adjustment Account</b>									
Amount by which finance costs calculated in accordance with the Code differ from finance costs calculated according to statute	-34			34		6			-6

	2019/20					2020/21			
	General Fund Balance	Capital Grants Unapplied	Usable Capital Receipts Reserve	Unusable Reserves		General Fund Balance	Capital Grants Unapplied	Usable Capital Receipts Reserve	Unusable Reserves
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
<b>Adjustments involving the Pensions Reserve</b>									
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	-3,182			3,182		-2,485			2,485
Employers Pension contributions and direct payments to pensioners payable in the year	1,705			-1,705		1,611			-1,611
<b>Adjustments involving the Collection Fund Adjustment Account</b>									
Amount by which local taxation income credited to the CIES is different from income calculated for the year in accordance with statutory requirements									
- Business Rates	973			-973		-5,486			5,486
- Council Tax	-3			3		64			-64
<b>Adjustments involving the Accumulated Absences Account</b>									
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-125			125		-137			137
<b>Adjustments involving the Pooled Investment Fund Adjustment Account</b>									
Amount by which capital appreciation/depreciation on pooled funds charged to the Comprehensive Income and Expenditure Statement is different from that chargeable in the year in accordance with statutory requirements.	-773			773		755			-755
<b>Total Adjustments</b>	<b>-2,018</b>	<b>0</b>	<b>1,907</b>	<b>111</b>		<b>-4,962</b>	<b>-14</b>	<b>-1,507</b>	<b>-6,483</b>

## 9. Income and Expenditure Analysed by Nature

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

	2019/20 £'000	2020/21 £'000
<b>Income</b>		
Fees, charges and other service income	-5,545	-4,000
Interest and investment income	-2,127	-2,520
Authority's share of income from Council Tax and Non-Domestic Rates	-22,755	-21,956
Housing Benefit contributions and allowances	-18,237	-17,826
Grants and Contributions (excluding Housing Benefits)	-8,401	-19,830
Gain on disposal of assets	-	-200
	-57,065	-66,332
<b>Expenditure</b>		
Employees' benefits expenses	9,855	9,383
Housing Benefit expenditure	17,592	16,744
Other services expenses	12,390	15,274
Depreciation, amortisation, impairment	314	278
Interest payments	2,985	1,860
Precepts and levies	3,862	4,078
Loss on disposal of assets	51	19
Non-domestic rates expenditure (tariff and levy)	10,503	15,213
	57,552	62,849
(Surplus) or Deficit on the Provision of Services	487	-3,483

## Segmental Income

	2019/20 £'000	2020/21 £'000
Revenues from external customers	-5,542	-5,570
Other income	-48,226	-57,114
	-53,768	-62,684



## 10. Transfers to / from Earmarked Reserves

	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers In 2020/21 £'000	Transfers Out 2020/21 £'000	Balance at 31 March 2021 £'000
Repairs & Renewals (General)	316	7	-	323	-	-	323
Repairs & Renewals (Street Lighting)	15	111	-56	70	171	-52	189
Spend Equalisation - General	560	128	-	688	-	-550	138
Spend Equalisation - Elections	-	-	-	-	200	-	200
Spend Equalisation - Planning	-	-	-	-	350	-65	285
Economic Success Fund	307	-	-22	285	-	-2	283
Insurance	59	-	-	59	-	-	59
Building Control Trading	14	-	-	14	-	-	14
External Funding Reserve	222	-	-	222	-	-222	-
Housing Assistance Policy	259	-	-	259	-	-	259
Developer Contributions – Adopted Land	412	69	-36	445	-	-145	300
Developer Contributions - Play Areas	124	13	-6	131	-	-36	95
Neighbourhood Plans - Front Runner	181	40	-18	203	35	-	238
Community Infrastructure Levy Reserve	304	199	-101	402	-	-	402
Community Right to Challenge Reserve	46	-	-	46	-	-46	-
Business Rates Reserve	2,703	-	-	2,703	-	-	2,703
I.T. Reserve	214	119	-28	305	1,300	-	1,605
Broadland Growth Reserve	2,133	52	-7	2,178	5,000	-31	7,147
Systems Thinking Reserve	70	-	-	70	-	-70	-
Bridge Maintenance Reserve	310	20	-	330	-	-330	-
Bridge Maintenance Reserve – Bure Valley Railway	-	-	-	-	290	-	290
Bridge Maintenance Reserve – Marriott's Way	-	-	-	-	60	-	60
Refuse Services Reserve	-	-	-	-	3,000	-	3,000
Food Innovation Centre Reserve	-	-	-	-	1,860	-463	1,397
COVID 19 Grants Reserve	-	-	-	-	1,233	-	1,233
COVID 19 S31 Grants Reserve	-	-	-	-	5,155	-	5,155
Environmental Projects Reserve	-	-	-	-	750	-	750
	<b>8,249</b>	<b>758</b>	<b>-274</b>	<b>8,733</b>	<b>19,404</b>	<b>-2,012</b>	<b>26,125</b>

## 11. Property, Plant and Equipment

Movements in Property, Plant & Equipment were as follows:

2020/21	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure £'000	Surplus Land & Buildings £'000	Assets Under Construction £'000	Total £'000
<b>Cost or Valuation</b>						
At 1 April 2020	7,222	2,998	517	909	-	11,646
Additions	-	239	53	-	463	755
Revaluation Increases / (Decreases)						
- Included within the Deficit on Provision of Services (posted to the CAA)	-	-	-	-	-	-
- Included within Other Comprehensive Income	1,001	-	-	-	-	1,001
& Expenditure (posted to the RR))						
Reclassification	-36	-	36	-	-	-
Disposal	-	-96	-	-	-	-96
<b>At 31 March 2021</b>	<b>8,187</b>	<b>3,141</b>	<b>606</b>	<b>909</b>	<b>463</b>	<b>13,306</b>
<b>Depreciation and Impairment</b>						
At 1 April 2020	-164	-2,807	-312	-	-	-3,283
Depreciation charges	-149	-40	-23	-	-	-212
Depreciation written out on Revaluation						
- Depreciation written out to the RR	230	-	-	-	-	230
- Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Reclassification	7	-	-7	-	-	-
Depreciation written out on disposal	-	96	-	-	-	96
<b>At 31 March 2021</b>	<b>-76</b>	<b>-2,751</b>	<b>-342</b>	<b>-</b>	<b>-</b>	<b>-3,169</b>
<b>Net Book Value 1 April 2020</b>	<b>7,058</b>	<b>191</b>	<b>205</b>	<b>909</b>	<b>-</b>	<b>8,363</b>
<b>Net Book Value as at 31 March 2021</b>	<b>8,111</b>	<b>390</b>	<b>264</b>	<b>909</b>	<b>463</b>	<b>10,137</b>

2019/20	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure £'000	Surplus Land & Buildings £'000	Assets Under Construction £'000	Total £'000
<b>Cost or Valuation</b>						
At 1 April 2019	5,483	3,641	489	1,298	-	10,911
Additions	756	65	28	-	-	849
Revaluation Increases / (Decreases)						
- Included within the Deficit on Provision of Services (posted to the CAA)	29	-	-	-	-	29
- Included within Other Comprehensive Income	632	-	-	-389	-	243
& Expenditure (posted to the RR))						
Reclassification	381	-	-	-	-	381
Disposal	-59	-708	-	-	-	-767
<b>At 31 March 2020</b>	<b>7,222</b>	<b>2,998</b>	<b>517</b>	<b>909</b>	<b>-</b>	<b>11,646</b>
<b>Depreciation and Impairment</b>						
At 1 April 2019	-142	-3,359	-288	-	-	-3,789
Depreciation charges	-146	-156	-24	-	-	-326
Depreciation written out on Revaluation						
- Depreciation written out to the RR	53	-	-	-	-	53
- Depreciation written out to the Surplus/Deficit on the Provision of Services	63	-	-	-	-	63
Reclassification	-	-	-	-	-	-
Depreciation written out on disposal	8	708	-	-	-	716
<b>At 31 March 2020</b>	<b>-164</b>	<b>-2,807</b>	<b>-312</b>	<b>-</b>	<b>-</b>	<b>-3,283</b>
<b>Net Book Value 1 April 2019</b>	<b>5,341</b>	<b>282</b>	<b>201</b>	<b>1,298</b>	<b>-</b>	<b>7,122</b>
<b>Net Book Value as at 31 March 2020</b>	<b>7,058</b>	<b>191</b>	<b>205</b>	<b>909</b>	<b>-</b>	<b>8,363</b>

<b>Analysis of Assets</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
Offices	2	2
Depots	1	1
Car Parks	6	5
Public Conveniences	5	5
Shared Equity Properties	1	1
Quayside	1	1
Properties for the Provision of Homeless Accommodation	2	2
Country Park	-	1
	<b>18</b>	<b>18</b>

Broadland Country Park was acquired by Broadland District Council during 2019/20 and became operational for access to the public in 2020/21.

In addition to the above the Council owns areas of amenity land which have little or no value. They consist of general amenity land, woodland and play areas.

### **Valuation**

The Council ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out by a professionally qualified external valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Property, Plant & Equipment Carried at Current Value	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Historical Cost		3,141	606	463		4,210
Current Value in:						
Year ended 31 Mar 21	3,956					3,956
Year ended 31 Mar 20	3,562				66	3,628
Year ended 31 Mar 19	-				806	806
Year ended 31 Mar 18	543				37	580
Year ended 31 Mar 17	126					126
<b>Total</b>	<b>8,187</b>	<b>3,141</b>	<b>606</b>	<b>463</b>	<b>909</b>	<b>13,306</b>

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets with a finite useful.

### Useful lives

Vehicles, plant and machinery	5 years
Domestic waste bins	10 years
Buildings	25 - 50 years
Street lighting columns	10 years
Land drainage structures	40 years
Buildings	50 years
Bridges	120 years
ICT Equipment	5 years

## **Capital Commitments**

There are no outstanding capital commitments for future capital expenditure as at 31 March 2021.

## **Fair Value Hierarchy**

As part of the adoption of IFRS13, the Surplus Assets held by the Authority were revalued during 2016/17 according to the prescribed valuation techniques as detailed below. Further valuations of the surplus land were carried out in 2018/19. There were no transfers between levels 1 and 2 during 2018/19. Surplus land at Rosebery Road has been mainly transferred as part of the Broadland Growth Ltd housing development; the remainder was revalued in 2019/20 with no transfer between level 1 and 2.

Surplus Assets Held at Fair Value	Quoted Value in Active Markets for Identical Assets (Level 1) £'000	Other Significant Observable Inputs (Level 2) £'000	Significant Other Un-observable Inputs (Level 3) £'000	Fair Value as at 31 March 2021 £'000
Recurring Fair Value Measurements				
Land	-	909	-	909

## **Valuation Techniques Used to Determine Fair Values for Surplus Assets**

### Significant Observable Inputs – Level 2

The valuation technique applied was the market approach. This uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. The level 2 inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

There has been no change in the valuation techniques used during the year for Surplus Assets.

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

## 12. Heritage Assets

The Authority owns twenty-three bridges, seven culverts and one tunnel along a nine mile section of the Bure Valley Railway line. These structures were built in the 1870's as part of the East Norfolk Railway line, and were transferred to the Authority at no cost in 1989 by the British Railways Board to hold in trust and to maintain in a safe condition. The bridges have been considered on the basis of their background history and the Authority's intentions in acquiring the asset, and it was concluded that, as they were acquired purely for their value as historical artefacts, they fulfilled the definition of Heritage Assets.

Heritage assets are carried at valuation rather than at fair value, reflecting the fact that historical assets rarely change ownership. Valuations may be made on any basis that is appropriate and relevant. The Authority is unlikely to replace the structures with exact replicas of the originals in the event that one or all of the structures are destroyed or severely damaged, so a valuation on depreciated replacement cost is not appropriate. The Authority would not seek to sell the bridges, and has considered that if it were to attempt to do so, the purchaser would require the Authority to pay to offset the obligation of maintaining the bridges in a safe condition. After careful consideration, the Authority has opted to value the structures at historical cost. This is defined in the Code as the carrying amount of the asset as at 1 April 2007 or at the date of acquisition if later, adjusted for depreciation or impairment if appropriate. As the structures were transferred to the Authority at nil cost in 1989 and held at nil value on the Authority's balance sheet as at 31 March 2007, their historical cost valuation has been deemed to be nil. Capital expenditure undertaken to rectify damage and deterioration will be written off against the impairment to value that the damage represents.

The Authority has built a path for walkers and cyclists along the length of the line which is open to public access at any time, from which the bridges and culverts can be seen. The path is classified as an infrastructure asset within Property, Plant and Equipment on the balance sheet and is valued separately.

### 13. Intangible Assets

The purchase of software licences and project implementation costs are treated as intangible assets. Amortisation of intangible assets is charged to the revenue account on a straight line basis over a period of five years.

	2019/20 £'000	2020/21 £'000
<b>Cost</b>		
Opening Gross Balance	1,264	1,210
Additions	81	42
Intangible Assets Under Construction	-	65
Disposals	-135	-397
Closing Gross Balance	1,210	920
<b>Amortisation</b>		
Opening Accumulated Balance	-1,106	-1,052
Amortisation Charge	-81	-66
Disposals	135	378
Closing Amortisation Balance	-1,052	-740
<b>Opening Net Book Value</b>	<b>158</b>	<b>158</b>
<b>Closing Net Book Value</b>	<b>158</b>	<b>180</b>

### 14. Leases

#### Operating Leases where the Council is Lessee

The Council formerly used leased cars under the terms of an operating lease. There were no amounts paid under this arrangement in 2020/21 (£3,095 in 2019/20). There are no future cash payments required under these leases as at 31 March 2021.

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

### **Broadland Growth**

Broadland District Council has an interest in Broadland Growth Limited, which has been assessed as a joint venture with NPS Group. The company was formed in December 2013 to undertake housing development in the district.

The Authority contributed £10,000 initial capital to the company and this is shown within the Investments in Associates and Joint Ventures line in the Balance Sheet.

The company has estimated £576,148 as a pre-tax profit in 2020/21 (£177,865 2019/20 pre-tax profit).

As at the end of March 2021 no new developments were underway.

### **Community Infrastructure Levy (CIL)**

Broadland District Council, Norwich City Council and South Norfolk Council have adopted and implemented their own Community Infrastructure Levy (CIL) schemes and agreed to pool a significant proportion of their CIL income.

On 21 October 2015, an agreement including Norfolk County Council was signed to pool the CIL income (excluding the neighbourhood element and the proportion retained to cover administrative costs) to support the Greater Norwich Growth Board's Strategic Infrastructure Programme. Norfolk County Council, designated the accountable body in the agreement, established the Infrastructure Investment Fund from the CIL income it has received from each of the authorities.

At 31 March 2021, the Infrastructure Investment Fund had a cash balance of £9.266m, which will be used to support projects.

## 16. Financial Instruments

### Categories of Financial Instruments

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

Financial Assets	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Amortised cost								
- Soft loan on shared equity properties	-	-	328	334			-	-
- Simple Deposits	-	-	-	-	12,086	8,724	-	-
- Fin assets carried at contract amount	-	-	1,879	476			9,406	16,460
Fair value through profit or loss	-	-	-	-	10,636	11,442	-	-
	-	-	2,207	810	22,722	20,166	9,406	16,460

Financial Liabilities	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Amortised cost finance lease liabilities	-	-	-	-	-	-	-	-
Fin liabilities carried at contract amount	-	-	-	-	-	-	-710	-3,247
	-	-	-	-	-	-	-710	-3,247

The fair values of the items in the table above are equal to the carrying amounts shown within the table.

The soft loan consists of deferred capital receipts arising from a 25% share in a total of nine shared equity properties built by the Authority's joint venture housing development company. The value must be paid over to the Authority on or before the 25<sup>th</sup> anniversary of each property's purchase. The calculation of the loss in value arising from the delay in payment – effectively, an interest-free loan – has been made by discounting the estimated value of the receipt by 2.09% (Carrowbreck site) and 1.49% (Rosebery Road site) based on a readily available mortgage offer to first-time buyers, resulting in a fair value of £334,482.

Financial assets and financial liabilities represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value is assessed by calculating the present value of the cash flows that are expected to take place over the remaining life of the instruments, with the following assumptions:

- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- The fair value of an instrument due to mature within the next 12 months is taken to be the carrying amount.



## Income Expense Gains and Losses

	2019/20		2020/21	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
Interest revenue:				
Financial assets measured at amortised cost	-285	-	-99	-
Financial assets measured at fair value through profit or loss	-405	-	-1,120	-
<b>Total interest revenue</b>	<b>-690</b>	<b>-</b>	<b>-1,219</b>	<b>-</b>
<b>Interest expense</b>	<b>16</b>	<b>-</b>	<b>2</b>	<b>-</b>

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

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

### Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Council. Credit risk arises from deposits with banks and financial institution as well as credit exposures to the Council's customers.

The risk is minimised through the Annual Investment Strategy. The Annual Investment Strategy for 2020/21, approved by members at Council on 20 February 2020, set the criteria determining the counterparties regarded as suitable for investment purposes. The policy set a limit for internal investments of £5 million on the amount that can be invested with a single counterparty, with the exception of the Debt Management Office, with increased the limits on deposits placed for initial terms in excess of 364 days to £15m maximum (£10m in deposits of terms up to five years, £5m for deposits up to ten years).

The Council has the following exposure to credit risk. The table below categorises outstanding investments by their current credit rating as determined by Fitch Long Term Issuer Default.

	Credit Rating	Gross carrying amount at 31 March 2021 £'000
<b>12 month expected credit losses</b>		
Banks	A	-5,006
	A+	-9,003
Less: Investments made on behalf of third parties	n/a	1,284
Money Market Funds	AAA	-8,000
Pooled Funds	n/a	-11,442
		-32,167
Simplified Approach - Debtors	n/a	-16,936
Total Credit Risk Exposure		-49,103

### Amounts Arising from Expected Credit Losses

The Council has had no historical experience of default; this in part guides the estimation techniques that have been used in calculating impairment loss allowances. For those instruments classified as being held at amortised cost the 12 month expected credit loss model (ECL) has been applied by use of Historical Default Tables. These are produced by combining multi-year historic default rate data from the three main credit rating agencies, Fitch, Moody's and Standard and Poor's.

The Council's investments with banks are rated at either A or A+. The expected credit loss is 0.03% of the total invested and is therefore immaterial (approximately £3,770 overall).

The remainder of the Council's investments are with externally managed pooled funds (classified as revenue, measured at fair value through profit and loss) and current market prices are considered to be an appropriate reflection of credit risk with all movements in fair value impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services when they arise.

The Council does not generally allow credit to its customers. A provision is made in the accounts for bad or doubtful debts based on historical experience of collection using the simplified approach permissible, automatically based on lifetime expected credit losses. The risk of default has therefore been accounted for in the balance sheet.

The Authority has acquired a 25% interest in six properties on the Carrowbreck Meadow development and three on the Rosebery Road development site, with a legal agreement that the purchasers will pay the Authority the value on the twenty-fifth anniversary of the purchase at the latest. These have been deemed to be soft loans, and the current valuation of £378,750 (Carrowbreck) has been discounted back to a fair value of £245,304 by use of a readily available mortgage rate of 2.09%. The current valuation of the soft loan for Rosebery Road is £127,250 and has been discounted at a rate of 1.49% back to fair value of £89,228. The loans have been classed as long-term debtors, and appear within Note 18, with the impairment registered in the Financial Instruments Adjustment Account.

### **Liquidity Risk**

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

As the Council 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 Annual Investment Strategy determines the Council's investment strategy and interest rate exposure that feeds into the setting of the annual budget and the Treasury Strategy Statement determines the interest rates to be used. The Council assumes a cautious percentage return and employs a professional treasury management advisor to provide interest rate forecasts.

Interest rates have remained low during 2020/21, which has continued to impact on investment returns. A 0.25% increase in rates earned by internally managed investments with all other variables being constant would have resulted in a rise of £35,000 (2019/20 £32,500) within the Income and Expenditure Account. The impact of a fall of 0.25% in interest rates would have been decreased income of the same amount.

#### **Price Risk**

The Council does not invest in equity shares 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.

## 18. Long Term Debtors

	31 March 2020 £'000	31 March 2021 £'000
Transferred Debt	186	162
Staff Car Loans	8	5
Housing Advances for former council house stock	61	61
Housing benefit overpayment debt	370	324
Deferred capital receipt on shared equity properties	328	334
Loans to Parish Councils	314	248
Loan to Broadland Growth Ltd	1,310	-
	2,577	1,134

The transferred debt is held on behalf of Great Yarmouth Borough Council - an obligation dating back to the 1974 Local Government Reorganisation scheme.

The deferred capital receipt refers to an agreement to take a 25% interest in nine shared equity properties on the Carrowbreck Meadow (six) and Rosebery Road (three) developments. The purchasers of these properties have signed a legal agreement to pay the Authority for the remaining equity within 25 years. As the Authority will not receive any interest on this deferred payment this has been classified as a soft loan, and the £378,750 value as at 31 March 2017 (Carrowbreck) has therefore been discounted to a fair value of £245,304 using a commonly available mortgage rate of 2.09%. The £127,250 value for the Rosebery Road properties has been discounted to a fair value of £89,228 using a rate of 1.49% (commonly available at 31<sup>st</sup> March 2020). The impairment in value is held within the Financial Instruments Adjustment Account, and will be reversed in instalments each year until the payment is received.

The Parish Council loan scheme is funded through the Broadland Growth Reserve to establish a community infrastructure fund. The aim of the fund is to provide a borrowing facility for Parish and Town Councils to submit bids for local infrastructure projects which are underwritten by the respective Parish or Town Council's future CIL (Community Infrastructure Levy) receipts. £500,000 has been ring-fenced within the Broadland Growth earmarked reserve for this purpose. Two loans have been advanced.

## 19. Short Term Debtors

	31 March 2020 £'000	31 March 2021 £'000
Community Infrastructure Levy	8,670	11,806
MHCLG Business Rates Debtor	-	4,858
Other Entities and Individuals	3,321	6,788
	11,991	23,452
Less: Provision for Debt Impairment	-208	-189
	11,783	23,263

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31 March 2020 £'000	31 March 2021 £'000
Six months to one year	133	131
More than one year	43	54
	176	185

## 20. Short Term Investments

The following investments were held at 31 March, valued at bid price in line with current local authority practice. The figures below include accrued interest.

	31 March 2020 £'000	31 March 2021 £'000
Banks/Building Societies	13,039	10,010
Externally Managed Pooled Funds	10,636	11,442
Gross Funds Invested	23,675	21,452
Less: Investments made on behalf of third parties	-949	-1,284
	22,726	20,168

## **21. Short Term Creditors**

	31 March 2020 £'000	31 March 2021 £'000
Community Infrastructure Levy	-10,675	-16,812
Advance Maintenance Fees – Play Areas	-2,117	-3,435
MHCLG Business Rates Creditor	-511	-8,017
Norfolk CC Council Tax/Business Rates Creditor	-1,633	-461
Other Entities and Individuals	-6,766	-10,027
	-21,702	-38,752

## **22. Provisions**

The Provisions figures on the Balance Sheet (page 17) relate to an estimate of the outcome of appeals against Business Rates assessments (Short Term -417, Long Term -1,225).

## **23. Long Term Creditors**

### **Capital Grants Receipts in Advance**

Capital Grants Received in Advance refer to grants of a capital nature received where the grant carries conditions that have not yet been fulfilled, and where the funds must be used within a set period of time or returned to the donor. Accordingly, the Authority must carry these as potential creditors rather than register them as income and include them within its assets.

### **Section 106 Receipts**

The Council has received contributions from developers in respect of Section 106 Planning Agreements that have not yet been recognised as income, as the funds must be returned to the donor if the conditions attached are not met. These are held as creditors – within Short-Term Creditors for receipts with a revenue purpose and as Capital Grants Receipts in Advance where the intended expenditure is capital in nature.

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

Balance Sheet category	Purpose of Funds	31 March 2020 £'000	31 March 2021 £'000
Short Term Creditors	Provision of Play Areas (Conditional)	-2,117	-3,435
Short Term Creditors	Maintenance of Adopted Land (Conditional)	-29	-26
Capital Grants Receipts in Advance	Provision of Affordable Housing (Unconditional)	-245	-245

## **24. Unusable Reserves**

Unusable reserves are those reserves which cannot be used to fund expenditure or to reduce Council Tax.

### **Revaluation Reserve**

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

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

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

	2019/20 £'000	2020/21 £'000
Balance at 1 April	-2,217	-2,468
Removal of revaluation balance for assets disposed of in year	17	-13
Upward revaluation of assets	-632	-1,001
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of services	389	-
Depreciation written back on revaluation	-53	-230
Difference between fair value depreciation and historical cost depreciation	28	12
Balance at 31 March	-2,468	-3,700

### **Pension Fund Reserve**

The Pensions Fund Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are due to be paid.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	-31,121	-24,080
Actuarial Gains / (Losses) on pensions assets and liabilities	8,621	-9,164
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	-3,285	-2,485
Employer's pension contributions & direct payments to pensioners in the year	1,705	1,611
Balance at 31 March	-24,080	-34,118

## **Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition or enhancement of those assets under statutory provisions.

The account is charged with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition and enhancement.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	-6,950	-8,323
<u>Capital Financing applied in the year</u>		
Capital receipts	-876	1,218
Application of grants from the Capital Grants Unapplied account	-1,237	-168
Capital expenditure charged against General Fund balances	-27	-567
	-9,090	-7,840
<u>Reversal of capital items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>		
Depreciation and amortisation		
- Charge for the year	258	266
- Written out on Revaluation	-63	-
Revaluation Reserve Balance Written out on Disposal	-17	12
Disposals	51	19
Revaluations	-29	-
Government Grants and Contributions	-1,540	-1,482
Deferred Income – Shared Equity Properties	-127	-
Revenue expenditure funded from capital under statute	2,234	1,514
	767	329
Balance at 31 March	-8,323	-7,511

## **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of local taxation income in the Comprehensive Income and Expenditure Statement as it falls due from taxpayers compared with the statutory arrangements for paying amounts to the General Fund from the Collection Fund.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	1,137	167
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements.	-970	5,421
Balance at 31 March	167	5,588



### **Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences between the value of a financial instrument according to accounting practices and statutory requirements. The balance relates to the impairment in value to a soft loan resulting from the deferred capital receipt on six shared equity properties.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	143	177
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	34	-6
Balance at 31 March	177	171

### **Deferred Capital Receipts - Mortgages**

Deferred capital receipts are amounts due to be received from the sale of council houses for which funds are received over a number of years. Capital receipts are minimal, amounting to less than £1,000 in each year.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	-60	-60
Receipts transferred out	-	-
Balance at 31 March	-60	-60

### **Accumulated Absences Account**

The Accumulated Absences Account absorbs the timing differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	-	125
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	125	137
Balance at 31 March	125	262

### **Pooled Investment Funds Adjustment Account**

The Pooled Investment Funds Adjustment Account absorbs net capital appreciation/depreciation on pooled investment funds that would be charged to the general fund balance under IFRS9 but which are subject to a statutory override until 31 March 2023.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	-	773
Amount by which capital appreciation/depreciation on pooled funds charged to the Comprehensive Income and Expenditure Statement is different from that chargeable in the year in accordance with statutory requirements.	773	-755
Balance at 31 March	773	18

## 25. Members Allowances

Payments to members for allowances and committee attendance expenses were £319,429 (2019/20 £311,997) and are included within the 'Governance and Business Support' line of the Comprehensive Income & Expenditure Statement.

## 26. Officers' Remuneration

The following table shows the remuneration of senior employees whose salaries are more than £50,000 per year. Senior employees are those that have the power to direct or control the major activities of the Council.

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

South Norfolk Council (SNC) and Broadland District Council (BDC) share a joint Senior Management Team.

The employees detailed below therefore work across the two authorities and the costs are shared.

2020/21	Employing Authority	Salary incl fees, allowances & performance related pay	Compensation for loss of office	Employers pension contributions	Total remuneration including employers pension contributions	BDC Share of total remuneration including employers pension contributions
		£	£	£	£	£
Managing Director	BDC	166,714	-	25,007	191,721	86,275
Director - People and Communities	SNC	92,050	-	13,635	105,685	47,558
Director - Resources	SNC	92,050	-	13,808	105,858	47,636
Director - Place	BDC	92,050	-	13,808	105,858	47,636
Assistant Director - Planning	SNC	66,550	-	9,983	76,533	34,440
Assistant Director - Governance & Business	SNC	67,038	-	10,056	77,093	34,692
Assistant Director - Individuals & Families	SNC	66,550	-	9,983	76,533	34,440
Assistant Director - Chief of Staff	SNC	64,680	-	9,702	74,382	33,472
Assistant Director - Regulatory	SNC	66,550	-	9,983	76,533	34,440
Assistant Director - Economic Growth	BDC	68,237	-	10,233	78,469	35,311
Assistant Director - Finance	BDC	71,650	-	10,748	82,398	37,079
Assistant Director - Community Service	BDC	66,550	-	9,983	76,533	34,440

Note: Additional costs to those above will be employers NI contribution which for Broadland District Council for 20/21 is approximately £54,000.

2019/20	Employing Authority	Salary incl fees, allowances & performance related pay £	Compensation for loss of office £	Employers pension contributions £	Total remuneration including employers pension contributions £
Managing Director - Trevor Holden	BDC	163,450	-	24,518	187,968
Director - People and Communities	SNC	90,250	-	13,575	103,825
Director - Resources	SNC	90,250	-	13,575	103,825
Director - Place	BDC	90,250	-	13,538	103,788
Assistant Director - Planning	SNC	67,329	-	10,287	77,616
Assistant Director - Governance & Business	SNC	65,250	-	10,088	75,338
Assistant Director - Individuals & Families	SNC	65,250	-	9,788	75,038
Assistant Director - Chief of Staff	SNC	64,627	-	9,694	74,321
Assistant Director - Regulatory (started 30/09/2019)	SNC	32,930	-	4,940	37,870
Assistant Director - Economic Growth (left 31/03/2020)	BDC	59,833	36,250	8,975	105,058
Assistant Director - Finance (started 28/10/2019)	BDC	30,494	-	4,574	35,068
Assistant Director - Community Service (started 07/11/2019)	BDC	27,017	-	4,037	31,054

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

Remuneration Band	2019/20	2020/21
£50,000 - £54,999	2	4
£55,000 - £59,999	3	1
£60,000 - £64,999	2	-
£65,000 - £69,999	-	2
£70,000 - £74,999	-	1
£75,000 - £79,999	-	-
£90,000 - £94,999	1	1
£100,000 - £104,999	-	-
£160,000 - £164,999	1	-
£165,000 - £169,999	-	1
	9	10

Remuneration bands are shown by employing Authority, before recharges, and are exclusive of Compensation for Loss of Office.

### **Exit Packages 2020/21**

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

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
Under £50,000	1	3	4	78
Over £50,000	-	-	-	-
Total cost included in bandings				78
Amounts provided for in CIES not included in bandings				-
Total cost included in CIES				78

The total cost of £77,543 in the table above was charged to the Authority's Comprehensive Income and Expenditure Statement in 2020/21.

### **Exit Packages 2019/20**

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

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
Under £50,000	-	1	1	36
Over £50,000	2	1	3	357
Total cost included in bandings				393
Amounts provided for in CIES not included in bandings				-
Total cost included in CIES				393

The total cost of £393,000 in the table above was charged to the Authority's Comprehensive Income and Expenditure Statement in 2019/20.

## 27. External Audit Costs

Ernst & Young LLP have been appointed by Public Sector Audit Appointments (PSAA) as the Council's external auditors and PSAA sets a scale for external audit fees.

Without the distortions of payments to auditors falling in different financial years, the proposed scale level of audit fees payable are as follows.

	2019/20 £	2020/21 £
External audit services carried out by the appointed auditor	32,022	32,022
Certification of grant claims and returns	14,500	8,500
Additional fees payable with regard to external audit services carried out by the appointed auditor for the previous year	-	18,399
	46,522	58,921

## 28. Grant Income

	2019/20 £'000	2020/21 £'000
<b>Grants Credited to Taxation and Non-Specific Grant Income</b>		
Business Rates Retention Scheme	-1,658	-7,254
Business Rates Levy Surplus	-10	-
Revenue Support Grant	-	-30
New Homes Bonus Scheme	-2,174	-2,318
Council Tax Annex Grant	-31	-36
Transparency	-8	-9
Local Council Tax / Business Rates Support & Administration	-96	-95
EU Exit Preparation	-35	-
Business Rates Retail Discount Scheme Grant	-9	-
	-4,021	-9,742
<b>Grants Credited to Services</b>		
DWP Housing Benefits	-17,529	-16,994
Business Rates Cost of Collection	-140	-139
Disabled Facilities Grant	-886	-1,014
Homelessness Grants	-463	-348
Section 106 Contributions	-13	-
Elections / IEREG	-590	-37
Private Sector Housing Renewal	-946	-902
Sports Development	-21	-62
Economic Development Pooled Funding Projects	-510	-2
Second Homes Funding	-17	-
Community Infrastructure – Admin/Surcharges	-10	-
Public Health Partnership	-1	-
Neighbourhood Planning Frontrunners	-40	-40
Planning Registers Set-Up	-17	-
Recycling Partnership	-64	-31
Covid-19	-38	-267
Other Grants	-47	-45
	-21,332	-19,881
<b>Total Grant Income</b>	<b>-25,353</b>	<b>-29,623</b>

In addition to the above grants the Council received a number of Covid Grants. Details of these are included in Note 6.

## **29. Related Party Transactions**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### **Central Government**

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of the many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding are shown within the debtors listed in Note 19.

### **Members & Chief Officers**

Members of the Council have direct control over the Council's financial and operating policies. Members Allowances paid during the year to 31st March 2021 are disclosed in Note 25.

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 2021:

- One Member is a trustee of Leeway Domestic Violence and Abuse Services. Leeway received £39,354 during the year in respect of an agreement to provide support services to Broadland residents.
- Two members and the Managing Director of the Council were Directors of Broadland Growth Ltd. Further details of Broadland Growth Ltd.'s transactions with Broadland District Council are provided in Note 15. None of the three Directors received financial rewards from the company.

Members are provided with individual Ward Member budgets of £500 annually to spend within their ward.

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

The Council is collaborating with South Norfolk District Council with all officers now serving both Councils and sharing a single officer structure.

Broadland works through various forms of partnership with other organisations and authorities.

The Authority formed Broadland Growth Limited in December 2013 in partnership with NPS Group to undertake housing development within the district. The relationship has been classified as a joint venture. Details of the company's trading results are set out within Note 15.

In October 2014, Broadland District Council entered into a joint venture agreement with Norse Environmental Waste Services Limited (NEWS), a subsidiary of Norse Group, to provide recycling sorting and processing. The company provides services to the seven second tier Norfolk councils and Norfolk County Council Household Waste Recycling Centres. Payments to NEWS for the year amounted to £898,320 (£791,977 in 2019/20). The joint venture is set up to allow the districts a 7% income from any profit the company makes and also potential income from the sale of materials once a set amount of income is made.

Broadland District Council works in partnership with Norwich City Council, South Norfolk Council and Norfolk County Council as the Greater Norwich Development Partnership to deliver large-scale projects that transcend authority boundaries. Contributions are made from the Authority's Community Infrastructure Levy (CIL) income into the Infrastructure Investment Fund to support the Greater Norwich Growth Board's Strategic Infrastructure Programme. A total of £3,373,284 was paid during 20/21, of which £1,588,324 related to activity taking place during 2019/20. A further £3,862,463 was paid in April 2021 in respect of CIL due for 2020/21 activities.

### **Other Public Bodies**

The Authority derives the majority of its funding from the UK Government. The Authority's relationships with central Government and other local government bodies fall within the scope of usual activities between such organisations.

Broadland District Council pays levies to three Internal Drainage Boards (IDB's) in the district; Waveney, Lower Yare and Lothingland IDB, Broads IDB and Norfolk Rivers IDB. These levies are determined by the boards of these organisations. Although members of the Council represent the Authority on these boards they do not have a controlling influence on their decisions, and the Authority is compelled under statute to pay the levy demanded. The total levies paid to the IDB's in 2020/21 amounted to £252,043 (2019/20 £245,535).

### 30. Capital Expenditure and Capital Financing

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

	2019/20 £'000	2020/21 £'000
Opening Capital Financing Requirement	120	-
<u>Capital Investment</u>		
Property, Plant and Equipment	847	755
Intangible Assets	83	107
Long-Term Debtors	1,224	-
Revenue Expenditure funded from Capital under Statute	2,234	1,514
	4,388	2,376
<u>Sources of Finance</u>		
Capital Receipts	-1,583	-158
Grants and Contributions	-2,777	-1,651
Revenue / Internal Funds	-148	-567
Closing Capital Financing Requirement	-	-

### 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

### 31. Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not be payable until employees retire, the Authority has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement.

Employees may participate in the Norfolk Pension Fund. The fund is administered by Norfolk County Council in accordance with the Local Government Pension Scheme Regulations 1997 as amended and is a defined benefit salary scheme. The scheme is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets. Contributions to the scheme are determined by the Fund's actuary on a triennial basis.



## **Transactions Relating to Retirement Benefits**

The cost of retirement benefits is recognised in the net cost of services within the Income and Expenditure account when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have appeared in the core financial statements.

	2019/20 £'000	2020/21 £'000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
<b>Service Cost:</b>		
<i>Cost of services</i>		
Current Service Cost	2,527	1,928
Past Service costs / (gain)	-103	-
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	758	557
<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,182</b>	<b>2,485</b>
<i>Other post-employment benefits charged to the Comprehensive Income &amp; Expenditure Statement</i>		
Re-measurement of the net defined benefit liability, comprising:		
Actuarial gains and losses arising on changes in demographic assumptions	-2,307	1,088
Actuarial gains and losses arising on changes in financial assumptions	-7,035	21,371
Other experience	-3,331	-739
Return on plan assets (excluding the amount included in the net interest expense)	4,155	-12,556
<b>Total post-employment benefits charged / (credited) to Other Comprehensive Income and Expenditure</b>	<b>-8,518</b>	<b>9,164</b>
Total post-employment benefits charged / (credited) to the Comprehensive Income & Expenditure Statement	-5,336	11,649
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	3,182	2,485
Employers' contributions payable to scheme	-1,705	-1,611
<b><u>Pension Assets &amp; Liabilities recognised within the Balance Sheet</u></b>		
Present value of the defined benefit obligation	-80,887	-104,387
Fair value of plan assets	56,807	70,269
Net liability arising from defined benefit obligation	-24,080	-34,118

The liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. Although the liability has a negative impact on the net worth of the Authority as recorded in the balance sheet, statutory arrangements for the funding of the deficit mean that the financial position of the Authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be paid to the scheme in the year 2021/22 is £1,534,000 (2020/21 £1,522,000).

## **Assets and Liabilities in Relation to Post-Employment Benefits**

Reconciliation of present value of the scheme liabilities:

	2019/20 £'000	2020/21 £'000
Opening Balance	-91,191	-80,887
Current Service Cost	-2,527	-1,928
Past Service Costs (Gains)	103	-
Interest Cost	-2,196	-1,858
Contributions from scheme participants	-375	-375
Re-measurement gains / (losses):		
Actuarial gains / (losses) arising from changes in demographic assumptions	2,307	-1,088
Actuarial gains / (losses) arising from changes in financial assumptions	7,035	-21,371
Other experience gains / (losses)	3,331	739
Benefits Paid	2,626	2,381
At 31 March	-80,887	-104,387

Reconciliation of fair value of the scheme assets:

	2019/20 £'000	2020/21 £'000
Opening fair value	60,070	56,807
Interest income	1,438	1,301
Re-measurement gain / (loss): Return on assets, excluding amounts included in net interest	-4,155	12,556
Employer contributions	1,705	1,611
Contributions by scheme participants	375	375
Benefits Paid	-2,626	-2,381
At 31 March	56,807	70,269

The pension scheme assets consist of the following;

	Period ended 31 March 2020			Period ended 31 March 2021		
	Active markets	Not in active markets	Percentage of total assets	Active markets	Not in active markets	Percentage of total assets
	£'000	£'000		£'000	£'000	
Equity securities						
Consumer	2,105	-	4%	-	-	0%
Manufacturing	1,669	-	3%	-	-	0%
Energy and utilities	509	-	1%	-	-	0%
Financial institutions	1,427	-	3%	-	-	0%
Health and care	1,318	-	2%	-	-	0%
Information technology	1,753	-	3%	-	-	0%
Other	1	-	0%	-	-	0%
Debt Securities						
UK Government	660	-	1%	800	-	1%
Private Equity		3,419	6%		4,458	6%
Real Estate						
UK Property	-	4,888	9%	-	5,588	8%
Overseas property	-	1,119	2%	-	1,421	2%
Investment Funds and Unit Trusts						
Equities	16,419	-	29%	31,315	-	45%
Bonds	18,510	-	33%	20,862	-	30%
Infrastructure	-	1,587	3%	-	4,444	6%
Other	-	-	-	-	259	0%
Derivatives	-	-80	0%	26	-	0%
Cash and Cash Equivalents	-	1,503	3%	1,096	-	2%
Totals	44,371	12,436	100%	54,099	16,170	100%

### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries. Estimates are based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions made by the actuary are summarised below:

	31 March 2020 % per annum	31 March 2021 % per annum
Inflation / Pension Increases (CPI)	1.90	2.85
Salary Increases	2.60	3.55
Discount Rate	2.30	2.00

Mortality rates are based on recent analyses of actual case histories to determine a reasonable estimate of life expectancy. The average future life expectancies at age 65 are summarised below:

	Men	Women
Current Pensioners	21.9 years	24.3 years
Future Pensioners	23.2 years	26.2 years

A commutation allowance of 50% is assumed for future retirements to elect to take additional tax free cash up to HMRC limits for pre April 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

### **32. Contingent Assets and Liabilities**

There are no material contingent assets or liabilities.

### **33. Going Concern**

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Accounts have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31 March 2023, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

Our most recent year-end balances are reported in the Movement in Reserves Statement.

Our expected General Fund and Earmarked Reserve position is predicted to remain above the minimum level set by the Council's Assistant Director of Finance (s151 officer) throughout the going concern period.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing.

The key assumptions within this forecast included for example, that central Government funding remains in line with current levels. We have considered a downside scenario where central Government funding falls, and the above projections would not be significantly affected with both minimum levels of reserves and liquidity remaining through the same period.

On this basis, the Council has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

### **34. Authorised for Issue**

The Statement of Accounts was authorised for issue by the Assistant Director of Finance on 27 October 2022. This is the date up to which events after the balance sheet date were considered.

Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information.

No events have occurred that require changes to the accounting statements.

### 35. Cash Flow Statement – Operating Activities

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

	31 March 2020 £'000	31 March 2021 £'000
Depreciation	-325	-212
Impairment and downward valuations	92	-
Amortisation	-81	-66
(Increase) or decrease in creditors	-8,081	-19,658
Increase or (decrease) in interest debtors	-	-
Increase or (decrease) in other debtors	5,712	-33
Increase or (decrease) in inventories	-	1
Movement in pension liability	-1,477	-874
Contributions (to) or from provisions	-51	-
Carrying amount of non-current assets held for sale, sold or de-recognised	-	-19
Other non-cash items charged to net surplus or deficit on provision of services	325	1,157
Net cash flow from operating activities	-3,886	-19,704

The cash flows for operating activities include the following items:

	2019/20 £'000	2020/21 £'000
Interest Received	-596	-1,162
Interest Paid	50	26
	-546	-1,136

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

	31 March 2020	31 March 2021
Capital grants credited to surplus or deficit on the provision of services	-	-
Proceeds from the sale of non-current assets	-	200
Any other items for which the cash effects are investing or financing cash flows	205	273
	205	473

## COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund.

The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

	2019/20		2020/21	
	Council Tax £'000	Business Rates £'000	Council Tax £'000	Business Rates £'000
<b>Income</b>				
Council Taxpayers	84,159		88,740	
Business Ratepayers (Non-Domestic Rates) (See CF Note 1 for explanation of reduction)		30,334		16,750
	84,159	30,334	88,740	16,750
<b>Expenditure</b>				
Precepts and Demands				
Central Government		7,251		14,761
Norfolk County Council	62,752	9,427	65,769	2,952
Office of the Police and Crime Commissioner	11,658		12,214	
Broadland District Council	9,293	12,327	9,794	11,809
Costs of Collection Allowance		140		139
Provision for Non-Payment of Council Tax/NNDR	308	181	195	325
Write Offs	148	48	135	90
Transitional Protection Payable		250		524
Provision for Appeals (Non-Domestic Rates)		-557		-603
Disregarded Amounts (Renewable Energy)		150		155
Distribution of Previous Year's Surplus/(Deficit)				
To/(From) Central Government		-629		-455
To/(From) Broadland DC General Fund	3	-503	6	125
To/(From) Office of Police & Crime Commissioner	4		7	
To/(From) Norfolk County Council	20	-126	38	506
	84,186	27,959	88,158	30,328
Surplus/(Deficit) for the Year	-27	2,375	582	-13,578
Surplus/(Deficit) Brought Forward	-285	-3,253	-312	-878
Surplus/(Deficit) Carried Forward	-312	-878	270	-14,456

# NOTES TO THE COLLECTION FUND

## 1. Covid - New Covid Business Rates Reliefs

In response to the Covid 19 pandemic, the Government announced new 100% Business Rates reliefs for the Retail, Hospitality, Leisure and Nursery sectors for 2020/21.

These new reliefs totalled £14.207m in 2020/21, and consequently significantly reduced the amount of Business Rates income being collected.

However, the Council was required to continue to pay across the precept amounts in full to central Government, Norfolk County Council, and the Broadland General Fund throughout the year. This has therefore caused a significant deficit on the Collection Fund.

The Government however committed to fully compensate local authorities for these new reliefs, and grant funding has been received in the General Fund Account to cover this deficit.

## 2. Income from Council Tax

The Council's council tax base is calculated by multiplying the number of dwellings estimated to be in each valuation band (adjusted for dwellings where discounts apply) by a proportion to obtain the equivalent number of band D dwellings.

Band	Total Number of Chargeable Dwellings Adjusted for Discounts	Relevant Proportion (Ninths)	Relevant Number
A (Disabled)	9	5	5
A	2,727	6	1,818
B	12,049	7	9,371
C	17,953	8	15,958
D	9,244	9	9,244
E	4,794	11	5,859
F	2,034	13	2,938
G	768	15	1,280
H	82	18	164
			46,637
Less adjustment for losses on collection and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolition and exempt properties with the addition of 26 Band D equivalents (contributions in lieu of Ministry of Defence).			-207
			46,430

The tax requirement of the Council (including parishes) and the County Council / Police Authority is divided by the tax base to obtain the band D property tax (£1,890.54 average for 2020/21). This basic amount of council tax for a band D property is multiplied by the proportion specified for other bands to give an individual amount due. The exact council tax payable is also dependent upon local parish precept requirements. The actual amount collected will depend on collection efficiency and occupation of properties.

### 3. Income from Business Rates

Rates on business properties are set on a national basis with the rate in the pound being specified by Central Government (51.2p in 2020/21; small businesses were charged at 49.9p). The rateable value of a business is multiplied by this amount to produce the business rates due. The total non-domestic rateable value of hereditaments in the Broadland District as reported to Central Government on the NNDR1 return for 2019/20 was £78.5 million.

After one year as part of the Norfolk Business Rates Pilot in 2019/20, Broadland District Council re-joined the reinstated Norfolk Business Rates Pool in 2020/21. The Pool arrangement means that Broadland District Council, along with the other pool members, are entitled to retain 50% of any Levy due to Central Government (if Business Rates income exceeds the baseline) and this retained Levy is returned to the pool. The combined pooled Levy amounts can be utilised by the pool members on joint allocation to economic development projects. The level of the share of benefits and liabilities returned to 50% Central Government, 40% Broadland District Council and 10% Norfolk County Council.

### 4. Business Rates: Provision for Appeals

As part of the arrangements for BRRS, local authorities assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. Authorities assuming these liabilities need to recognise a provision of liabilities.

Billing authorities acting as collecting agents on behalf of the major preceptors, central Government and themselves make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

The council has made a total provision for new appeals of £314,260 shared with preceptors on the percentage splits described above. The estimate was calculated using a combination of data supplied by a specialist organisation in the field (their modelling takes into account type of proposal and type of hereditament amongst other factors before identifying similar or comparable cases on which to base its results) and the councils retained data relating to previous years. The figure in the main statement above (-£602,545) is the net in year appeals position and includes a total of £916,805 of appeals settled in 2020/21. Note the opening position for BDC appeals has been amended to reflect the change in percentage splits from Pilot to Pool.

	Total Collection Fund		Broadland District Council	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Balance at 1 April	5,263	4,706	2,105	1,882
Additional Provision required	353	314	282	126
Appeals settled in year	-910	-917	-387	-367
Balance at 31 March	4,706	4,103	2,000	1,641

Provisions are included in the accounts for potential liabilities that are likely to be incurred, where there is some uncertainty of the amounts involved or the dates on which these liabilities may arise. Of Broadland District Council's share of the total provision above (£1.6m), £416,600 is estimated to be settled within 12 months and is included in the Balance Sheet under current provisions. Where there is greater uncertainty but appeals are likely to be settled in the long term (after 12 months) this total (i.e. the remainder of £1,224,700) is included in the Balance Sheet under long-term provisions.



## 5. Collection Fund Surplus and Deficit

The surplus for Council Tax carried forward is shared with major preceptors. At 31 March 2021, the proportion due to Broadland District Council is £64,354 (a deficit of £3,198 in 2019/20) and the in-year surplus amount resulting in this figure has therefore been included in the Council's Income and Expenditure Account.

The deficit for Business Rates carried forward is shared with major preceptors. At 31 March 2021, the proportion due from Broadland District Council is £5,617,886 (a deficit of £132,054 in 2020/21). This total is the net result of the year end general business rates deficit (40% share, with an adjustment due to previous year's pilot percentage - £5,808,854) offset by the surplus on renewable energy hereditaments (£190,968 – 100% retained by Broadland District Council). The in-year deficit resulting in this figure has therefore been included in the Council's Income and Expenditure Account.

# ANNUAL GOVERNANCE STATEMENT

## Scope of Responsibility

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

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

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

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

This statement explains how Broadland District Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control and accompanies the 2020/21 Statement of Accounts of the Council. The Annual Governance Statement is subject to detailed review and approval by the Audit Committee.

## The Purpose of the Governance Framework

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

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

The governance framework has been in place at Broadland District Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

## The Governance Framework

An annual review of the Governance Framework at Broadland District Council was completed prior to the preparation of the Annual Governance Statement, with key officers completing full assurance statements for their area of responsibility, and these being signed off by the relevant member of the Corporate Management Leadership Team (CMLT). These are in place to ensure the governance arrangements across the Council are adequate, and to also recognise where any further work needs to be done. At the start of the pandemic and in light of the events surrounding COVID-19, key officers provided assurance in terms of any changes or amendments to processes

or internal controls and how staff working from home had impacted on the services. These statements still stand, and in many cases have become the new way of working.

The Code of Corporate Governance has been in place for the 2020/21 financial year. This Code is the framework of policies, procedures, behaviours and values which determine how the Council will achieve its priorities and is based upon the seven principles of the International Framework for Corporate Governance in the Public Sector.

#### The Council's Vision and Ambitions:

The Council works in collaboration with South Norfolk Council and as a result we share a Strategic Plan (2020 – 2024) and Delivery Plan (2020/21). These set out our joint Vision and Priorities:

**THE VISION:** Working together to create the best place and environment for everyone, now and for future generations

#### **OUR PRIORITIES, OUR PEOPLE, OUR APPROACH:**

1. Growing the economy;
2. Supporting individuals and empowering communities;
3. Protecting and improving the natural and built environment, whilst maximising quality of life; and
4. Moving with the times, working smartly and collaboratively.

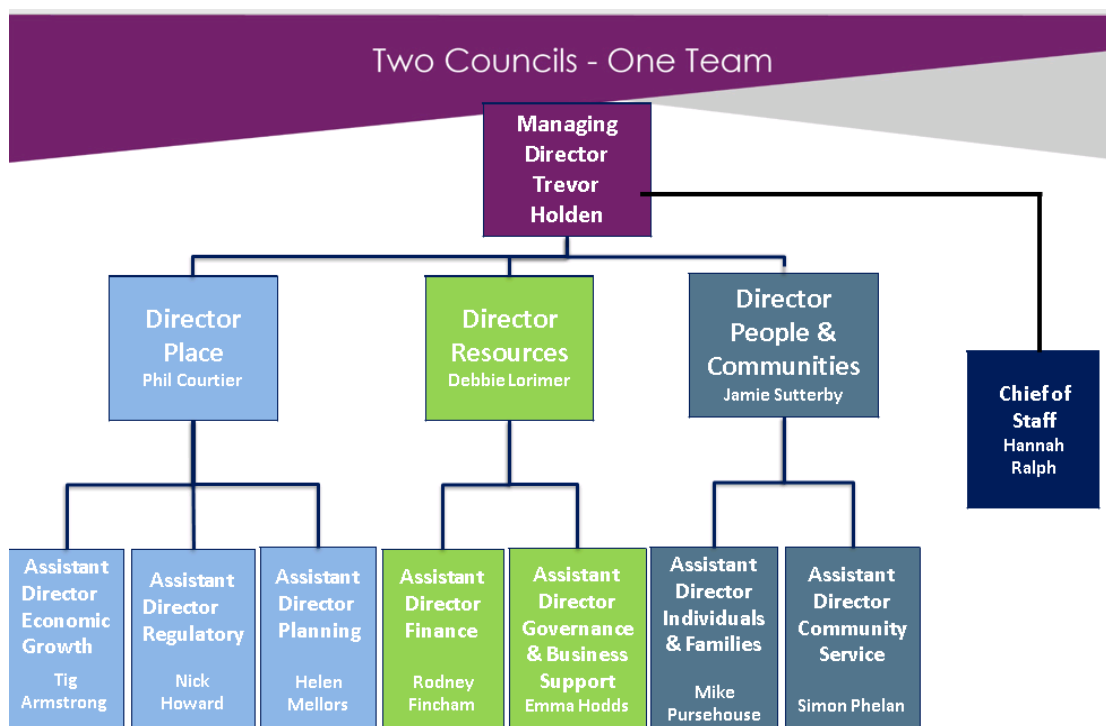
The Strategic Plan is a digital and interactive document which acts as a gateway for more in-depth details of the priorities and work of the Council and can be found [here](#).

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

To underpin the Strategic Plan, a detailed Delivery Plan is produced annually. This describes our intended activities for the 12 months from April to March each year to support the priorities set out in the Strategic Plan. This plan is produced as an integrated process with the Council's annual budget setting and Medium-Term Financial Plan revision. The 2020/21 Plan can be accessed [here](#).

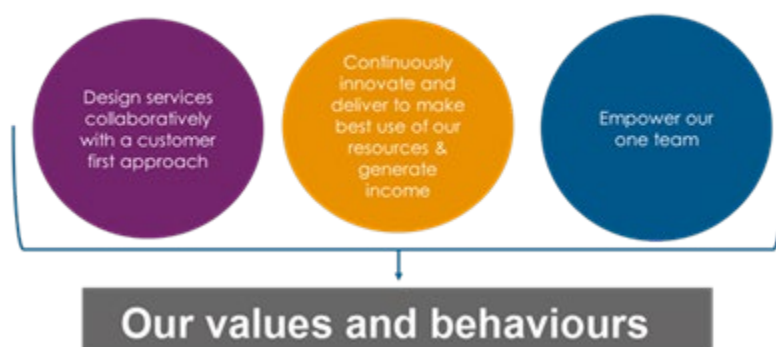
#### Review of the Council's Governance Arrangements:

The Council regularly reviews its organisational structure as part of aligning resources with demand to deliver the priorities above. In addition, the progression with the Council's collaboration with South Norfolk Council has resulted in the establishment of one team across the two Councils. This includes a Corporate Management Leadership Team (CMLT), consisting of the Managing Director, three Directors, and eight Assistant Directors, as follows:



The SPARK transformation programme has continued through the past year, with key transformational programmes being delivered across the Council. The One Team has internal consultants in place across the organisation to lead on changes and work with the service areas to drive forward efficiencies. The programme of work was impacted on by COVID-19, with staff being redeployed to other areas of the Council, where there was a critical need to help our Communities and residents. The transformational approach is designed around the three key philosophies outlined below.

### The Spark philosophy



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

The 4-year Strategic Plan sets out our Priorities together with targets for success over this time. The 2020/21 Delivery Plan uses these priorities and shows the 'Delivery Measures' which aim to track the performance of our services and how well we are achieving our key ambitions. The Delivery Measures are tracked and reported regularly to Cabinet as part of our Performance Framework.

The Delivery Plan sets out the proposed activities and 'business as usual' operational services that will be undertaken for the financial year ahead commencing 1 April. A new performance management scheme has been launched, with the end of year discussions being held to reflect on the past year and then to set objectives for the forthcoming year in line with the delivery plan. The objectives will be reviewed through continuous conversations over the course of the 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, Protocol on Member / office relations, contract standing orders and rules of financial governance set the framework in which the organisation makes decisions.

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

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

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

The Rules of Financial Governance explain the statutory duties of the Section 151 Officer including the responsibility under direction of the Cabinet for the proper administration of the Council's financial affairs. The Council's governance arrangements allow the Section 151 Officer to bring influence to bear on all material business decisions. The Section 151 Officer supports the CMLT and has the authority to bring matters directly to the attention of the Managing Director if required.

### CIPFA Financial Management Code

The Council has assessed itself against the CIPFA Financial Management code and has concluded that it complies with the key requirements therein, alongside this conclusion an action plan has been developed to make further improvements.

### The Audit Committee

The Committee met regularly during the year. Its key tasks are to monitor the work of Internal and External Audit, support risk management, 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. Statutory instruments are disseminated to Managers responsible for acting on them. The relevant professional officers are tasked with ensuring compliance with appropriate policies and procedures to ensure all officers work within them.

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

Assistant Directors have completed an Assurance Statement covering key governance aspects with their area of responsibility. The outcomes of these Assurance Statements are described under *Managers' Assurance within Governance Issues*.

### Whistle-blowing Policies and Investigating Complaints:

As employees, councillors and others who deal with the Council are often the first to spot things that may be wrong or inappropriate at the Council, a Raising Concerns at Work Policy is in place to provide help and assistance with such matters. There is also a formal complaints procedure

operated as part of the Council's performance management framework. The Council's Whistleblowing Policy and Procedure were reviewed and updated during 2020/21 and updated versions were formally approved at the beginning of 2021/22.

#### 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. This has been reviewed and updated during 2020/21 and updated versions were formally approved at the beginning of 2021/22. The Council has a Housing Benefit and Council Tax Support Anti-fraud and Corruption Policy.

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

#### Development Needs of Councillors and Officers:

There is a training programme in place for officers and Councillors. This is drawn up from new risks or legislation, in response to known and emerging key areas of focus and from the Delivery Plan and staff Performance Reviews. The Council has made extensive investment in training in line with its Learning and Development Strategy for staff, which also includes an online platform that allows staff to undertake learning remotely, at a time that is convenient to them. The online platform has been extremely useful during the COVID-19 pandemic and ensured that we can continue to provide training and development as required. This has also included more informal sessions on stress awareness etc.

In relation to Members, they undertook a rigorous training schedule in 2019/20 after they were elected, which began with a general induction programme and continued throughout the year on more specific topics to ensure Members can take on all aspects of their role confidently and legally. The majority of training undertaken by Members has been online, and often centred on regulatory matters that provide them with the relevant accreditation to sit on specific Committees. Members of the Overview and Scrutiny Committee have also received dedicated training from the Centre for Governance and Scrutiny to effectively carry out their scrutiny role. Members also have access to the online training platform referred to above.

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

The Council works with Norfolk County Council, other Norfolk District Councils, the Police, NHS, Central Government departments, businesses, and voluntary and community groups. This has increased due to the need for various agencies to work together during the COVID-19 pandemic.

In particular during the year staff have been redeployed to the Norfolk and Norwich Hospital to assist during the crisis, this was achieved through a mutual aid agreement.

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

#### Good Governance Arrangements with Partnerships:

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

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

As the collaboration with South Norfolk Council has progressed appropriate governance has been put in place such as Joint Committees and Joint Informal Cabinet.

## **Review of Effectiveness**

### The Role of the Council

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

### The Role of the Cabinet

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

### The Role of the Audit Committee

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

### The Role of the Overview & Scrutiny Committee

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

- Hold the Executive to account (Call-In of decisions made but not implemented and routine pre-scrutiny of items of the cabinet agenda)
- Performance monitoring
- Service reviews
- Internal and external scrutiny

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

### Role of the Monitoring Officer

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

Schedule 5 paragraph 24 of the Local Government Act 2000. The Monitoring Officer has three main roles:

- To report on matters they believe are, or are likely to be, illegal or amount to maladministration (such a report has not been required).
- To be responsible for matters relating to the conduct of Councillors and officers.
- To be responsible for the operation of the Council's Constitution.

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

### The Role of the Chief Financial Officer

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

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

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

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

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

### The Role of Internal Audit

All audits are performed in accordance with the good practice contained within the Public Sector Internal Audit Standards (PSIAS) 2013. Internal Audit report to the Audit Committee and provides an opinion on the system of internal control, which is incorporated in the Head of Internal Audit's Annual Report and Opinion 2020/21.

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

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

### The Role of External Review Bodies

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



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

Ernst & Young LLP were appointed by Public Sector Audit Appointments (PSAA) as the Council's external auditors. The auditors give their opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and they also provide an opinion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money). The Council takes appropriate action where improvements need to be made.

### Effectiveness of Other Organisations

Broadland Growth Ltd is a Joint Venture Company (JVC) owned 50/50 with NPS Property Consultants Limited formed in March 2014.

Training was organised for Directors in December 2019 which focused on the roles and responsibilities of Directors. This resulted in a number of key themes coming out for inclusion in the BGL business plan.

## **Governance Issues**

### Managers' Assurance Statements

On an annual basis, Assistant Directors (AD) across the Council complete an Assurance Statement relating to their service area. The statements are then signed off by the Managing Director or Director responsible for the service area.

### Assurance Statements - looking back on the issues raised in 2019/20

The assurances provided in 2019/20 highlighted that there were no significant governance issues and governance arrangements are mainly consistent across the Council. Overall, governance regarding closer working relationships with South Norfolk Council emerged as a key theme, as it did in the previous year. Although not resulting in non-compliance, officers noted in their responses that policies, procedures etc would require review in light of the collaboration. Much work has been done during the last year to address this and review policy documentation etc, resulting in this not being a highlighted issue for 2020/21. However, the Council's response to the COVID-19 pandemic has slowed progress as resources were diverted as required, particularly initially.

### Assurance Statements for 2020/21

The Assurance Statement asked specific questions about: policy and procedure, effectiveness of key controls, alignment of services with the Delivery 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 to be noted. Each AD also needed to note any issues that they felt represented a significant control item or governance issue. As mentioned, key officers have also provided statements on the impact of COVID-19 on processes and controls, and how these are now managed in the new environment.

In terms of emerging themes for the organisation, two areas have been highlighted as requiring further attention to become fully compliant for numerous teams:

## 1. Risk and control

A number of managers referred to the need for further development of registers for operational risks within their Directorate. Templates and guidance have been made available to managers and the Strategy was approved. Further training is being planned for 2021/22 in this regard, which should address this issue and push this work forward.

## 2. Business Continuity

A number of service areas have highlighted the need for their Business Continuity Plans to be updated. This was raised by a small number last year as a result of the establishment of the new one officer team across South Norfolk and Broadland District Councils. Work is currently ongoing in terms of a joint template, therefore it is hoped that this issue will be addressed in early 2021/22.

Crucially, the responses have highlighted that there are no significant governance issues and governance arrangements are mainly consistent across the Council. Where partial responses have been provided, managers have already identified actions that are being progressed to address these areas and the Chief of Staff will review progress during 2021/22, with updates being sought from ADs.

### COVID-19 - How the control environment has changed during the period of disruption and steps taken

As reported last year as a result of COVID-19, 90% of the workforce are currently working from home, with agile working being the way forward for the Council, with staff only coming back into the office where there is a personal or business need. Staff log onto their IT equipment using two-factor authentication – once the secure connection has been made all staff then utilise the folders and systems they need in the same way as they would in the office, therefore in this regard controls remain.

The Constitution was amended in 2020/21 in line with the legislation to enable the Council to continue with its democratic decision-making process, albeit virtually. These amendments were temporary and ceased to be in place from 7 May 2021.

Any site visits that are required are carried out in line with social distancing guidelines and the compliance checklist provided by central government.

With reference to finance controls there has been a move away from the use of manual signature to acceptance of electronic approval, and new processes were put in place to deal with the payment of COVID-19 grants to support businesses.

### Internal Audit

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

All eight assurance audits completed within the year concluded in a positive assurance grading.

In none of the areas reviewed as part of the revised 2020/21 Internal Audit Plan did the findings indicate that the COVID-19 pandemic had severely impacted the Council's ability to deliver core services to its residents.

The Internal Audit Opinion 2020/21 does not provide assurance over the issuing of business grants by the Council during the COVID-19 pandemic. A post award review of this area has been planned for early 2021/22.

The following updates are provided from Internal Audit on issues raised for inclusion from 2019/20. One limited assurance report was raised at Broadland District Council in relation to Homelessness and Housing Options. All recommendations from this review have now been completed.

In 2019/20 the Internal Audit Manager also concluded that the risk maturity level of the Council was at the lower end of the scale at 'risk aware' during assessment. Since this assessment, improvements in the following areas have been made; a risk appetite for the Council has been defined, a strategic risk register has been created, a policy approved by Council and the Audit Committee received a copy of the strategic risk register at the October and November 2020 meetings. The Internal Audit Team and the Strategy and Programmes Manager continue to work together to make further improvements to the framework and training of staff and members will be a key objective for the year ahead.

Considering all the above, Internal Audit has not raised any significant concerns that should be referenced within the Council's Annual Governance Statement for 2020/21.

### Risk Management

A risk management framework is in place to ensure a consistent approach at the Council with regard to risks. The risk management strategy was reviewed during 2019/20, which resulted in a new Risk Strategy being finalised towards the end of 2020/21. The Audit Committee has regular oversight of the strategic risks, which are planned to in turn be considered by the Cabinet.

### **Review and Approval of the Annual Governance Statement**

The annual review of governance is coordinated by the Chief of Staff, involving senior managers across the Council and reviewed by the Corporate Management Leadership Team. This Annual Governance Statement is considered in draft by the Audit Committee and amended to reflect the Committee's considerations and the views of the external auditor. The (revised) Annual Governance Statement forms part of the Council's annual accounts.

### **Certification**

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

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Trevor Holden, Managing Director

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Shaun Vincent, Leader of the Council

## INDEPENDENT AUDITOR'S REPORT

To be added later.

## GLOSSARY

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.

### **ACOP**

Accounting Code of Practice - A code of accountancy good practice published by CIPFA.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in deficits or surpluses that arise because either events have not coincided with the assumptions made by the actuary for the last valuation (experience gains and losses), or the assumptions themselves have changed.

### **Billing Authority**

An authority which issues demands to local residents for payment of Council Tax on their residences, usually in respect of its own services and as an agent for other authorities serving the property.

### **Capital Charge**

A charge to service revenue accounts to reflect the cost of Property, Plant and Equipment used in the provision of services.

### **Capital Expenditure**

Expenditure on the acquisition, construction or enhancement of an asset which is expected to yield benefits to the Council for more than one year.

### **Capital Financing**

Resources used to meet the capital expenditure incurred in accordance with statutory controls.

### **Capital Receipt**

A receipt arising from the disposal of an interest in a tangible asset.

### **Cash Equivalents**

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **CIPFA**

Chartered Institute of Public Finance & Accountancy - the main public sector accounting body.

### **Collection Fund**

A statement of transactions relating to Council Tax and NNDR (National Non-Domestic Rates).

### **Contingency**

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

### **Contingent Liability**

Either a potential obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or a present obligation arising from past events where it is not probable that a transfer of economic

benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### **Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

### **Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

### **Fixed Asset (also known as Property, Plant and Equipment)**

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

### **FRS**

Financial Reporting Standard – one of the standards by which a body reporting their financial results in accordance with accepted British accountancy practices must abide.

### **IFRS**

International Financial Reporting Standard – one of the standards by which a body reporting their financial results in accordance with accepted international accountancy practices must abide.

### **Impairment**

A reduction in the value of a fixed asset due to physical damage or detrimental changes in the local environment. Examples of impairment include

Damage to a footpath due to severe erosion, or

An event causing severe long-term pollution in the immediate area of a building.

### **Infrastructure Asset**

Fixed assets that are useful only in the location in which they have been constructed, such that expenditure is recoverable only by continued use of the asset created. Examples of infrastructure assets include cycle tracks, footpaths and street lighting columns.

### **Intangible Assets**

Fixed assets that have no physical substance - for example, computer software.

### **Materiality**

An assessment of how much influence a figure or disclosure may have on a reader's judgement. This is not a set amount; rather, it is judged by the size of the figure in relation to related amounts within the authority's accounts, or the extent of the activity in relation to the authority's other operations.

### **Minimum Revenue Provision (MRP)**

This is the minimum amount which must be charged to an authority's revenue account each year and set aside as provision for repayment of external debt.

### **Non – Operational Asset**

Fixed asset held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### **Operational Asset**

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

### **Prior Period Adjustment**

Where an authority discovers a mis-statement, error or omission considered to be material in a set of accounts published in a previous financial year, the authority is obliged to make a prior period adjustment to correct the statements. This involves publishing the corrected statements for the previous financial year, together with a corrected opening balance sheet for the start of that previous year. Prior period adjustments require an explanatory note disclosing the reason for the adjustment and all amounts which have been affected in the restated statements.

### **Provision**

An amount set aside for potential liabilities which may arise or will be incurred, where there is uncertainty as to the amounts concerned or the dates on which these liabilities may arise.

### **Precept**

Formal instructions issued to a billing authority to collect local taxation on behalf of the instructor and pay it to them. Norfolk County Council, the Office for the Police and Crime Commissioner and town and parish councils within the Broadland area issue precepts to Broadland District Council each year for the total amount of Council Tax to be collected from local residents in respect of their services.

### **Related Party**

Corporate bodies or individuals that have the potential to control or influence the Council's decisions, or to be controlled by or influenced by the Council.

### **Related Party Transaction**

The transfer of assets or liabilities or the performance of services by, to or for a related party.

### **Remuneration**

All amounts paid to or received by a person, and includes sums due by way of expenses, allowances (so far as those sums are chargeable to UK income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

### **Reserve**

Accumulated balances built up from revenue contributions or specific income.

### **Restated**

This word in the statements or notes to the accounts indicates that some of the figures have been changed from those shown in the same statement or note published in the previous year. This is usually as a result of either:

A change to the Code, requiring the previous year's accounts to be changed in the same way to provide an accurate comparison between the years, or

The correction of a material error or retrospective reclassification involving material amounts, as described in 'Prior Period Adjustments' above.

### **Temporary Loan**

Money borrowed on a short term basis. Funds deposited with this Council by other organisations for treasury purposes are treated as temporary loans.

## LIST 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
PWLB	Public Works Loan Board
RSG	Revenue Support Grant
SOLACE	Society of Local Authority Chief Executives



# **Broadland District Council Audit Results Report**

Year ended 31 March 2021

11 October 2022



Audit Committee Members  
Broadland District Council

11 October 2022

Dear Audit Committee Members

### 2020/21 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. This report summarises our audit conclusion in relation to the audit of Broadland District Council for 2020/21. We will update the Committee at its next meeting and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Broadland District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on the Council's value for money arrangements.

This report is intended solely for the information and use of the Audit Committee, other members of the Council, and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

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

Yours faithfully

*MARK HODGSON*

For and on behalf of Ernst & Young LLP

Encl

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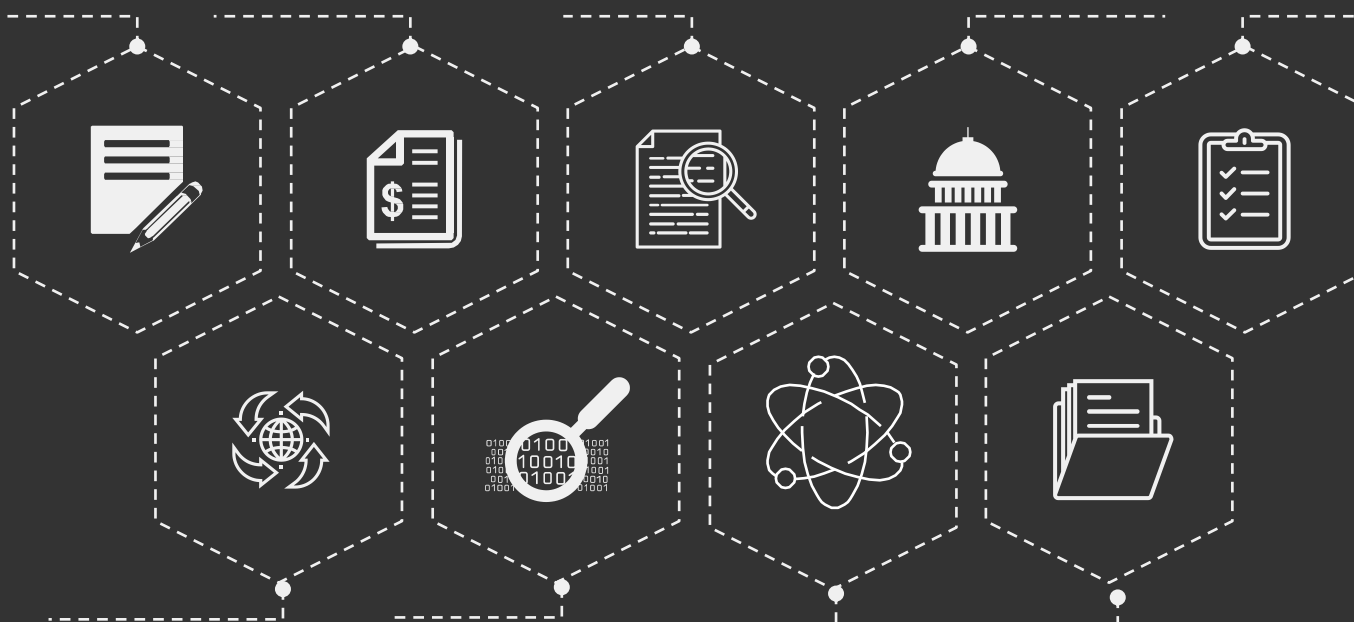
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Broadland District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Broadland District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Broadland District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

## Executive Summary



## Executive Summary

### Scope update

In our Provisional Audit Plan dated the 10 May 2021, 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: In our Provisional Audit Plan, we communicated that our audit procedures would be performed using a materiality of £0.946 million. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £0.944 million. This results in updated performance materiality, at 50% of overall materiality, of £0.708 million, and an updated threshold for reporting misstatements of £0.047 million.

### Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities. Clearly, we were not able to issue our audit opinion to meet this date. We did assist the Council in ensuring that appropriate wording was published on the Council's website by the 30 September 2021 explaining the situation.

### Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

**Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.



## Executive Summary

### Status of the audit

Our audit work in respect of the Council audit opinion is concluding. The following items relating to the full completion of our audit procedures were outstanding at the date of this report:

#### Closing Procedures:

- ▶ Subsequent events review;
- ▶ Agreement of the final set of financial statements;
- ▶ Receipt of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Financial Statements which could influence our final audit opinion, a current draft of which is included in Section 3.

## Executive Summary

### Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability  
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance  
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

### Status of the audit - Value for Money

In Section 05 of this report, we confirm that we have completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment throughout the completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.

As a result, we have completed our planned VFM procedures and have no matters to report by exception in the Auditor's Report (see Section 03).

We plan to issue the VFM commentary by the end of January 2023 as part of issuing the Auditor's Annual Report.



## Executive Summary

### Audit differences

#### Uncorrected differences

- ▶ **Impairment of Receivables Balance (Bad Debt Provision)** - The Council does not have a formal accounting methodology for assessing the need for and extent of an impairment of the Receivable balance at the Balance Sheet date. We have performed our own analysis of the Receivables balance at the 31 March 2021 and judged that the impairment of the receivables balance (Bad Debt Provision) should be £0.353 million higher based on the aged debtor position and approaches used at a comparable Council.

#### Corrected differences

- ▶ **Pension Liability** - The Pension Fund auditor identified that Investment Valuations within Norfolk Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £0.675 million. This is a result of a timing difference reported through the audit of Norfolk Pension Fund.
- ▶ **Property, Plant & Equipment**
  - ▶ We identified one asset (Thorpe Lodge) valued during 2020/21 with a variance in the floor area applied by Management's Expert (valuer) when compared to the actual floor area, which resulted in an overstatement of £130,900.
  - ▶ We also identified that the valuation for one asset (Reedham Quay) was understated by £242,500, when we made a comparison to a valuation of other similar sized parcels of land.

The correcting entries resulted in an increase to PPE balance of £0.112 million.

#### Disclosure differences

We also identified a limited number of minor audit disclosure differences in the financial statements, which have been adjustment by Management.



## Executive Summary

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### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no issues to report.

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

We have no other matters to report.

### Control observations

During the audit, we identified that management did not apply an appropriate accounting policy to the calculation of bad debt resulting in an understatement of the provision this represent a control weakness in the preparation of the accounts.

### Independence

Please refer to Section 7 for our update on Independence.



## Executive Summary

### Areas of audit focus

In our Provisional Audit Plan we identified a number of key areas of focus for our audit of the financial report of Broadland District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

*Management Override: Misstatements due to fraud or error*

- *We have completed our work in this area and have no matters to report.*

*Management Override: Inappropriate capitalisation of revenue expenditure*

- *We have completed our work in this area and have no matters to report.*

*Significant Risk: Accounting for Covid-19 related grant funding*

- *We have completed our work in this area and identified a disclosure misstatement in Note 9 result in an overstatement of both the Other Service Expense and the Grants and Contributions lines by £2.163 million resulting from a clerical error in the identification of agency grants. The net impact to the Income Statement is nil.*

*Significant Risk: Valuation of Property, Plant, and Equipment and Investment Properties*

- *We have completed our work in this area and identified a net understatement of £0.112 million which management has corrected within the revised financial statements.*

*Inherent Risk: National Non-Domestic Rates Appeals Provision*

- *We have completed our work in this area and have no matters to report.*

*Inherent Risk: Pensions valuations and disclosures*

- *We have completed our work in this area and identified an overstatement of the liability in the amount of £0.675 million which management has corrected within the revised financial statements.*

*Inherent Risk: Recoverability of Debtors*

- *We have completed our work in this area and have identified a control weakness due to a lack of formal accounting policy applied to the calculation of bad debt resulting in an understatement of the provision by £0.353 million*

*Inherent Risk: Accounting for Collection Fund Disclosures*

- *We have completed our work in this area and identified a reclassification misstatement between Council Tax Income and NNDR Income in the amount of £0.124 million, which management has corrected within the revised financial statements.*



## Executive Summary

### Areas of audit focus

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

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



02

## Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

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

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

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

##### What did we do and what judgements did we focus on?

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

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

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

##### What are our conclusions?

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

We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.

We have not identified any inappropriate journal entries or other adjustments to the financial statements.



## Areas of Audit Focus

### Significant risk

#### Incorrect capitalisation of revenue expenditure

##### What is the risk?

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

As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment and manipulation of revenue expenditure funded through capital under statute (REFCUS).

##### What did we do and what judgements did we focus on?

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

- ▶ Sample tested additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- ▶ Sample tested Revenue Expenditure Funded from Capital Under Statute (REFCUS), to verify that they meet the statutory definition for REFCUS and therefore confirm that revenue costs have not been inappropriately funded from capital.
- ▶ Considered the effectiveness of management's controls designed to address the risk.
- ▶ Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes.

##### What are our conclusions?

Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.

Our sample testing did not identify any revenue items that were incorrectly classified.

Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



## Areas of Audit Focus

### Significant risk

#### Accounting for Covid-19 related grant funding

##### What is the risk?

The Council has received a significant level of additional government funding in relation to Covid-19.

Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements.

##### What did we do and what judgements did we focus on?

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

- ▶ Sample tested Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature;
- ▶ Sample tested Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body;
- ▶ Reviewed the instructions and conditions of each grant that we were testing to corroborate the Council's assessment of whether they were acting as an Agent or Principal in disbursing the grants; and
- ▶ Compared the Council's assessment of whether they were acting as 'agent' or 'principal' for each Covid-19 grant to other Councils' assessment to determine whether Broadland were an outlier in their treatment of any particular grant.

##### What are our conclusions?

We have completed our work in this area and identified one disclosure misstatement in Note 9 which resulted in an overstatement of both the 'Other Service' Expense and the 'Grants and Contributions' lines by £2.163 million resulting from a clerical error in the identification of agency grants. The net impact to the Income Statement is nil.

No other issues were noted.



## Areas of Audit Focus

### Significant Risk

#### Valuation of Property, Plant and Equipment & Investment Property

##### What is the risk?

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.

In the fiscal year the Council has changed valuers from District Valuation Service (DV) to Wilks Head & Eve (WHE) and will undergo a significant revaluation event.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. At 31 March 2020 the value of PPE and IP totalled £7.3 million.

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

##### What did we do and what judgements did we focus on?

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

- ▶ Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ For certain land and buildings and investment properties that are subject to volatility in relevant market information, we will engage our own experts, EY Real Estates, to challenge management's judgements and assumptions;
- ▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

(Continued over the page).





## Areas of Audit Focus

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### Significant Risk

**Valuation of  
Property, Plant and  
Equipment &  
Investment Property**

#### **What are our conclusions?**

We have concluded our work on Property, Plant & Equipment and have two matters to report.

- ▶ We identified one asset (Thorpe Lodge) valued during 2020/21 with a variance in the floor area applied by Management's Expert (valuer) when compared to the actual floor area, which resulted in an overstatement of £130,900.
- ▶ We also identified that the valuation for one asset (Reedham Quay) was understated by £242,500, when we made a comparison to a valuation of other similar sized parcels of land.

The correcting entries resulted in an increase to PPE balance of £0.112 million.



## Areas of Audit Focus

### Inherent risk

#### Pension valuations and disclosures – Inherent Risk

##### What is the risk?

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

Accounting for this scheme involves significant estimation and judgement. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

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

##### What did we do and what judgements did we focus on?

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

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

##### What are our conclusions?

We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £0.675 million. Management have adjusted for this audit difference. See Section 4 for further information.

We have agreed the Authority's IAS 19 disclosures to the revised actuaries' report to ensure these are fairly stated in the accounts. The disclosures in the accounts have been amended to reflect the most recent valuation of the Pension Fund's assets as per the updated IAS 19 report from the actuaries.

(Continued over the page).



## Areas of Audit Focus

### Inherent Risk (Continued)

#### Pensions valuations and disclosures - Inherent risk

##### What are our conclusions?

We were notified of an issue that has arisen across all Local Government audits within the sector that needs to be resolved prior to us being able to fully conclude our work in this area.

This is in relation to the impact of the new auditing standard on accounting estimates on planned procedures. We planned to take an audit approach to this estimate based on procedures to evaluate Management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.

Neither we, nor PWC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements.

Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an Auditor's estimate, in order to gain sufficient appropriate assurance.

We have completed the additional procedure described above. We have performed an independent point estimate procedure to ensure the validity of the Actuary's model based on data received from the Council. We compared our auditor's estimate to the figures produced by the Actuary as at 31 March 2021. The difference between the two was less than 0.5% of the Pension liability amount disclosed by the Actuary and we have therefore concluded that the Council's Pension Liability falls within an acceptable range, thereby giving us assurance over the Actuary's estimation approach.



## Areas of Audit Focus

### Inherent Risk

#### National Non-Domestic Rates Appeals Provision-Inherent Risk

##### What is the risk?

The business rates appeals provision includes, not only claims up to 31 March 2021, but claims that relate to earlier periods and is subject to estimation.

As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate.

Due to the level of estimation, size of the balance and the complexity of this provision we have included it as an area of risk for this year.

##### What did we do and what judgements did we focus on?

Since issuing the Outline Audit Plan the government announced that it would not allow businesses to claim NNDR appeals in respect of material changes in circumstances as a result of Covid 19. As a result, we have down graded the audit risk from significant to inherent. This reduces the level of testing we will apply to the Appeals provision.

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

- ▶ Reviewed the Council's methodology underpinning the provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37;
- ▶ Ensured the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed; and
- ▶ Reviewed the completeness of the provision.

##### What are our conclusions?

We have completed our work in this area and have no matters to report.



## Areas of Audit Focus

### Inherent risk

#### Recoverability of Debtors – Inherent Risk

##### What is the risk?

There is increased risk that money due to the Council becomes less recoverable due to the Covid-19 pandemic as an increased number of businesses and residents struggle to meet financial obligations. As a result, the Council needs to ensure that it has appropriately considered the impairment of year-end receivables.

##### What did we do and what judgements did we focus on?

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

- ▶ Reviewed the calculation of the bad debt provision for reasonableness and accuracy; and
- ▶ Considered the recoverability of debts in testing a sample of trade receivables.

##### What are our conclusions?

We identified that the Council does not have a formal accounting methodology for assessing the need for and extent of an impairment of the Receivable balance at the Balance Sheet date. We have performed our own analysis of the Receivables balance at the 31 March 2021 and judged that the impairment of the receivables balance (Bad Debt Provision) should be £0.353 million higher based on the aged debtor position and approaches used at a comparable Council.

We have taken the £0.353 million to our Audit Differences section (Section 4) of this report.

**Recommendation:** The Council should develop and formalise an approach to consider the recoverability of receivables at each Balance Sheet date and review the need and extent of any impairment to the balance (Bad Debt Provision).



## Areas of Audit Focus

### Inherent risk

#### Accounting for Collection Fund disclosures – Inherent Risk

##### What is the risk?

In the 2019/20 accounts, the Council identified the need for two prior period adjustments relating to the Collection Fund. They related to historic errors identified by the Section 151 officer.

The Council needs to ensure that it has now fully resolved historic errors in the Collection Fund.

##### What did we do and what judgements did we focus on?

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

- ▶ Performed an analytical review of collection fund income, building in any changes in relief as appropriate;
- ▶ Documented our understanding of the process for the raising of specific additional reliefs; and
- ▶ Reviewed the Collection Fund disclosures with respect to ongoing guidance in accounting requirements and for compliance with Code requirements.

##### What are our conclusions?

We have completed our work in this area and identified a reclassification misstatement between Council Tax Income and NNDR Income in the amount of £0.124 million which management has adjusted for within the revised financial statements.

No further issues noted.



## Areas of Audit Focus



### Going concern

Management have disclosed that the financial statements are prepared on a going concern basis. We have obtained and audited management's Going Concern assessment, and Note 33 - Going Concern has been added to the accounts to provide the details of that assessment and management's conclusion. This has been informed by management's actual reserves position as at the 31 March 2021, and their forecast reserves position during the going concern period. It has also considered the Council's Cash Flow forecast.

We focused on management's assessment of the going concern assumptions in preparing the Council's financial statements. We also reviewed management's cash flow forecasts to determine whether expected income appeared reasonable and whether it was sufficient to enable the Council continue its operations.

Our procedures around Going Concern included:

- Reviewing for any bias in the Council's Going Concern assessment, and whether it was consistent with the accounts.
- Reviewing the financial modelling and forecasts prepared by the Council.
- Considering key assumptions applied in the Council's forecasts, and whether these were reasonable and in line with our expectations.
- Ensuring that an appropriate Going Concern disclosure has been made within the financial statements.

We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. The Council's disclosure is appropriate to the circumstances.



## 03 Audit Report





## Our proposed opinion on the financial statements

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

#### Opinion

We have audited the financial statements of Broadland District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 35 and the Collection Fund and its related notes 1 to 5.

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 2020/21.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Broadland District Council as at 31 March 2021 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 2020/21.

#### 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 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

In auditing the financial statements, we have concluded that the Assistant Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Assistant Director of Finance with respect to going concern are described in the relevant sections of this report.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.



## Audit Report – continued

**DRAFT**

### Our proposed opinion on the financial statements

#### Other information

The other information comprises the information included in the 'Statement of Accounts 2020/2021', other than the financial statements and our auditor's report thereon. The Assistant Director of Finance is responsible for the other information contained within the 'Statement of Accounts 2020/2021'.

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.

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 course of 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 themselves. 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.

#### 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 Authority;
- ▶ 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;
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- ▶ we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

#### Responsibility of the Assistant Director of Finance

As explained more fully in the 'Statement of the Responsibilities for the Statement of Accounts' set out on page 14, the Assistant Director of Finance 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



## Audit Report – continued

### Our proposed opinion on the financial statements

In preparing the financial statements, the Assistant Director of Finance 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud.

The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how Broadland District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.



## Audit Report - continued

# DRAFT

### Our proposed opinion on the financial statements

We corroborated this through our reading of the Authority's committee minutes, Authority policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.

Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

### 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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Broadland District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Broadland District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

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.

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.



## Audit Report – continued

### Our proposed opinion on the financial statements

#### Certificate

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

#### Use of our report

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





## 04 Audit Differences



## Audit Differences

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

We highlight misstatements greater than £47,000 which have been corrected by management that were identified during the course of our audit.

### Summary of unadjusted differences

There is one uncorrected material misstatements identified as part of our audit at the time of this report.

- **Impairment of Receivables Balance (Bad Debt Provision)** - The Council does not have a formal accounting methodology for assessing the need for and extent of an impairment of the Receivable balance at the Balance Sheet date. We have performed our own analysis of the Receivables balance at the 31 March 2021 and judged that the impairment of the receivables balance (Bad Debt Provision) should be £0.353 million higher based on the aged debtor position and approaches used at a comparable Council.

We request that this uncorrected misstatements be corrected, or a rationale as to why it is not corrected, be considered and approved by the Audit Committee and provided within the Letter of Representation.

### Summary of adjusted differences

#### Corrected Differences

- **Pension Liability** - The Pension Fund auditor identified that Investment Valuations within Norfolk Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £0.675 million. This is a result of a timing difference reported through the audit of Norfolk Pension Fund.
- **Property, Plant & Equipment** - We identified one asset valued during 2020/21 with a variance in the floor area applied by the valuer when compared to floor area reported by VOA resulting in an overstatement of £130,900. We also identified for one asset comparison to valuation of similar sized parcels of land resulted in an understatement of £242,500. The correcting entries resulted in an increase to PPE balance of £0.112 million.
- There were a number of other disclosure differences which have been adjusted for by Management within the revised financial statements. We do not deem any to be so significant as to merit reporting to you.





05

## Value for Money



## Value for money

### Broadland District Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

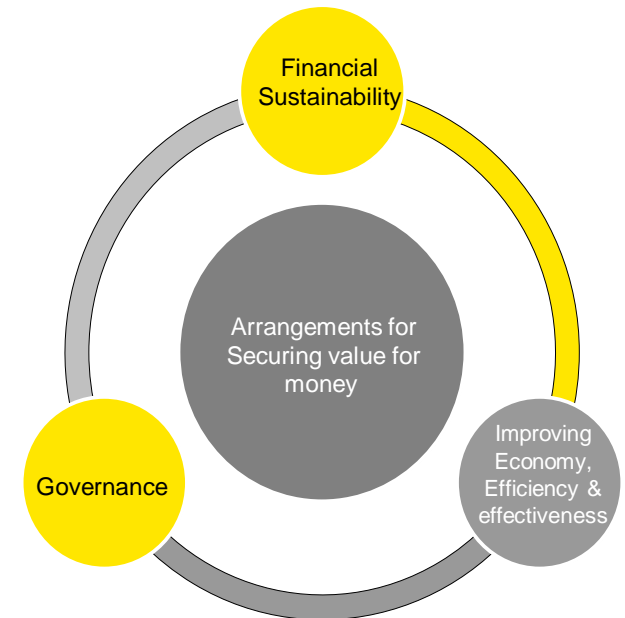
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

### Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability  
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance  
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





## Value for money risks

### Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



## Value for money risks

### Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

### Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code, in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

### Value for money (VFM) risk assessment

We have concluded our detailed VFM planning and risk assessment.

We have based our assessment on a combination of our cumulative audit knowledge and experience, our review of Committee reports and policies the Council has in place, meetings with key officers, and the evaluation of associated documentation through our regular engagement with Council management and the finance team.

As a result of this work, we have not identified any risks of significant weaknesses in the Council's arrangements. As a result we have no risk based procedures to carry out. We will revisit the risk assessment prior to issuing the audit opinion on the 2020/21 accounts but at this stage anticipate having no matters to report on VFM – as set out in Section 03 of this report.

We plan to issue the VFM commentary, as required under the new Code, in January 2023, within our Auditor's Annual Report.



## 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 Narrative Report with the audited financial statements. Financial information in the Narrative Report and published with the financial statements was consistent 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.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements.

### 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.

The Council falls beneath the threshold for full audit procedures. We have completed the required submission there are no issues to report.

### 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.



# Other reporting issues

### Other matters

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

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



07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

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

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

### 1. Methodology for assessing the recoverability of receivables

As reported earlier in this report, we have identified one significant deficiency in the design or operation of an internal control that might result in a material misstatement in your financial statements. The Council does not have a formal accounting methodology for assessing the need for and extent of an impairment of the Receivable balance at the Balance Sheet date.

**Recommendation:** The Council should develop and formalise an approach to consider the recoverability of receivables at each Balance Sheet date and review the need and extent of any impairment to the balance (Bad Debt Provision).

### 2. Member Related Party declarations

We also note a control weakness with respect to the returning of declarations of interests by Members. Our testing identified that the returns for two Councillors were not received by the Council and therefore available for audit. This represents a risk of misstatement within the related party disclosure, as the Council does not have complete information from its Members with which to prepare the disclosure.

**Recommendation:** All Members need to complete and submit their declarations about related parties in a timely manner, including nil returns.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.





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## Independence

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 2020 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

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Audit Committee.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

In addition to our audit of the accounts, we will also be performing the Reporting Accounting role for the certification of Broadland District Council's 2020/21 Housing Benefits claim. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in May 2020. We confirm that we have not undertaken any additional non-audit work.

## Other communications

### EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[EY UK Transparency Report 2021 | EY UK](#)

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee - Code work	32,022	32,022	32,022
Additional Fee determined by PSAA Ltd	-	-	18,399
<b>Revised Proposed Scale Fee</b>	<b>32,022</b>	<b>32,022</b>	<b>50,241</b>
<b>2020/21 Additional work:</b>			
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	22,769		
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of:	Note 2	-	-
<ul style="list-style-type: none"> <li>Accounting for Covid-19 related Government Grant income, NDR Appeals provision, Collection Fund Accounting, Recoverability of Receivables, Going Concern, Group Accounts.</li> </ul>			
<b>Total fees</b>	<b>TBC</b>	<b>32,022</b>	<b>50,241</b>

#### *All fees exclude VAT*

**Note 1** - This proposed increase, is on the same basis as in 2019/20, and has been discussed with management. For 2020/21 the scale fee will again been re-assessed to take into account the same recurring risk factors that impacted 2019/20 and is subject to formal determination by PSAA Ltd and we would expect it to be at a similar level to that determined for 2019/20, increased by the stated uplift amount notified by PSAA Ltd.

**Note 2** - In addition, as set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to Covid-19. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Auditor's Annual Report, or separately to this Committee depending on the timing of the determination by PSAA Ltd. There will be additional amounts of at least £8,500 specifically in relation to the new VFM reporting requirements of the NAO Code of Practice and impact of ISA540 on Estimates in 2020/21.









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## Appendices





## Appendix A

# Required communications with the Audit Committee





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

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan - 10 May 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Plan - 10 May 2021
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Result Report - 30 September 2022





## Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  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: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Result Report - 30 September 2022
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Result Report - 30 September 2022
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Result Report - 30 September 2022

## Appendix A





		 Our Reporting to you
Required communications	 What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Result Report - 30 September 2022
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Result Report - 30 September 2022
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Provisional Audit Plan - 10 May 2021</p> <p>Audit Result Report - 30 September 2022</p>

## Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Result Report - 30 September 2022
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Result Report - 30 September 2022






## Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Result Report - 30 September 2022
Group Audits	<ul style="list-style-type: none"> <li>An overview of the type of work to be performed on the financial information of the components</li> <li>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</li> <li>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</li> <li>Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>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.</li> </ul>	Audit Result Report - 30 September 2022
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Result Report - 30 September 2022
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Result Report - 30 September 2022
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Result Report - 30 September 2022

## Appendix B

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2020/21 audit	Management
Subsequent events procedures	Extension of some audit procedures like review of minutes up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited. A draft of the current audit opinion is included in Section 3.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



Ernst & Young LLP  
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Tel: + 44 1223 394400  
ey.com



Rodney Fincham  
Assistant Director - Finance  
Broadland District Council  
Thorpe Lodge  
1 Yarmouth Road  
Norwich  
NR7 0DU

30 September 2022

Ref:  
Your ref:  
Direct line: 01223 394547  
Email: [MRhodgson@uk.ey.com](mailto:MRhodgson@uk.ey.com)

Dear Rodney,

### Broadland District Council – 2020/21 financial year Request for a letter of representation

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

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

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

#### General statement

That the letter of representations is provided in connection with our audit of the financial statements of Broadland District Council ("the Council") for the year ended 31 March 2021.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



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

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

#### A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the Council's financial statements. You believe the Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. You have approved the Council financial statements.
3. That the significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, you believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.  
  
That you have not corrected these differences identified and brought to your attention by us because *(please specify the reasons for not correcting the misstatements)*.
6. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



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

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

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

1. You have provided us with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that we have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions, events and conditions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. That you have made available to us all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been



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prepared) held through the year to the most recent meeting on the following date: **Date to be same as opinion date.**

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Council's financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

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

### E. Subsequent Events

1. That other than the disclosure described in Note 5 (Events after the balance sheet date) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2020-21.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



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2. You confirm that the content contained within the other information is consistent with the financial statements.

### G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### H. Expenditure Funding Analysis

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

### I. Going Concern

1. That the Council has prepared the financial statements on a going concern basis and that Note 1 - Going Concern to the financial statements discloses all of the matters of which you are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department for Levelling Up, Housing and Communities, the sufficiency of cash flows to support those financial plans.

### J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

### K. Reserves

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



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### L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.

4. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 pandemic.

6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. You confirm that for assets carried at historic cost, that no impairment is required.

### M. Retirement benefits

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

2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the





# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



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2. You confirm that the content contained within the other information is consistent with the financial statements.

### G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### H. Expenditure Funding Analysis

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

### I. Going Concern

1. That the Council has prepared the financial statements on a going concern basis and that Note 1 - Going Concern to the financial statements discloses all of the matters of which you are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department for Levelling Up, Housing and Communities, the sufficiency of cash flows to support those financial plans.

### J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

### K. Reserves

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



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### L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.

4. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 pandemic.

6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. You confirm that for assets carried at historic cost, that no impairment is required.

### M. Retirement benefits

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

2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the



# Appendix C – Request for a Management Representation Letter

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context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic.

#### N. Other Estimates – NDR Appeals provision

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the assumptions underlying the NDR Appeals provision are consistent with your knowledge of the business.
2. You agree with the findings of the specialists that you engaged to evaluate the NDR Appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
4. You confirm that the significant assumptions used in making the valuation of the NDR Appeals provision appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the NDR Appeals Provision and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic.



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#### O. Other Estimates – Expected Credit Losses

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the assumptions underlying the Expected Credit Losses are consistent with your knowledge of the business.
2. You agree with the findings of the specialists that you engaged to evaluate the Expected Credit Losses and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
4. You confirm that the significant assumptions used in making the valuation of the Expected Credit Losses appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Expected Credit losses and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic.

#### P. Specific Representations

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

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

Yours sincerely

Mark Hodgson  
Audit Partner  
Ernst & Young LLP  
United Kingdom

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## Agenda Item: 7

### Audit Committee Work Programme

27 October 2022

Audit Results Report 2020/21 and formal approval of the Statement of Accounts 2020/21

External Audit

26 January 2023

Internal Audit Update - Progress and Follow Up  
Draft Statement of Accounts 2021/22  
Strategic Risk Register  
Q2 Performance Report  
Rules of Financial Governance (tbc)  
Independent Member of the Audit Committee

Faye Haywood  
Rodney Fincham  
Sinead Carey  
Rodney Fincham/Sinead Carey  
Rodney Fincham  
Faye Haywood

16 March 2023

Strategic and Annual Internal Audit Plans 2022/23  
Annual Report of Audit Committee  
Self Assessment of the Audit Committee  
External Audit Plan 2023/24  
Strategic Risk Register

Faye Haywood  
Faye Haywood/Erika Voinic  
Faye Haywood  
External Audit  
Sinead Carey