

**Report to** Audit Committee  
20 September 2016  
**Report of** Chief finance officer  
**Subject** Statement of Accounts 2015-16

**Item**

**6**

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**Purpose**

This report presents the formal audited statement of accounts, to be authorised by the audit committee and the chief finance officer by the statutory deadline of 30 September 2016.

**Recommendation**

That the committee approves the statement of accounts and delegates to the chief finance officer, in consultation with the chair, the signing of the accounts by 30 September 2016.

**Corporate and service priorities**

The report helps to meet the corporate priority “Value for money services”.

**Financial implications**

The report has no direct financial consequences however it does report on the performance of the council and the provision of value for money services

**Ward/s:** All wards

**Cabinet member:** Councillor Stonard, resources and business liaison

**Contact officers**

Justine Hartley, chief finance officer  
Philippa Dransfield, chief accountant

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**Background documents**

None

## **Background**

1. The unaudited draft statement of accounts was authorised by the chief finance officer (CFO) on 22 June 2016. It is a requirement of the Accounts and Audit Regulations 2015 that the CFO authorises the draft statement of accounts by 30 June each year. There is no requirement for the committee to approve the draft financial statements however the unaudited accounts were presented to the audit committee on 28 June 2016 for review.
2. This version of the statement of accounts has been audited and amended/adjusted in line with audit findings.

## **Statement of Accounts**

### **Presentation**

3. The statement of accounts is attached at Appendix 3. Its format is required to follow the Code of Practice (CoP) on Local Authority Accounting in the United Kingdom (supported by International Financial Reporting Standards (IFRS)), and includes a full balance sheet and statement of cash flow movements.
4. The classification of services in the Comprehensive Income and Expenditure Statement does not align with internal management arrangements and officer structures, and therefore our management accounts. The Statement of Accounts has to conform instead to the service classification required by CIPFA's Service Reporting Code of Practice (SeRCOP). Some information is, however, readily recognisable from the normal management accounts reported to cabinet. Nevertheless both sets of accounts reconcile to each other and it is the statement of accounts on which the audit opinion is given. A reconciliation showing how the overall results within the Statement of Accounts differ from that reported within the budget monitoring outturn report is provided in Note 31 of the Statement of Accounts.

## **Review – Comprehensive Income and Expenditure Statement**

5. A summary of changes from 2014-15 to 2015-16 was included in the covering report for audit committee on 28 June 2016.
6. There are a number of changes to the figures from the draft version signed on 22 June 2016 and the audited ones now presented which are disclosed in Appendix A. There have also been some disclosure changes made which are disclosed in the Audit Results Report

## **Review – Balance Sheet**

7. A summary of changes from 2014-15 to 2015-16 was included in the covering report for audit committee on 28 June 2016.
8. There are four changes to the figures from the draft version signed on 22 June 2016 and the audited ones now presented which are disclosed in Appendix B. There have also been some disclosure changes made which are disclosed in the Audit Results Report

<b>Source Documents</b>	<b>Location</b>
CIPFA Accounting Code of Practice 2015-16. Statement of Accounts 2014-15. Statement of Accounts 2015-16 Statement of Accounts working papers. Outturn for 2015-16	Room 407 City Hall, Norwich

## Appendix A

	Audited 2015/16 £000	Unaudited 2015/16 £000	Change £000	Change %	
Central services to the public	3,428	3,428	-	0.00%	
Culture and related services	6,685	6,708	(23)	-0.34%	Correction of misclassification of profit on sale of assets
Environment and regulatory services	9,105	9,105	-	0.00%	
Planning services	5,706	5,706	-	0.00%	
Highways and transport services	(1,671)	(1,671)	-	0.00%	
Local Authority housing - HRA	(76,392)	(76,409)	17	-0.02%	Reclassification
Other Housing Services	2,656	2,656	-	0.00%	
Corporate and democratic core	2,974	3,037	(63)	-2.07%	£52k Reclassification of DCLG grant re: land charges £11k recharge to Norwich Regeneration Ltd under SLA
Non distributed costs	(3,258)	(3,258)	-	0.00%	
<b>Cost Of Services</b>	<b>(50,767)</b>	<b>(50,698)</b>	<b>(69)</b>		
Other Operating Expenditure	(1,361)	(1,385)	24	-1.73%	Correction of misclassification of profit on sale of assets
Financing and Investment Income and Expenditure	4,475	4,492	(17)	-0.38%	Reclassification
Taxation and Non-Specific Grant Income	(26,494)	(26,546)	52	-0.20%	Reclassification of DCLG grant re: land charges
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(74,147)</b>	<b>(74,137)</b>	<b>(10)</b>		
(Surplus) or deficit on revaluation of fixed assets	(8,231)	(8,231)	-	0.00%	
Actuarial (gains) / losses on pension assets / liabilities	(23,621)	(23,621)	-	0.00%	
<b>Other Comprehensive Income and Expenditure</b>	<b>(31,852)</b>	<b>(31,852)</b>			
<b>Total Comprehensive Income and Expenditure</b>	<b>(105,999)</b>	<b>(105,989)</b>	<b>(10)</b>		

## Appendix B

	Audited 2015/16 £000	Unaudited 2015/16 £000	Change £000	Change %	
Property, Plant & Equipment	857,271	857,271	-	0.00%	
Heritage assets	20,668	20,668	-	0.00%	
Investment properties	43,294	43,294	-	0.00%	
Intangible Assets	776	776	-	0.00%	
Long Term Investments	3,842	3,842	-	0.00%	
Long Term Debtors	10,238	10,227	11	0.11%	Recharge under SLA to Norwich Regeneration Ltd
<b>Long Term Assets</b>	<b>936,089</b>	<b>936,078</b>	<b>11</b>		
Short Term Investments	35,278	35,278	-	0.00%	
Assets Held for Sale	2,536	2,536	-	0.00%	
Short term debtors	11,258	11,258	-	0.00%	
Inventories	23	23	-	0.00%	
Cash and Cash Equivalents	21,551	21,551	-	0.00%	
<b>Current Assets</b>	<b>70,646</b>	<b>70,646</b>	<b>-</b>		
Short Term Borrowing	(11,962)	(11,962)	-	0.00%	
Short Term Creditors	(28,819)	(27,596)	(1,223)	4.43%	Reclassification of monies due to Norwich Regeneration Ltd
Capital Grants & Contributions Receipts in Advance	(979)	(979)	-	0.00%	
<b>Current Liabilities</b>	<b>(41,760)</b>	<b>(40,537)</b>	<b>(1,223)</b>		
Provisions	(1,572)	(1,572)	-	0.00%	
Long Term Creditors	(3,211)	(4,434)	1,223	-27.58%	Reclassification of monies due to Norwich Regeneration Ltd
Long Term Borrowing	(208,905)	(208,905)	-	0.00%	
Other Long Term Liabilities	(123,446)	(123,446)	-	0.00%	
Capital Grants and Contributions Receipts in Advance	(493)	(493)	-	0.00%	
<b>Long Term Liabilities</b>	<b>(337,627)</b>	<b>(338,850)</b>	<b>1,223</b>	<b>82.45%</b>	
<b>Net Assets</b>	<b>627,348</b>	<b>627,337</b>	<b>11</b>	<b>-22.82%</b>	
Usable Reserves	62,791	62,780	11	0.02%	Recharge under SLA to Norwich Regeneration Ltd
Unusable Reserves	564,557	564,557	-	0.00%	
<b>Total Reserves</b>	<b>627,348</b>	<b>627,337</b>	<b>11</b>		





# Statement of accounts

for the year ending  
31 March 2016



**NORWICH**  
City Council

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## Narrative Report

### 1. Introduction to Norwich

Norwich City Council is one of four Councils that provide services to the City of Norwich along with Broadland District Council, South Norfolk Council and Norfolk County Council.

Norwich is an innovative, creative city with big ambition for both the place and the people who live here. The fastest growing economy in the east of England, it is home to the headquarters of 50 major companies, is in the top shopping destinations in the country and is the regional cultural capital. Yet in sharp contrast to this outward economic prosperity, Norwich has a low-wage economy and high levels of deprivation.

Norwich's position as a regional centre means there are high levels of inward travel into the City for work, shopping, cultural and leisure activities. This means that many of the services the City Council provides are used by people who live outside of the City, placing additional pressures on Council resourcing. However, this must be balanced against the range of benefits this high inward travel provides, including to the local economy and to the council financially, through its share of business rates etc.

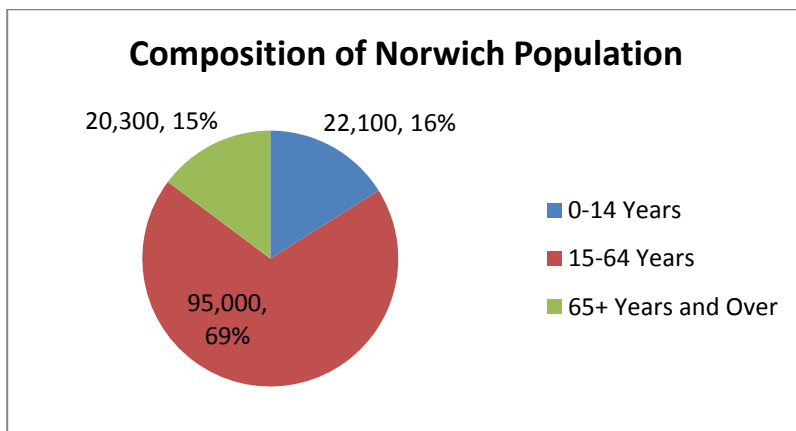
#### Norwich - facts and figures

Norwich has been a success story for almost 1,000 years. It is a modern city with a historic heart. It is vibrant and growing fast. Its economic, social, cultural and environmental influence is out of proportion to its size, and extends far beyond its boundary. Norwich's importance to the people of Norfolk and the wider region is clear.

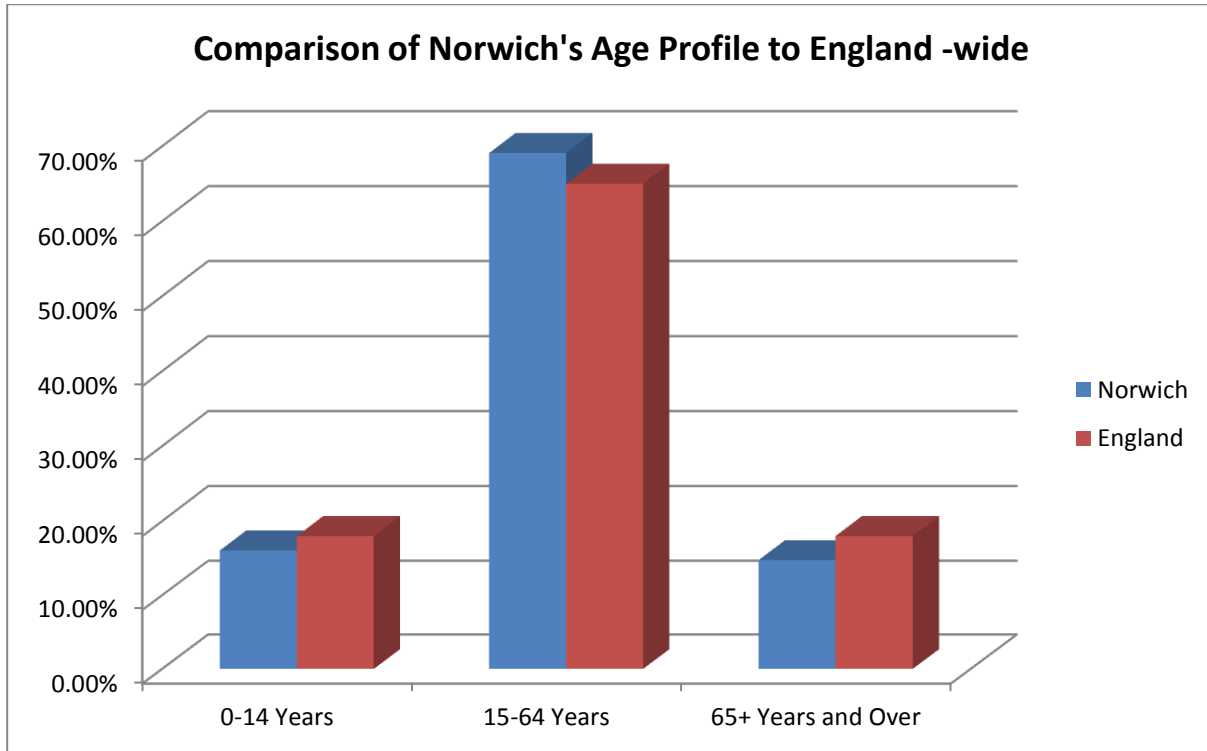
But it is also a city that hides significant inequality. While the city has many positive aspects, it also has many of the severe issues that urban city centres can experience, poor educational attainment, poor health, and above average crime and antisocial behaviour, although this is reducing. Below we set out some key facts about the City.

#### Population

The City Council is responsible for approximately 60% of the urban area of the City, including the historic city centre, covering a population of approximately 137,400 people (Source: 2014 midyear estimates, Office of National Statistics ONS).



Norwich has a mainly working age profile. This trend goes against national averages as demonstrated below:



## Economy

Economic data tells us:

- The median annual pay for full time workers in Norwich is £23,854 per annum which is less than the national average of £27,869
- Office for National Statistics Model Based unemployment rate in Norwich January to December 2015 was 5.7% which is higher than the national average of 5.1%
- According to the 2015 Indices of Deprivation Norwich households rank 47<sup>th</sup> (lower number indicates higher deprivation) out of 324 local authorities for overall deprivation – for Education , Skills and Training and Health and Disability both rank 18 out of 324
- According to the 2015 Indices of Deprivation 18.9% of Norwich residents live in income deprived households
- Around three in ten Norwich children aged 0-15 (29%) live in income deprived households (Income Deprivation Affecting Children Index)
- More than one in five Norwich residents aged over 65 (22.8%) live in income deprived households (Income Deprivation Affecting Older People Index)

## 2. The Council

The City Council, along with various partner organisations, provide a range of different services for Norwich residents and visitors including:

- Street cleansing, waste collection and recycling services
- Planning, regeneration and economic development services
- Transport services
- Public protection services including licensing and environmental health
- Housing services including providing and maintaining 15,156 Council homes - making us one of the largest local Council landlords
- Parks and open spaces
- Cultural, tourism and leisure services
- Processing housing and council tax benefits

- Electoral services

The Council has 39 Councillors representing 13 Wards (three Councillors for each ward), each serving a four year term. In February each year the Council sets the policy framework, budget and level of council tax for the coming financial year.

The current political make-up of the Council is as follows:

- Labour – 26 seats
- Green Party - 10 seats
- Liberal Democrats - 3 seats

The Council operates a 'leader and cabinet' structure. The current cabinet consists of seven members of the Labour group, including the leader of the Council.

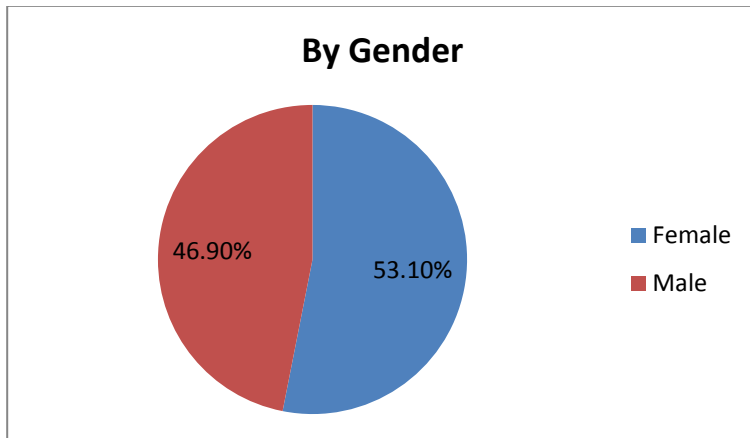
- Leader of the Council
- Deputy leader and cabinet member for council housing
- Cabinet member for fairness and equality
- Cabinet member for environment and sustainable development
- Cabinet member for neighbourhoods and community safety
- Cabinet member for customer care and leisure
- Cabinet member for resources and business liaison

The cabinet makes recommendations to the Council on the policy and budget framework. It also carries out all the executive functions of the Council which are not reserved to the full Council, exercised by another committee or delegated to an officer.

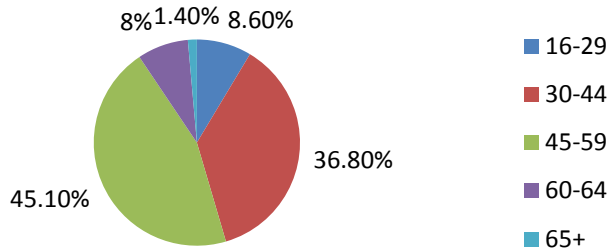
### People

The council employs 518.35 fulltime equivalent (FTE) staff. The actual number of staff is 631 of whom 368 are fulltime and 263 are part-time.

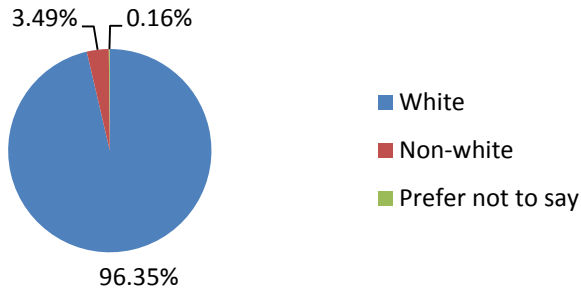
Below are the profiles of staff within the council.



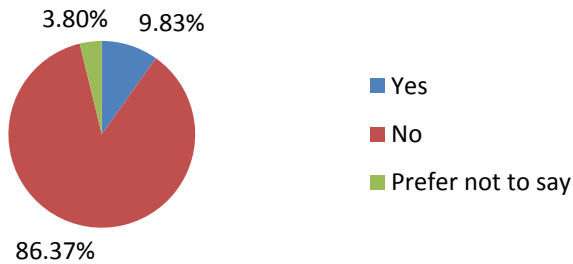
### Workforce Breakdown by Age %



### Ethnicity Breakdown of Workforce



### Declared Disability Breakdown of Workforce



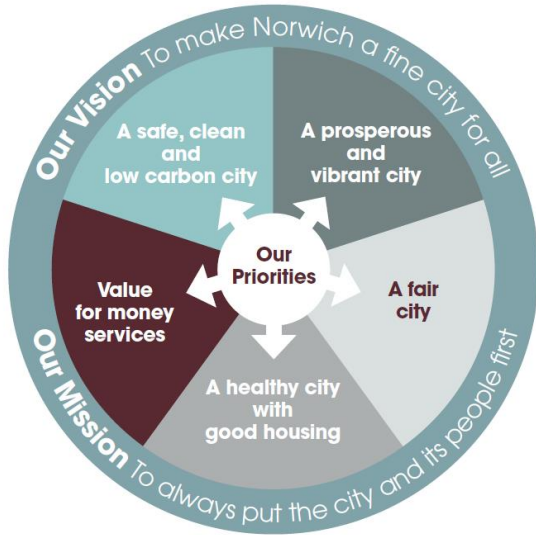
## 3. Council's Performance

### Core Values

Everything we ever do as an organisation, whether in teams or as individuals, will be done with our core values in mind. These are:

- P** **Pride** We will take pride in what we do and demonstrate integrity in how we do it.
- A** **Accountability** We will take responsibility, do what we say we will do and see things through.
- C** **Collaboration** We will work with others and help others to succeed
- E** **Excellence** We will strive to do things well and look for ways to innovate and improve.

Our vision, mission, priorities and values 2015-2020



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**Key performance measures and targets** To ensure we are achieving our priorities and delivering the key actions that support them we develop and monitor key

performance measures. We use these to test how we are doing. These are shown in the table below.

WHAT WE SOME TO ACHIEVE (OUR PRIORITIES)	Safe clean and low carbon city	Prosperous and vibrant city	Fair city	Healthy city with good housing	Value for money services
WHAT WE WILL DO TO ACHIEVE OUR PRIORITIES WORKING WITH OUR PARTNERS AND RESIDENTS (KEY ACTIONS)	To maintain street and area cleanliness	To support the development of the local economy and bring in inward investment through economic development and regeneration activities	To reduce financial and social inequalities	To deliver our annual Healthy Norwich action plan with our key partners to improve health and wellbeing in the City	To engage and work effectively with customers, communities and partner organisations, utilising data and intelligence and collaborative and preventative approaches to improve community outcomes.
	To provide efficient and effective waste collection services and reduce the amount of waste sent to landfill	To advocate for an effective digital infrastructure for the City	To advocate for a living wage across the City	To support the provision of an appropriate housing stock in the City including bringing long term empty homes back into use and building new affordable homes	To continue to reshape the way the council works to realise our savings target and improving council performance wherever possible.
	To work effectively with the police to reduce anti-social behaviour, crime and the fear of crime	To maintain the historic character of the City through effective planning and conservation management	To encourage digital inclusion so local people can take advantage of digital opportunities	To prevent people in the City from becoming homeless through providing advice and alternative housing options	To improve the efficiency of the council's customer access channels
	To protect residents and visitors by maintaining the standards of food safety	To provide effective cultural and leisure opportunities for people in the City and encourage visitors and tourists to the City	To reduce fuel poverty in the City through a programme of affordable warmth activities	To improve the council's own housing stock through a programme of upgrades and maintenance and provide a good service to tenants	To maximise council income through effective asset management, trading and collection activities
	To maintain a safe and effective highway network in the City and continue to work towards 20mph zones in residential areas			To improve the standard of private housing in the City through advice, grants and enforcement and supporting people's ability to live independently in their own homes through provision of a home improvement agency	
	To mitigate and reduce the impact of climate change wherever possible and protect and enhance the local environment				
	To reduce the council's own carbon emissions through a carbon management programme				

**Norwich City Council**  
**2015-16 Statement of Accounts**

**Performance against our priorities**

For each of the key performance measures the council sets targets it aims to achieve. These are set out in service plans and progress against target is reported to the Council's Cabinet and Scrutiny committees. The tables below detail the targets for 2015/16, 2016/17 and 2017/18 and the actual performance for 2015/16 target.

<b>Safe, clean and low carbon city</b>	<b>2015/16</b>		<b>2016/17</b>	<b>2017/18</b>
	<b>Target</b>	<b>Achieved</b>	<b>Target</b>	<b>Target</b>
% of streets found clean on inspection	94%	91%	94%	94%
% of people satisfied with waste collection	85%	83%	85%	85%
% of people feeling safe	76%	77%	77%	78%
Residual waste per household (Kg)	420	408	396	375
% of food businesses achieving a safety compliance	90%	94.5%	90%	90%
% of home on a 20mph street	30%	29.5%	38%	45%
No. of accident casualties on Norwich Roads	Less than 400	434	Less than 400	Less than 400
% of adults living in the council area cycling at least once a week	23%	16.5%	25%	27%
Reduction inCO <sub>2</sub> emissions for the local area	2.4%	2.5%	2.4%	2.4%
Reduction inCO <sub>2</sub> emissions from local authority operations	2.2%	4.2%	2.2%	2.2%
% of people satisfied with parks and open spaces	75%	74%	75%	75%
% of people satisfied with their local environment	75%	86%	78%	80%

Homes being on 20mph street – Slightly off target due to one 20mph road currently being under construction with completion due by the end of the first quarter of 2016/17

Casualties – Whilst it is disappointing that the total number of casualties exceeds the target, this is a significant reduction on the 2014/15 figure of 483

Cycling- The number of adults cycling appears to have remained static, however this data was collected prior to the Push the Pedalways Project

<b>Prosperous and vibrant city</b>	<b>2015/16</b>		<b>2016/17</b>	<b>2017/18</b>
	<b>Target</b>	<b>Achieved</b>	<b>Target</b>	<b>Target</b>
No. of new jobs created/supported by council funded activity	300	551	300	300
Delivery of council's capital programme (encompassing all key regeneration projects)	On target	Not on target	On target	On target
Amount of funding secured by council for regeneration activity	£250,000	£842,000	£250,000	£250,000
Provision of free wi-fi in city centre	100		100	100
Delivery of heritage investment strategy action plan	Yes		Yes	Yes
% of people satisfied with leisure and cultural facilities	85%	95%	90%	95%
No. of visitors to the city	10.927m	11.476m	11.200m	11.424m

Capital programme – A number of projects have been delayed into 2016/17



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Fair city	2015/16		2016/17	2017/18
	Target	Achieved	Target	Target
Delivery of reducing inequalities action plan	On target	Not on target	On target	On target
% of people saying debt issues have become more manageable following face to face advice	84%	100%	86%	88%
Delivery of digital inclusion action plan	On target	On target	On target	On target
Timely processing of benefits	100%	93.7%	100%	100%
No of private sector homes where council activity produced energy efficiency	150	265	150	150
% increase in the no. of contractors, providers and partner organisations paying their employees the living wage	10%	(25)%	12%	14%

Reducing inequalities – a small number of activities have slipped beyond 2015/16 but should be completed in early 2016/17

Living Wage – 98% of the council's contractors and delivery partners were paying a living wage at the end of 2015/16, which is an increase on 2014/15. The current indicator is calculated using absolute number of suppliers, but as the number of suppliers has decreased, this has led to a decrease number paying living wage. Performance using a ratio basis has shown a significant increase. The indicator going forward will be changed to a ratio based one.

Healthy city with good housing	2015/16		2016/17	2017/18
	Target	Achieved	Target	Target
Delivery of Healthy Norwich action plan	On target		On target	On target
Re-let times for council housing	16 days	15 days	16 days	16 days
No. of long term empty homes brought back into use	20	20	20	20
No. of new affordable homes developed on council land or purchased from developers	80	25	180	320
Preventing homelessness	50%	62%	55%	60%
% of people who feel that the work of the home improvement agency has enabled them to maintain independent living	90%	91%	90%	90%
% of council properties meeting Norwich Standard	97%	97%	97%	97%
% of tenants satisfied with the housing service	77%	84%	77%	80%
No. of private sector homes made safe	100	107	100	100

No. of new affordable homes developed on council land or purchased from developers - the programme is currently at risk due to the Housing and Planning Act 2016 which is creating considerable uncertainty for the HRA business plan. The housing programme is also at risk due to reductions in social housing rents introduced through the Welfare and Reform Act 2016.

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Value for Money Services	2015/16		2016/17	2017/18
	Target	Achieved	Target	Target
% of residents satisfied with service they received from the council	93%	97%	93%	93%
Council achieves savings targets	£2.3m	£2.3m	£2.3m	£2.3m
% of council partners satisfied with the opportunities to engage with the council	80%	89.6%	80%	80%
Avoidable contact levels	15%	39.1%	15%	15%
Channel shift measure	5%	17.6%	10%	20%
% of income owed to the council collected	95%	97%	95%	95%
% of income generated by the council compared to expenditure	43.2%	47.6%	44.2%	45.2%
% of customers satisfied with the opportunities to engage with the council	50%	60%	52%	54%
Delivery of local democracy engagement plan	Yes		Yes	Yes

Avoidable contact – Levels remain high and continue to be analysed with targets for the future being reviewed. The council will continue to work towards reducing the percentage throughout 2016/17

#### Resident Satisfaction

An independent survey taken during January to March 2015 confirmed that residents were satisfied with the quality of services delivered by the Council:

- 82% of residents say that the rent provides value for money,
- 82% overall satisfaction with the housing service,
- 77% satisfaction with the overall quality of their home,
- 80% satisfaction with their neighbourhood as a place to live,
- 77% satisfaction that service charges provide value for money and
- 72% satisfaction with dealing with repairs and maintenance.

All scores bar one represent an increase over the previous survey undertaken in 2012.

#### 4. Statement of Accounts

Each year Norwich City Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute. These accounts relate to the year ended 31 March 2015. This foreword intends to give a general guide to the significant matters reported in the statements.

The Statements of Accounts for 2014/15 have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2014/15'. This sets out the principles and practices of accounting required to prepare accounts that present a true and fair view of the financial position and transactions of a local Council. This code is based on International Financial Reporting Standards (IFRS).

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies. Those charged with governance consider that this is a reasonable assumption and the council is a going concern.

The accounts contain a series of statements, summarising financial activity during the year and setting out the Council's assets and liabilities at the end of the Council's financial year on 31 March 2015, as follows:

- **Statement of Responsibilities for the Statement of Accounts** which sets out the respective responsibilities of the Council and the Chief Finance Officer for the accounts.

- **Movement in Reserves Statement** showing 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 and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
- **Comprehensive Income and Expenditure Statement (CIES)** which 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; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **The Housing Revenue Account (HRA)** which summarises the income and expenditure in respect of the provision of local Council housing.
- **The Collection Fund Revenue Account** which shows the total level of income received by the Council from Non-Domestic Rates and Council Tax and how this has been distributed to all the authorities it has been collected for, including the Council.

## 5. Financial Performance

### Economic climate

Since 2010 Norwich City council has faced significant financial challenge due to reductions in funding from central government along with cost pressures within services and greater volatility in financing. These challenges continue and the Medium Term Financial Strategy will be continuously reviewed as the Council develops a stronger understanding of the financial challenges it faces.

Two pieces of legislation were announced in 2015 which have had a significant impact on the future financial position of the Housing Revenue Account. The Welfare Reform and Work Act, which received Royal Assent on 16 March 2016, requires that social rents are reduced by 1% per year for the next four years (2016/17 to 2019/20). The impact on the HRA 30 year Business Plan is a reduction of income of £313m.

## Norwich City Council 2015-16 Statement of Accounts

The 2015 Queen's Speech also announced that a *Housing Bill* would be introduced to “dramatically extend the RTB to the tenants of Housing Associations, the funding for this to come, in part, from the sale of Local Authorities most valuable vacant stock.” The *Housing and Planning Act*, which received Royal Assent on 12 May 2016, contains measures that will require English local authorities to make an annual payment to Government in respect of the expected sales of ‘high value’ vacant stock over the year. These payments will be used to compensate housing associations for selling housing assets at a discount to tenants. The Act also provides for grants to be paid to associations to cover the cost of RTB discounts. No details of the amounts of the annual payments or how they are to be calculated are available yet but there will be an impact on the council’s ability to build new/retain homes.

The Act also requires that Social Housing Tenants with household income of £40k or above in London and £31k or above in the rest of England will have to ‘Pay to Stay’ by paying a market or nearer to market rent for their accommodation, the additional payment limited to 15p per £ by which the household exceeds the threshold. The extra money is required to be paid over to the Exchequer. The impact of this could mean that higher earning tenants (those less likely to be in arrears) will exercise their Right to Buy – reducing Council dwelling stock further and impacting on future rental income.

On the General Fund finances, the Spending Review announced on 25 November 2015 was wide ranging and raised some new issues not previously anticipated. It set out fundamental changes to Local Government and its future financial arrangements including:

- The end of Revenue Support Grant, the main un-ringfenced grant to Councils by 2020
- The ability of Local Authorities to retain 100% of Business Rates by the end of the current Parliament
- The assignment of yet to be notified additional responsibilities
- A new power to levy up to a 2% Council Tax Precept ringfenced to Adult Social Care; and
- The expectation that Health and Social Care will integrate.

The latter two do not apply to Norwich as a district council. While the Spending Review did not have a direct impact on the Council’s financial position in 2015/16, it is important to consider the package of measures announced as they will start to have an effect in 2016/17 and beyond.

Norwich city council has successfully managed financial reductions since the recession with a range of efficiency measures including lean systems reviews, smart procurement and reconfiguring services in addition to investing in new website design to make on line services easier to access and increasing income to the council for example by opening the new car park on Rose Lane. These measures earned the council the award of ‘most improved council of the year’ in 2015 and a shortlisting for ‘Council of the year’ in 2016 by the Local Government Chronicle.

However, the Council has reached the point where the potential for reconfiguration of services is increasingly limited and a redesign of the council is necessary. With the resources available to the council in future, it will not be able to meet the aspirations of the corporate plan and new priorities need to be set that can be delivered within the reduced resources available.

On 8 June 2016 Cabinet approved the initiation of a process to:

- Work with partners in the public, private, voluntary and community sectors to develop a new city vision
- Develop a revised Corporate plan, priorities and performance measures which reflect the council’s part in supporting that vision; and
- Determine a new or revised blue print or operating model to guide how the council works in future which reflects available resources.

### **Financial Management**

#### *Revenue*

The financial standing of the Council is robust with sound and improving financial management practices. The outturn for the Council is a contribution to general reserves of £2.533m.

The Council prepared the Medium Term Financial Strategy (MTFS) for 2015/16 to 2019/20 with the aim to align to the objectives set out in the Corporate Plan. The MTFS was presented to Council as part of the 2015/16

**Norwich City Council**  
**2015-16 Statement of Accounts**

budget setting process and it set the framework to enable the Council to determine an appropriate course of action to address significant financial challenges not only for 2015/16 but for future years. The MTFs shows a budget reduction requirement of £2.3m per year to 2019/20.

The net expenditure and income for the Council's services compared to the budget for 2015/16 were as follows:

<b>Cost of Services</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Unbudgetted Items £'000</b>	<b>Adjusted Actual £'000</b>	<b>Variance £'000</b>
Housing (Council)	(20,317)	(76,392)	(52,205)	(24,187)	(3,870)
Housing (Non-Council)	2,428	2,656	660	1,996	(432)
Cultural and Related Services	6,993	6,685	(65)	6,750	(243)
Environmental & Regulatory Services	9,323	9,105	(55)	9,160	(163)
Planning Services	1,999	5,706	3,711	1,995	(4)
Central Services to the Public	3,890	3,428	5	3,423	(467)
Highways, Roads & Transport Services	(1,829)	(1,671)	981	(2,652)	(823)
Corporate & Democratic Services	1,472	2,974	766	2,208	736
Non-Distributed amounts	-	(3,258)	(3,258)	-	-
<b>Net Cost of Services</b>	<b>3,959</b>	<b>(50,767)</b>	<b>(49,460)</b>	<b>(1,307)</b>	<b>(5,266)</b>
<b>Other Non Cost of Services</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Unbudgetted Items £'000</b>	<b>Adjusted Actual £'000</b>	<b>Variance £'000</b>
Other Operating Expenditure	(365)	(1,361)	(1,184)	(177)	188
Financing & Investment Income & Expenditure	7,412	4,475	(3,102)	7,577	165
Taxation & Non-Specific Grant Income	(20,022)	(26,494)	-	(26,494)	(6,472)
<b>Total Other Non Cost of Service</b>	<b>(12,975)</b>	<b>(23,380)</b>	<b>(4,286)</b>	<b>(19,094)</b>	<b>(6,119)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(9,016)</b>	<b>(74,147)</b>	<b>(53,746)</b>	<b>(20,401)</b>	<b>(11,385)</b>

The council does not budget for some items that are accounting adjustments such as impairments and revaluation gains and losses, payments to government housing capital receipts pool, adjustments made under IAS19 Pension Fund and profit / loss on sales of assets. These amounts have been taken out of the calculation for the variance between actual expenditure and budgeted expenditure in the table above. For the General Fund these charges are reversed out in the Movement in Reserves and therefore have no impact on Council Tax.

#### Housing (Council)

This includes income and expenditure relating to the Council's own social rented housing. Major variances include:

- Outturn being below the anticipated requirement for the general major and minor repairs responsive budget £(1,347)k
- Additional expenditure due to the decapitalisation of structural works totalling £523k, largely due to survey and preliminary works or minor works that do not add to the value of the asset.
- Less painting carried out than originally planned due to the increasing number of upvc windows and doors installed £(532)k
- Internal wall insulation due to less projects requiring this type of work £(162)k
- Cavity wall insulation underspend due to mid-year change in contractor £(440)k
- Savings negotiated with contractors by NPS during the year for gas central heating repairs £(319)k.
- Other underspends on security improvements, lighting repairs and specific maintenance budgets e.g. lighting, fire alarm and lifts £(324)k
- Lower than budgeted void repair costs £(234)k
- Reduced requirement on the responsive garage repair budget £(131)k
- Additional income from contributions to HRA repairs (from tenants and grants) £(254)k
- Reduced provision for bad debt on rents £(405)k.

### Housing (Non-Council)

This includes income and expenditure relating to the Housing Options (including Homelessness), Strategic Housing and Private Sector Housing functions. Major variances include:

- £(323)k underspend on Housing Benefit mainly due to additional subsidy received following a review of previous subsidy returns.
- Also partly due to actual depreciation being less than budgeted £(205)k\*

### Cultural & Related Services

This includes income and expenditure relating to the cultural activity of the council. The variance is due to actual depreciation being less than budgeted £(276)k\*.

### Environmental & Regulatory Services

This includes income and expenditure relating to street sweeping and waste collection, parks and open spaces and food safety. The variance is due to actual depreciation being less than budgeted £(143)k\*.

### Central Services to the Public

This includes income & expenditure relating to Council tax & benefit administration. Major variances include:

- Corporate customer contact recharges lower than budgeted £(412)k for council tax & benefit administration;
- £(132)k unrequired budget for fraud team following transfer of function to DWP; and
- £(76)k unbudgeted DWP grant income.

### Corporate & Democratic Services

This includes income and expenditure relating to the corporate management & democratic accountability to the Council. Major variances include:

- Actual contribution from deferred reserve less than budgeted £382k;
- £148k lower than budget profit share received from Norwich Norse joint venture;
- £56k overspend on costs to deliver individual electoral registration in its first year of implementation; and
- £50k under budget on targeted additional advertising income.

### Planning & Regulatory

This includes planning, economic development, public health, and licencing activities of the Council. There are no significant underlying variances.

### Highways, Roads and Transport

This includes income and expenditure relating to highways, transportation and parking. Variances include an underspend of £(306)k on parking premises and supplies, associated with reduced works and salt/gritting; parking income higher than budget (£103)k following increase in parking tariffs in November; and actual depreciation less than budgeted £(282)k\*.

### Other Operating Income

This includes items that are non-core business income and expenditure. Variance is mainly due to higher than budgeted depreciation £161k on the provision market\*.

### Financing & Investment Income & Expenditure



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Variances include £80k additional interest incurred on borrowing and £109k less interest income received.

Taxation and Non-Specific Grant Income

This includes the financial activities of the council. Variances due to budgeted Business Rates Levy not being required £(354)k; net £(70)k increase in Business rate receipts; additional revenue grant income of £(319)k; and unbudgeted capital grant income of £(5,504)k.

\* Overall Council General Fund depreciation was £(291)k below budget. The remaining service level variances are due to a misalignment of the budgets. These have been amended in 2016/17 to further improve the budget monitoring.

*Capital*

The Capital Strategy and Capital programme were approved at the Council meeting of 17 February 2015. The Capital Strategy provided the framework within which the Council's investment plans were to be delivered. The reduced level of Government resources available and the uncertainty about the level of resources for future years influenced the shape and size of the 2015/20 Capital Programme.

The Capital Programme for 2015/16 to 2019/20 mirrors the timeframe of the Medium Term Financial Strategy so that over the five years, resources available to the Council matched planned expenditure.

The table below sets out the overall level of available resources by category for the period 2015/20. This shows that, in total, funding the Capital Programme in 2015/16 was £48.388m. As the year progressed these estimates were revised in line with new assumptions and information as they became available.

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Capital Grants	5,290	6,816	5,139	823	1,443
Major Repairs Reserve	12,118	2,423	6,060	10,915	12,780
Borrowing	-	33,483	12,289	6,645	-
Revenue Contribution to Capital	9,400	26,104	10,788	6,572	4,843
Leaseholder Contributions to major works	250	250	250	250	250
Capital Receipts	19,571	11,682	9,323	5,574	5,600
s106 Contributions	1,759	1,746	2,784	2,513	2,042
Other	-	-	-	-	-
	<b>48,388</b>	<b>82,504</b>	<b>46,633</b>	<b>33,292</b>	<b>26,958</b>

Longer term borrowing to finance capital transactions is normally undertaken through the Public Works Loan Board, a division of the UK Debt Management Office.

The Council has not undertaken any new borrowing in 2015/16; however it did repay £5.06m.

Long Term Borrowing is disclosed and analysed in note 16.

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*Balance Sheet*

Despite the challenges, the Council maintains a strong Balance Sheet.

	<b>31-Mar-16</b>	<b>31-Mar-15</b>
	<b>£000</b>	<b>£000</b>
Non-current Assets	936,090	849,264
Current Assets / Liabilities	28,885	48,872
Long Term Liabilities and Provisions	(337,628)	(376,786)
Net Assets	627,347	521,350
<b>Represented by</b>		
Useable Reserves	62,780	63,853
Unuseable Reserves	564,557	457,497

*Provisions*

The Council's most significant provisions relate to Business Rates valuation appeals. Following Business Rates localisation, introduced in 2013, the Council has to set aside a provision for any future successful ratepayer appeals against rateable valuations. Norwich has a high degree of exposure to risk in this regard. The Council currently has 767 rating appeals outstanding (excluding any appeals where the ratepayer has appealed on multiple basis)

Business Rates rating appeals provision	£3.931m at 31 March 2016	£1.434m at 31 March 2015
Business Rates write-off	£1.237m in 2015/16	£0.817m in 2014/15

*Housing Revenue Account*

The HRA is a ringfenced landlords account for the running of the Council's housing stock. During 2015/16, the HRA reported an operating surplus of £6.01m. The HRA fund balance at year end is £26.19m

*Treasury Management*

	<b>31-Mar-16</b>	<b>31-Mar-15</b>
	<b>£000</b>	<b>£000</b>
Cash and Cash Equivalents	21,551	13,303
Short term investments	35,278	50,323
	<b>56,829</b>	<b>63,626</b>

Total cash and equivalents at 31 March 2016 is £56.8m. The main factors that would affect cash in the future are:

- Acquisitions and disposals relating to the capital programme
- The value of reserve balances
- Successful business rates appeals
- Grants and contributions unapplied.

*Pension Liabilities*

The Council has net pension liabilities of £123.4m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension has to be revalued every three years to set future contribution rates. The latest triennial valuation took place at 31 March 2016.

Statutory arrangements are in place for funding the deficit, which will be by increased employer contributions over the remaining working life of the employees.

**6. Details of the Council's pension liability calculated under IAS19 are shown at note 44 of the core financial statements**

**Material Items of Income and Expense**



On 1 April 2015 IFRS 13 fair value measurements came into force. This impacts Investment properties, surplus assets and assets held for sale. Consequently all assets in these categories were revalued in 2015/16 (previously valued on a 5 year rolling programme). This resulted in revaluation gains of £7.002m, these gains are reversed out in the Movement in Reserves Statement so there is no impact on the General fund balance or Council Tax requirements.

Council dwellings had a full revaluation for 2015/16 (as opposed to the previous 4 years of desktop exercises), this has resulted in revaluation gains of £54.7m. These gains are reversed in the Movement in Reserves Statement therefore there is no impact on the Housing revenue account fund balance.

## **7. Changes in Accounting Policies**

As a result of the introduction of IFRS13 the council has adopted a new accounting policy with respect to Fair Value Measurement. An explanation of this policy can be found in note 1 of the notes to the main accounts.

## **8. Environmental**

The council is committed to addressing environmental issues, as shown by one of its priorities being 'a safe, clean and low carbon city'. The Council's first Environmental Strategy was produced in 2008. The current strategy for 2015-2016 can be found on the Council's website on the link below:

[https://www.norwich.gov.uk/downloads/download/1861/environmental\\_strategy](https://www.norwich.gov.uk/downloads/download/1861/environmental_strategy)

Achievements include the per capita carbon dioxide (CO<sub>2</sub>) emissions for the city have fallen by 14%, which is the largest for the East of England (source: Department of Energy and Climate Change) and the council's own CO<sub>2</sub> emissions have fallen by nearly 27%.

### **Waste Collection**

Waste collection has changed over the last 10 years, in 2005/6 the Council collected 42,000 tonnes of waste which mainly went to landfill, 18% being recycled. In 2015/16 26,862 tonnes was collected which either went to landfill or were shipped abroad for incineration, 38.5% was recycled.

In 2010 the Council introduced food waste collection; current collection is about 2,000 tonnes per annum. The waste is sent to a Biogen Anaerobic digestion plant, this produces enough energy to run the plant (10% of output) leaving 90% to be fed into the National Grid. Bio-fertiliser is a by-product which is used on local farms.

### **Air Quality**

The Environment Act 1995 imposes a statutory duty on Local authorities to review and assess the air quality in their districts to determine whether certain air pollutants are likely to meet prescribed government air quality objectives. The objectives give maximum allowable mass concentration limits for 8 different pollutants and, if exceeded, there is then a statutory duty to declare an Air Quality Management Area (AQMA).

Since November 2012 central Norwich has been designated as a single AQMA – this provides a more holistic approach to be adopted to try and reduce pollution levels as opposed to dealing with the problem of isolated pollution hot spots.

The Council's Air Quality Action Plan was approved by Cabinet on 7 October 2015 and can be found on the following link:

[https://www.norwich.gov.uk/downloads/file/3020/2015\\_air\\_quality\\_action\\_plan](https://www.norwich.gov.uk/downloads/file/3020/2015_air_quality_action_plan)

This Action Plan is a statutory requirement resulting from the declaration of the AQMA and the continued exceedance of the annual mean objective for nitrogen dioxide (NO<sub>2</sub>), but for no other pollutants. The purpose of this statutory duty is to produce and implement an Action Plan to reduce local levels of the specified pollutant in the area declared.

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# Statement of Responsibilities for the Statement of Accounts

## 1. The Council's Responsibilities

The Council 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 Norwich City Council that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts;

## 2. The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council'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 of Practice').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Finance Officer has also:

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

## 3. Certificate of Chief Finance Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of Norwich City Council as at 31 March 2016 and its income and expenditure for the year then ended.

Signed:

Date:

Justine Hartley BSc CPFA  
Chief Finance Officer

## Certificate of Approval of the Statement of Accounts

I confirm that the Statement of Accounts were approved by resolution of the Audit Committee on

Signed:

Date:

Councillor Ben Price  
Chair of Audit Committee  
Signed on behalf of Norwich City Council

## Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	Earmarked H.R.A. Balance Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015 carried forward</b>	9,614	4,081	20,180	4	24,896	-	5,078	63,853	457,497	521,349
<u>Movement in reserves during 2015/16</u>										
Surplus/ (deficit) on provision of services	5,571	-	68,576	-	-	-	-	74,147	-	74,147
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	31,852	31,852
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>5,571</b>	<b>-</b>	<b>68,576</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,147</b>	<b>31,852</b>	<b>105,999</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	(3,180)	-	(62,566)	-	(7,645)	-	(1,878)	(75,269)	75,269	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>2,391</b>	<b>-</b>	<b>6,010</b>	<b>-</b>	<b>(7,645)</b>	<b>-</b>	<b>(1,878)</b>	<b>(1,122)</b>	<b>107,121</b>	<b>105,999</b>
Transfers to/from Earmarked Reserves (note 8)	153	(153)	-	-	-	-	-	-	-	-
Transfers between reserves	-	-	-	-	62	-	-	62	(62)	-
<b>Increase/(Decrease) in 2015/16</b>	<b>2,544</b>	<b>(153)</b>	<b>6,010</b>	<b>-</b>	<b>(7,583)</b>	<b>-</b>	<b>(1,878)</b>	<b>(1,060)</b>	<b>107,060</b>	<b>105,999</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>12,158</b>	<b>3,928</b>	<b>26,190</b>	<b>4</b>	<b>17,313</b>	<b>-</b>	<b>3,200</b>	<b>62,793</b>	<b>564,557</b>	<b>627,348</b>

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	Earmarked H.R.A. Balance Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2014 carried forward</b>	<b>8,313</b>	<b>2,603</b>	<b>25,129</b>	<b>4</b>	<b>19,823</b>	<b>-</b>	<b>3,904</b>	<b>59,776</b>	<b>455,564</b>	<b>515,340</b>
<u>Movement in reserves during 2014/15</u>										
Surplus/ (deficit) on provision of services	(3,264)	-	13,340	-	-	-	-	10,076	-	10,076
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(4,067)	(4,067)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(3,264)</b>	<b>-</b>	<b>13,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,076</b>	<b>(4,067)</b>	<b>6,009</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	6,043	-	(18,270)	-	4,989	-	1,174	(6,064)	6,064	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>2,779</b>	<b>-</b>	<b>(4,930)</b>	<b>-</b>	<b>4,989</b>	<b>-</b>	<b>1,174</b>	<b>4,012</b>	<b>1,997</b>	<b>6,009</b>
Transfers to/from Earmarked Reserves (note 8)	(1,478)	1,478	-	-	-	-	-	-	-	-
Transfers between reserves	-	-	(19)	-	84	-	-	65	(65)	-
<b>Increase/(Decrease) in 2014/15</b>	<b>1,301</b>	<b>1,478</b>	<b>(4,949)</b>	<b>-</b>	<b>5,073</b>	<b>-</b>	<b>1,174</b>	<b>4,077</b>	<b>1,933</b>	<b>6,009</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>9,614</b>	<b>4,081</b>	<b>20,180</b>	<b>4</b>	<b>24,896</b>	<b>-</b>	<b>5,078</b>	<b>63,853</b>	<b>457,497</b>	<b>521,349</b>



## Comprehensive Income and Expenditure Statement

	Notes	2015/16			2014/15		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Central Services to the Public		5,340	(1,912)	3,428	6,211	(2,563)	3,648
Cultural and Related Services		8,384	(1,699)	6,685	8,492	(1,677)	6,816
Environmental and Regulatory Planning Services		11,525	(2,420)	9,105	11,106	(2,754)	8,352
Highways, Roads & Transport Services		6,921	(1,215)	5,706	4,617	(1,060)	3,557
Local Council Housing (HRA)		7,006	(8,676)	(1,671)	5,747	(8,432)	(2,685)
Other Housing Services		(3,734)	(72,658)	(76,392)	50,139	(72,827)	(22,688)
Corporate & Democratic Core Non-Distributed Costs		74,277	(71,621)	2,656	73,256	(69,405)	3,852
		5,068	(2,094)	2,974	4,632	(2,536)	2,096
		(3,258)	-	(3,258)	53	-	53
<b>Cost of Services</b>		<b>111,530</b>	<b>(162,296)</b>	<b>(50,766)</b>	<b>164,254</b>	<b>(161,254)</b>	<b>3,000</b>
Other Operating Expenditure	9			(1,361)			500
Financing and Investment Income and Expenditure	10			4,475			13,359
Taxation and Non-Specific Grant Income	11			(26,494)			(26,935)
<b>(Surplus) / Deficit on Provision of Services</b>				<b>(74,146)</b>			<b>(10,076)</b>
(Surplus) / deficit on revaluation of non-current assets	12&13			(8,231)			(4,155)
Actuarial (gains) / losses on pension assets / liabilities	44			(23,621)			8,222
<b>Other Comprehensive (Income) and Expenditure</b>				<b>(31,852)</b>			<b>4,067</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>(105,998)</b>			<b>(6,009)</b>

## Balance Sheet

	Notes	31-Mar-16	31-Mar-15
		£'000	£'000
Property, Plant & Equipment	12	857,271	778,286
Heritage Assets	13	20,668	20,663
Investment Properties	14	43,294	35,767
Intangible Assets	15	776	848
Long term Investments	17	3,842	3,916
Long Term Debtors	18	10,238	9,784
<b>Long Term Assets</b>		<b>936,089</b>	<b>849,264</b>
Short Term Investments	19	35,278	50,323
Assets Held for Sale	22	2,536	150
Short term Debtors	20	11,258	12,665
Stock		23	23
Cash and Cash Equivalents	21	21,551	13,303
<b>Current Assets</b>		<b>70,646</b>	<b>76,464</b>
Short Term Borrowing	16	(11,962)	(1,300)
Short Term Creditors	23	(28,819)	(24,457)
Capital Grants Receipts in Advance Short Term	38	(979)	(1,835)
<b>Current Liabilities</b>		<b>(41,760)</b>	<b>(27,592)</b>
Long Term Creditors	24	(3,211)	(3,511)
Long term Borrowing	16	(208,905)	(224,717)
Other Long Term Liabilities	43	(123,446)	(147,086)
Provisions	25	(1,572)	(574)
Capital Grants Receipts in Advance Long Term	38	(493)	(898)
<b>Long Term Liabilities</b>		<b>(337,627)</b>	<b>(376,786)</b>
<b>Net Assets</b>		<b>627,348</b>	<b>521,350</b>
Usable Reserves	26	62,791	63,853
Unusable Reserves	27	564,557	457,497
<b>Total Reserves</b>		<b>627,348</b>	<b>521,350</b>

These financial statements were authorised for production by the Chief Finance Officer on 20 September 2016

Signed:

Date:

Chief Finance Officer

## Cash Flow Statement

	Notes	2015/16 £'000	2014/15 £'000
Net surplus or (deficit) on provision of services		74,147	10,076
Adjustments to net surplus or deficit on provision of services for non-cash movements	28	(28,799)	24,574
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(12,081)	(11,870)
<b>Net cash flows from Operating Activities</b>		<b>33,267</b>	<b>22,780</b>
Investing Activities	29	(20,997)	(30,619)
Financing Activities	30	(4,011)	1,126
<b>Net Increase or (decrease) in cash and cash equivalents</b>		<b>8,259</b>	<b>(6,713)</b>
Cash and cash equivalents at the beginning of the reporting period	21	13,303	20,016
<b>Cash and cash equivalents at the end of the reporting period</b>	21	<b>21,562</b>	<b>13,303</b>

## Notes to the Accounts

### 1. Accounting Policies

#### General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Statement of Accounts 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### Accruals of Income & Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet; the de minimis for accruals is five thousand pounds. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### Agency services

Where the Council is acting as an agent for another party (e.g. in the collection of business rates and Council Tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering services

#### Cash & 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 investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) 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, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, this provision known as the Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. No MRP is currently charged on HRA debt, as the debt acquired in relation to the HRA, as it is outside the scope of this regime.

### **Debtors and Creditors**

The accounts of the Council are maintained on an accruals basis in accordance with the Code. This ensures that provision has been made for known outstanding debtors and creditors, estimated amounts being used where actual figures are not available. The exceptions to this principle are public utility bills, which are accounted for on a payments basis, i.e. four quarters or 12 months being charged in each year. This policy is applied consistently each year and therefore does not have a material effect on the year's accounts.

Rental income from the Council's housing stock is accounted for on the basis of a full year, i.e. 365 or 366 days as appropriate.

### **Employee Benefits**

#### Benefits Payable During Employment

Short term employee benefits are those due to be settled 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 for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services.

#### Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not

the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### Post-Employment Benefits

Employees of the Council are members of The Local Government Pensions Scheme, administered by Norfolk County Council.

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

#### The Local Government Pension Scheme

Membership of the Local Government Pension Scheme is available to employees of the Council; the scheme is accounted for as a defined benefits scheme:

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

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).

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

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net 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 Statements to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - 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 changes 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 pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Norfolk 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 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 Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

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

#### **Events After the Balance Sheet Date**

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

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

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

#### **Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expense Statement or in the notes to the account.

#### **Financial Instruments**

##### Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was



payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

#### **Loans & Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. 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 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 loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.



Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Fair Value of the equity shares in Norwich Airport cannot be measured reliably therefore the instrument is carried at cost.

### **Government Grants & Contributions**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, 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 will be 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 will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

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

## Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued on a five year rolling programme according to market conditions at the year-end. Carrying values are reviewed annually to ascertain if materially different from market values for those assets not valued in year. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

## Jointly Controlled Operations & Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

## Group Accounts

The Code requires local authorities to consider all their interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council has gone through a process in line with the Code guidance flowcharts to demonstrate that the relevant provisions do not apply and that the Council has fully complied with the 2015 Code Group Accounts' requirements in its 2015/2016 Statement of Accounts.

## Leases

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

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

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

## The Council as Lessee

### **Finance Leases**

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

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a 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 of 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 (e.g., there is a rent-free period at the commencement of the lease).

## The Council as Lessor

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and;
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating 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 (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Overheads & Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16*(SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### **Intangible Assets**

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service 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 recognised 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 sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **Property, Plant & 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. The de minimis level for accounting for expenditure as capital is £5,000

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement 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 an 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.

#### Componentisation

The 2015/16 CIPFA Code of Practice on Local Authority Accounting states that each part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item shall be depreciated separately, applied from 1 April 2010 onwards. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining

the depreciation charge. In adopting the Code, the Authority has developed the following Componentisation Policy using the approach set out in LAAP bulletin 86:

- Assets within PP&E, excluding Council dwellings with a carrying value of £1m and below, will be disregarded for componentisation as the impact upon the reported cost of service is not considered material.
- Assets, excluding Council dwellings that are above the £1m de-minimis threshold will be componentised where the cost of the component:
  - is significant in relation to the overall total cost of the asset and
  - has a different useful life and/or method of depreciation to the main asset.

This policy excludes land assets which are already identified separately.

Council dwellings are not individually componentised. The valuation of dwellings is based on a beacon approach using the assumption that the beacon property is fully upgraded. Each property in that beacon has a reduction in value, as a percentage, for each component that is not upgraded.

#### 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 an 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 reversed subsequently, 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 amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Dwellings – from 1<sup>st</sup> April 2012 depreciation is calculated based on the useful life of the individual components of the dwelling.
- other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight-line allocation of between 25-40 years.
- Plant, furniture & equipment – straight line allocation over the useful life of asset.

Where an item of Property, Plant and Equipment assets has major components 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 historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.



## Disposals & 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 revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

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 to be 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 (i.e. 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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of 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.

## Heritage Assets

Heritage assets are assets with historic, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge & culture.

### Museums collections

The museums are run by the Norfolk Museums & Archaeology Service (NMAS) which is regarded as one of the leaders in the museum sector. Through a Joint Committee established under delegated powers by the County and district councils in Norfolk, the Service runs museums throughout the County to preserve and interpret material evidence of the past with the aim of "bringing history to life".

The Council's heritage assets are relatively static, and significant acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and subsequently at valuation where available.

Material disposals are rare. However, any disposals are accounted for in accordance with the Council's accounting policies on property, plant and equipment. The proceeds of disposals, if any, are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### **Heritage Buildings**

There are a number of buildings within the city which are considered to be of significant historical value.

Where the buildings have an operational use, as offices or museums for instance, they are classified as operational assets and are depreciated and valued on a rolling five year program

Four of the buildings are considered to be heritage assets and in the category of National Treasures. The March 2009 Report of Kingston University London, on behalf of RICS and HM Treasury, recommended that a category of asset defined as National Treasures be created. These are assets which are incapable of meaningful valuation, in that there is no recognised method of traditional valuation which gives any degree of accuracy. Therefore these assets are held at nil value

### **Civic Plate & Regalia**

The Council owns a large collection of Civic Plate and Regalia which date back to the 19<sup>th</sup> century. This collection is stored, managed and cared for on behalf of the Council by NMAS in line with County Council and National Museums standards. Valuation and insurance of the collection is the responsibility of the Council. The collection of Civic Plate and Regalia is reported in the Balance Sheet at market value. Individual items in the collection are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement. The Civic Plate and Regalia collection are deemed to have indeterminate lives and a high residual value; hence the Council do not consider it appropriate to charge depreciation.

### **Paintings**

The Council owns a collection of paintings which are stored, managed insured, valued and cared for on behalf of the Council by NMAS in line with County Council and National Museums standards. The collection of paintings is reported in the Balance Sheet at insurance value. Individual items in the collection are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement. The collection of paintings is deemed to have indeterminate lives and a high residual value; hence the Trustees do not consider it appropriate to charge depreciation.

Following the 1974 Local Government reorganisation the budgets for income and expenditure relating to paintings, were vired to Norfolk County Council, who run NMAS. Therefore any expenditure which, in the Trustees' view, is required to preserve or clearly prevent further deterioration of individual collection items is recognised in the Income and Expenditure account of Norfolk County Council.

### **Sculptures and Bronzes**

The Council owns 25 sculptures and bronzes which are situated in external locations around the city. Due to the external location the items are not insurable. The Sculptures and Bronzes are reported in the Balance Sheet at insurance value (as if they could be insured) and are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement.

### **Statues, Architectural Ornamentation, Plaques, Fountains etc**

The Council owns 60 of the above which are situated in external locations around the city. Due to the external location the items are not insurable. The assets are reported in the Balance Sheet at insurance value (as if they could be insured) and are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement

### **Fair value measurement**

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

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



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

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

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

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

### **Provisions, Contingent Assets & Liabilities**

#### Provisions

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

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

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 or all of the payment required to settle a provision is expected to be recovered from another party (e.g. 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 Council settles the obligation.

#### Contingent Assets

A contingent asset arises where there is a possibility of an economic benefit which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Due to the uncertainty of future events, these assets are not placed on the balance sheet, even when they are probable and the amount can be estimated.

#### Contingent Liabilities

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

### **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in

that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so 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, and retirement and employee benefits, and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the 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.

### **The Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to national nondomestic rates and the Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside.

#### **Council Tax**

The council tax included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund is taken to the Collection Fund adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund balance.

Cash collected by the billing authority from council tax debtors belongs proportionately to the billing authority and the major precepting authorities. There will be a debtor or creditor position between the billing authority and each major preceptor to be recognised at the end of each year as the net cash paid to each major preceptor during the year will not exactly match its share of the cash collected from Council Taxpayers.

The cash flow statement only includes in revenue activities cash flows relating to its own share of Council Tax collected. The difference between the government and the preceptors' share of the net cash collected from Council Tax payers and the net cash paid to them is included as a net movement in other liquid resources.

#### **National Non-Domestic Rates**

Cash collected by the billing authority from National non-domestic rates (NNDR) debtors belongs proportionately to the government, the billing authority and central government and the major precepting authority. There will be a debtor or creditor position between the billing authority and major preceptor to be recognised at the end of each year as the net cash paid to each major preceptor during the year will not exactly match its share of the cash collected from NNDR Taxpayers.

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for the year is the accrued income. 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 is included as a reconciling item in the Movement in Reserves Statement (MiRS).

The cash flow statement only includes in revenue activities cash flows relating to its own share of NNDR collected. The difference between the government and the preceptors' share of the net cash collected from NNDR payers and the net cash paid to them is included as a net movement in other liquid resources.

There are a number of NNDR reliefs available to NNDR payers which are mandatory, the government funds these reliefs in full (except for Small Business Rate relief which it funds 50%) via s31 grant to each authority. The

s31 grant included in the CIES for the year that which is equal to the deficit claimed backwithin that year. Any excess over this amount is transferred to a S31 earmarked reserve.

To ensure that BRRS is equitable when compared to the previous system of NNDR, the government has calculated the Funding Baseline which each authority needs to fund its business as well as a Business Rate Baseline which relates to the collectable NNDR, the difference between the two will either result in an individual authority paying a tariff to, or receiving top-up from the government. In a two tier authority the County Council will be in a top-up position and the billing authority in a tariff position. The tariff or top-up is reflected in the authority's individual CIES i.e. does not go through the Collection Fund.

The authority is required to calculate whether it is in a levy or safety net position at year end. If the authority's income from NNDR and the s31 grant less the tariff paid is greater than the funding baseline then a levy is payable according to the levy formula, the percentage of levy is capped at 50%. If the authority's income from NNDR and the s31 grant less the tariff paid is less than 92.5% of the funding baseline then the authority is entitled to a safety net payment. Any levy/ safety net amounts are accrued and included in the CIES and in creditors/debtors as appropriate in the Balance Sheet.

## **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts

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

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

- There is a high degree of uncertainty about future funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Note 16 Financial Instruments details the authority's Investment Strategy and approach to managing risk. None of the authority's investments are impaired;
- The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and assets are recognised or derecognised (as appropriate) as Property, Plant and Equipment in the Council's Balance Sheet
- The Council has reviewed all property assets in accordance with the policy for Investment Properties and classified as appropriate
- The Council has reviewed all property assets in accordance with the policy for Assets Held for Sale and reclassified as appropriate
- Insurance fund

The preparation of financial statements also requires management to exercise judgement in applying the council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant are disclosed below:

### **Property, plant and equipment**

In determining the useful economic life of property, plant and equipment, judgement needs to be exercised in estimating the length of time that assets will be operational. Judgements are also required regarding the classification of specialist/non-specialist assets and in determining residual values.

Valuers also make a range of judgements when determining the values of assets held at fair value.

The significant assumptions applied in estimating the fair values are:

- For income producing properties, the Valuers adopted an investment approach where they applied a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice they construct their valuations adopting hardcore methodology where the reversions are generated from regular short-term uplifts of market rent. They would normally apply a term and reversion approach where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation;
- The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in "the Red Book". Where circumstances dictate that it is necessary to utilise a different rental value in the capital valuation, the valuers will generally set out the reasons for this in their report;
- Vacant buildings, in addition to the above methodology, may also be valued and analysed on a comparison method with other capital value transactions where applicable; and
- Owner-occupied properties are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

### **Investment Properties**

IAS 40 *Investment properties* ("IAS 40") requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. To comply with IAS 40, judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value with movements in the fair value being recorded in the income statement this could have a significant effect on the reported surplus or deficit of the Council

### **Post Retirement Benefits**

Pensions liability – the 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. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The assumptions made and sensitivity analyses are provided in note 44

### **Group boundaries**

The group boundaries have been estimated using the criteria associated with the Code of Practice. In line with the Code, the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality

## **4. Assumptions made about future and other major sources of estimation uncertainty**

**Norwich City Council**  
**2015-16 Statement of Accounts**

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 those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

<b>Items</b>	<b>Uncertainties</b>	<b>Effect if Actual Results differ from Assumptions</b>
Business Rates	Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2015/16 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals.	Should the outstanding appeals be successful, the amount owed to businesses may be more than estimated, in which case the proportionate share of this would require an increase to the provision. However there may be appeals that are not successful or they may be successful but the amount owed to businesses be less than estimated, which would result in a reduction in the appeals provision
Property, Plant and Equipment £857.3m	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. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing 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 falls. It is estimated that the annual depreciation charge for buildings would increase by £0.398m for every year that useful lives had to be reduced
Pensions Liability £123m	Estimation of the net liability to pay pensions depends on a number of complex judgments 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. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The sensitivities resulting in an impact on the Council's finances are disclosed in Note 44
Arrears	At 31 March 2016, the Council had a balance of sundry debtors for £1.654m. A review of significant balances suggested that an impairment of doubtful debts ranging from 10% to 100% (£0.649m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase in the amount of the impairment for doubtful debt would be required.
Housing Stock	The housing stock is not individually componentised, for valuation purposes a beacon approach is used with the assumption that the beacon property is fully upgraded. Each property in that beacon is then reduced by percentages for each component that is not upgraded.	The percentages used to reduce the value may not reflect the true depreciated value of the individual components.  The valuation of housing stock may be under or overstated
Housing Stock	The housing stock is not individually componentised, for depreciation purposes council dwellings have their individual components identified as to date of upgrade and using the asset life as advised by the council's valuers, the depreciation associated with each properties components is calculated.	The use of standard lives to calculate components and assumption of full depreciation on components not upgraded may not be valid.  The depreciation of council dwellings may be under or overstated
Fair value measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets	The council uses the model disclosed in note 14 to measure the fair value of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include



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	<p>or liabilities in active markets or the discounted cash flow [DCF] model). Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities.</p> <p>Where level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value.</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 14 and 16 below.</p>	<p>management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for investment properties, surplus assets and assets held for sale) Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for investment properties and financial assets.</p>
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## 5. Material Items of Income and Expense

On 1 April 2015 IFRS 13 fair value measurements came into force. This impacts Investment properties, surplus assets and assets held for sale. Consequently all assets in these categories were revalued in 2015/16 (previously valued on a 5 year rolling programme). This resulted in revaluation gains of £7.002m, these gains are reversed out in the Movement in Reserves Statement so there is no impact on the General fund balance or Council Tax requirements.

Council dwellings had a full revaluation for 2015/16 (as opposed to the previous 4 years of desktop exercises), this has resulted in revaluation gains of £54.7m. These gains are reversed in the Movement in Reserves Statement therefore there is no impact on the Housing revenue account fund balance.

## 6. Events after the Reporting Date

The statement of accounts were authorised for issue by the Chief Finance Officer on 20 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016, there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. The three rating agencies (Standard & Poor's, Moody's and Fitch) have recently downgraded the UK's sovereign credit rating and have changed the outlook on the future rating from Stable to Negative. Following this action, the same agencies have downgraded the credit ratings of a range of UK based financial entities in respect of the UK economy's prospects.

The authority's Treasury Strategy for 2016/17, approved by Cabinet and full Council in February 2016, takes the same cautious approach as that of recent years and seeks to protect the authority's principal at the potential expense of yield income. The risks of impairment to the authority's current investments are outlined in Note 16, and the current strategy will be under constant review until it is envisaged that the main danger has receded. It is foreseen that there may be a risk to the valuation of the authority's defined benefit pension obligation. Details of the factors influencing the value of the pension fund are given in Note 44 and Section 4 of the Narrative Report. However, it is too early to estimate the extent of any impact on the financial statements, as there is likely to be significant ongoing uncertainty for several months while the UK renegotiates its relationship with the EU and other nations. For the purposes of these financial statements, the EU Referendum result is considered to be a non-adjusting event.

## 7. Adjustments between Accounting Basis and Funding Basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure

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

#### General Fund Balance

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

#### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

#### Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve. The MRR is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRR that has yet to be applied at the year-end.

#### Capital Receipts Reserve

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

#### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

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2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non-current assets	(4,258)	(15,576)				(19,834)	19,834
Revaluation gains/ (Losses) on Property, Plant and Equipment	(776)	54,557				53,781	(53,781)
Movement in Market Value of Investment Properties	7,779					7,779	(7,779)
Capital Grants and Contributions Applied	2,100					2,100	(2,100)
Movement in Donated Assets Account	215					215	(215)
Revenue expenditure funded from capital under statute	(4,881)					(4,881)	4,881
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(383)	(7,497)				(7,880)	7,880
<u>Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement</u>							
Statutory provision for the financing of capital investment	(20)	80				60	(60)
Capital expenditure charged against the General Fund and HRA balances		9,400				9,400	(9,400)
<b>Adjustments involving the Capital Grants Unapplied Account</b>							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,010	416			(3,426)	-	
Application of grants to capital financing transferred to the Capital Adjustment Account					5,304	5,304	(5,304)
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	405	9,576	(9,981)			-	
Use of Capital Receipts Reserve to finance new capital expenditure			16,279			16,279	(16,279)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(10)	(207)	217			-	
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,123)		1,123			-	



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2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(16)		16			-	
Transfer to the Capital receipts Reserve upon receipt of cash			(9)			(9)	9
<b>Adjustments involving the Major Repairs Reserve</b>							
Reversal of Major Repairs Allowance credited to the HRA		12,691		(12,691)		-	
Use of Major Repairs Reserve to finance new capital expenditure				12,691		12,691	(12,691)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>							
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	(30)					(30)	30
<b>Adjustments involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,869)	(2,261)				(6,130)	6,130
Employer's pension contributions and direct payments to pensioners payable in the year	4,768	1,387				6,155	(6,155)
<b>Adjustments involving the Collection Fund Adjustment Account</b>							
Amount by which Council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	269					269	(269)
<b>Total Adjustments</b>	3,180	62,566	7,645	-	1,878	75,269	(75,269)

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2014/15 comparative figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non-current assets	(3,790)	(14,659)	-	-	-	(18,449)	18,449
Revaluation gains / (Losses) on Property, Plant and Equipment	(2,712)	15,176	-	-	-	12,464	(12,464)
Movement in Market Value of Investment Properties	(317)	-	-	-	-	(317)	317
Capital Grants and Contributions Applied	1,006	161	-	-	-	1,167	(1,167)
Movement in Donated Assets Account	306	-	-	-	-	306	(306)
Revenue expenditure funded from capital under statute	(1,748)	-	-	-	-	(1,748)	1,748
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,039)	(8,470)	-	-	-	(9,509)	9,509
HRA Self Financing Debt	-	-	-	-	-	-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement</u>							
Statutory provision for the financing of capital investment	1,033	72	-	-	-	1,105	(1,105)
Capital expenditure charged against the General Fund and HRA balances	-	15,923	-	-	-	15,923	(15,923)
<b>Adjustments involving the Capital Grants Unapplied Account</b>							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,116	394	-	-	(3,510)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,158	1,158	(1,158)
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,103	8,119	(9,222)	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	3,541	-	-	3,541	(3,541)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(28)	(227)	255	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(935)	-	935	-	-	-	-

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2014/15 comparative figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(17)	-	17	-	-	-	-
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	(20)	-	-	(20)	20
<b>Adjustment involving the Major Repairs Reserve</b>							
Reversal of Major Repairs Allowance credited to the HRA	-	11,891	-	(11,891)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	11,896	-	11,896	(11,896)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>							
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	(62)	139	-	-	-	77	(77)
<b>Adjustments involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,039)	(2,431)	-	-	-	(10,470)	10,470
Employer's pension contributions and direct payments to pensioners payable in the year	4,776	1,305	-	-	-	6,081	(6,081)
<b>Adjustments involving the Collection Fund Adjustment Account</b>							
Amount by which Council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(426)	-	-	-	-	(426)	426
<b>Total Adjustments</b>	<b>(7,773)</b>	<b>27,393</b>	<b>(4,494)</b>	<b>5</b>	<b>(2,352)</b>	<b>12,779</b>	<b>(12,779)</b>

## 8. Transfers to/from Earmarked and Other Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16 and 2014/15.

The following sets out a description of the reserves;

### **Insurance reserve**

The Insurance Reserve was established to cover the excesses carried in respect of claims under various insurance policies, particularly public and employers' liability, subject to periodic review of the appropriate level at which any 'stop-loss' arrangements apply.

The Council only insures housing stock three storeys and above in height, sheltered and listed accommodation, and only for limited perils (fire, lightening, explosion and storm). The risk has been identified and assessed and it has been decided that the most cost effective way to manage risk is for the Council to self-insure losses via the Housing Revenue Account.

An evaluation of the balance on the Insurance Reserve has been undertaken and the amount set aside to cover the uninsured risks at 31 March 2016 is based on the assessed liability.

Included within this balance is an amount to cover potential liabilities following the trigger of the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement. The initial levy was paid in 2014/15.

MMI was formed as a limited company by guarantee in 1903 and by 1974 some 90% of local authorities were insured by the company. Due to dramatic increases in claims, coincidental with a fall in the property market and poor investment environment, along with its inability to raise capital because of its mutual status, MMI's net assets fell below the minimum regulatory solvency requirement and the company went into run-off in September 1992.

After the imposition of the levy, the Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. The Council will now face a liability of 15% of all future claims payments relating to the period it was insured by MMI, an allowance is also made for this within the reserve.

### **S31 Earmarked Reserve**

Under the system of business rates retention an element of the business rates is retained locally (split between the County and Districts). The budget for the year assumed the baseline funding allocation in respect of business rates announced as part of the Local Government Finance Settlement announcement in December 2013. The outturn position is based on the National Non Domestic Rates (NNDR) Return which is submitted annually.

In the same way that Council Tax operates a 'collection fund' which distributes the precepts/shares of council tax collected to the respective authorities, the business rates collection fund distributes the respective shares of business rates based on the NNDR return. Should the actual income collected from business rates exceed or not meet the anticipated amounts there would be a surplus or deficit on the fund. For 2014/15 there was a deficit on the collection fund for NNDR and an estimated deficit for 2015/16 (on NNDR for 2016/17) that will be clawed back from the Government, County and the council of in future years under regulation. For 2015/16 there is a surplus which will be distributed in 2017/18

The reason for the deficit is due to a greater number of reliefs being granted and the impact of successful appeals above the level assumed. The impact of some of the reliefs has been mitigated by the Section 31 Grant. The overall position (including the S31 Grant) will be used to calculate the levy payable for the year and this will be based on the NNDR3 return submitted in May

A S31 Earmarked Reserve has been established which at 31<sup>st</sup> March 2016 holds the unutilised balance of the S31 grant monies received in 2014/15 and 2015/16. These monies will be transferred to the General Fund Reserves during 2016/17 and 2017/18 to mitigate the delayed impact of the 2014/15 & 2015/16 deficit on the NNDR Collection Fund as properly accounted for under regulation.

Similar transfers in and out of the reserve will take place each year whilst the S31 grant is received.

### **Building Control Reserve**

This represents the accumulated surplus on fee-earning building control operations, as the building control operations now have fully transferred to another council, the balance was transferred to General Fund in 2014/15.

### **Revenue Grants Unapplied Reserves**

This reserve is the balance of revenue grant income received that has no conditions applied to it, but where the grant has yet to be applied and there are restrictions as to how the monies are to be applied. This ensures that amounts are set aside from the General Fund and the Housing Revenue Account balances to provide financing to meet the requirements of the grant. The amounts set aside will be transferred back to meet General Fund and Housing Revenue Account expenditure in future years, the transfer being accounted for in the Movement in Reserves Statement within the transfers to/or from Earmarked reserves line.

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	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>							
Insurance Reserve	480	(228)	155	407	(199)	187	395
Building Control Reserve	84	(84)	-	-	-	-	-
S31 Earmarked Reserve	-	-	1,526	1,526	(1,247)	1,188	1,467
Revenue Grants Unapplied Reserve GF	2,039	(128)	237	2,148	(216)	133	2,065
Revenue Grants Unapplied Reserve HRA	4	-	-	4	-	-	4
<b>Total</b>	<b>2,607</b>	<b>(440)</b>	<b>1,918</b>	<b>4,085</b>	<b>(1,662)</b>	<b>1,508</b>	<b>3,931</b>

Transfers between other reserves of £61,691 (2014/15 £84,081) in the Movement in Reserves Statement comprise of Decent Home Loans & Home Improvement Loans repayments £61,691 (2014/15 £62,009) , Housing Act Advance repayments of £nil (2014/15 £2,506) and Repayment of discount £nil (2014/15 £19,565)

### 9. Other Operating Expenditure

	2015/16	2014/15
	£'000	£'000
Payments to the Government Housing Capital Receipts Pool	1,123	976
(Gains)/Losses on the disposal of non-current assets	(2,133)	(426)
Provision Market	(308)	2
Livestock Market	(42)	(52)
<b>Total</b>	<b>(1,360)</b>	<b>500</b>

The surplus of £0.351m (2014/15 deficit £0.05m) on trading of the markets is not allocated back to services but included in other operating expenditure above

### 10. Financing and Investment Income and Expenditure

	2015/16	2014/15
	£'000	£'000
Interest payable and similar charges	9,906	10,128
Pension interest cost and expected return on pension assets	4,520	5,494
Interest Receivable and similar income	(765)	(717)
Income and expenditure in relation to investment properties and changes in their fair value	(9,409)	(1,670)
Impairment of Soft Loans	223	125
<b>Total</b>	<b>4,475</b>	<b>13,360</b>

The surplus on Investment properties relates to revaluation gains as explained in detail in Note 14.

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11. Taxation and Non-Specific Grant Income

	2015/16	2014/15
	£'000	£'000
Council tax income	(8,335)	(7,834)
Non domestic rates income and expenditure	(29,706)	(29,867)
Non-ring fenced government grants	(8,598)	(9,682)
Capital grants and contributions	(5,741)	(4,951)
Business Rates - Tariff & Levy	25,885	25,400
<b>Total</b>	<b>(26,495)</b>	<b>(26,934)</b>

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12. Property, Plant and Equipment

Movements in 2015/16	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2015	641,387	125,958	26,720	2,893	11,126	937	5,030	814,051
Additions	27,969	2,034	438	142	250	-	16,127	46,960
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,912	1,308	-	-	-	216	-	7,436
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(3,531)	(1,038)	-	-	-	(835)	-	(5,404)
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	44,444	240	-	-	-	11	-	44,695
Derecognition – Disposals	(6,725)	(38)	(94)	(148)	-	-	-	(7,005)
Derecognition - Other	(396)	-	-	-	-	-	-	(396)
Demolition	-	(71)	-	-	-	-	-	(71)
Assets Reclassified (to) / from Held for Sale	(178)	(2,567)	-	-	-	-	-	(2,745)
Other Movements in Cost or Valuation	1,676	406	-	(71)	71	-	(2,022)	60
<b>At 31 March 2016</b>	<b>710,558</b>	<b>126,232</b>	<b>27,064</b>	<b>2,816</b>	<b>11,447</b>	<b>329</b>	<b>19,135</b>	<b>897,581</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2015	(3,892)	(7,954)	(22,057)	(1,063)	(58)	(740)	-	(35,764)
Depreciation charge	(12,691)	(2,746)	(783)	(76)	(7)	(10)	-	(16,313)
Depreciation written out to the Surplus/Deficit on Provision of Services	12,688	235	-	-	-	6	-	12,929
Depreciation write-back on revaluation to Revaluation Reserve	3	792	-	-	-	3	-	798
Impairment losses / (reversals) recognised in CIES	(909)	(2,025)	-	-	-	734	-	(2,200)
Impairment losses / (reversals) recognised in RR	-	-	-	-	-	-	-	-
Derecognition – Disposals	-	22	94	124	-	-	-	240
Derecognition - Other	-	-	-	26	(26)	-	-	-
<b>At 31 March 2016</b>	<b>(4,801)</b>	<b>(11,676)</b>	<b>(22,746)</b>	<b>(989)</b>	<b>(91)</b>	<b>(7)</b>	<b>-</b>	<b>(40,310)</b>
<b>Net Book Value</b>								
<b>At 31 March 2016</b>	<b>705,757</b>	<b>114,556</b>	<b>4,318</b>	<b>1,827</b>	<b>11,356</b>	<b>322</b>	<b>19,135</b>	<b>857,271</b>
<b>At 31 March 2015</b>	<b>637,495</b>	<b>118,005</b>	<b>4,663</b>	<b>1,830</b>	<b>11,067</b>	<b>196</b>	<b>5,030</b>	<b>778,286</b>

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Comparative Movements in 2014/15	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2014	629,061	124,227	26,261	2,775	10,956	944	2,728	796,952
Additions	28,528	574	571	121	169	-	4,458	34,421
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1	1,695	-	-	-	(7)	-	1,689
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(14,460)	(264)	-	-	-	-	-	(14,724)
Prior year revaluation decrease reversals recognised in the Surplus / (Deficit) on the Provision of Services	4,867	181	-	-	-	-	-	5,048
Derecognition – Disposals	(6,381)	-	(112)	(4)	-	-	-	(6,497)
Derecognition - Other	(340)	-	-	-	-	-	-	(340)
Demolition	-	(237)	-	-	-	-	-	(237)
Assets Reclassified (to) / from Held for sale	(833)	(355)	-	-	-	-	-	(1,188)
Other Movements in Cost or Valuation	944	137	-	-	-	-	(2,156)	(1,075)
<b>At 31 March 2015</b>	<b>641,387</b>	<b>125,958</b>	<b>26,720</b>	<b>2,892</b>	<b>11,125</b>	<b>937</b>	<b>5,030</b>	<b>814,049</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2014	(2,538)	(7,269)	(21,310)	(995)	(51)	(741)	-	(32,904)
Depreciation charge	(12,653)	(2,897)	(859)	(71)	(7)	(5)	-	(16,492)
Depreciation written out to the Surplus/Deficit on Provision of Services	12,651	11	-	-	-	-	-	12,662
Depreciation write-back on revaluation to Revaluation Reserve	2	2,500	-	-	-	5	-	2,507
Impairment losses / (reversals) recognised in CIES	(1,380)	(212)	-	-	-	-	-	(1,592)
Impairment losses / (reversals) recognised in RR	-	(60)	-	-	-	-	-	(60)
Derecognition – Disposals	-	-	112	4	-	-	-	116
Derecognition - Other	26	(26)	-	-	-	-	-	-
<b>At 31 March 2015</b>	<b>(3,892)</b>	<b>(7,953)</b>	<b>(22,057)</b>	<b>(1,062)</b>	<b>(58)</b>	<b>(741)</b>	<b>-</b>	<b>(35,763)</b>
<b>Net Book Value</b>								
<b>At 31 March 2015</b>	<b>637,495</b>	<b>118,005</b>	<b>4,663</b>	<b>1,830</b>	<b>11,067</b>	<b>196</b>	<b>5,030</b>	<b>778,286</b>
<b>At 31 March 2014</b>	<b>626,524</b>	<b>116,959</b>	<b>4,950</b>	<b>1,781</b>	<b>10,906</b>	<b>203</b>	<b>2,729</b>	<b>764,050</b>



The Council operates a 5-year rolling programme of revaluations in relation to land and buildings except for revaluation of Housing Revenue Account Assets which is carried out on an annual basis. The assets are valued by our external valuers NPS.

Current year valuations were carried out by:  
Gillian Knox MRICS (NPS)  
Deborah O'Shea MRICS (NPS)  
Grant Brewer MRICS (NPS)

### **HRA Dwellings**

The date of valuation is 31 March 2016

The valuers undertook a full revaluation at 31<sup>st</sup> March 2016. The valuations were undertaken in accordance with the RICS Valuation – Professional Standards 2012 as published by the Royal Institution of Chartered Surveyors.

For each operational asset, that is, those held, occupied and used by the Council in the direct delivery of services for which the Council has either a statutory or a discretionary responsibility, a Current Value Existing Use Value (EUV) has been provided, except in the case of housing stock where Existing Use Value for Social Housing is appropriate (EUV-SH). EUV-SH assumes the property is let for its existing use as social housing.

EUV-SH valuations are arrived at by means of a beacon approach. The beacons are valued on the additional assumptions that there is no potential residential redevelopment of the site or intensification of use. They are then adjusted by a regional adjustment factor, in this case for the Eastern region at 61%, to arrive at EUV-SH to reflect the fact that sitting tenants enjoy rents lower than market rents and tenants' rights including Right to Buy

Any reference to Existing Use Value is not recognised under International Financial Reporting Standards and the use of Existing Use Value (Social Housing) is a departure from International Accounting Standards. This departure is in accordance with current CIPFA and DCLG guidance

Under paragraph 4.1.2.40 of the Code, if an item of property comprises two or more significant components with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual lives.

Due to the onerous amount of work that would be involved in componentising all the council dwellings, this has not been done. However for valuation purposes, the property used as the beacon in each beacon type, are fully upgraded. For all other dwellings in the beacon; a percentage reduction is made for each component that has not been upgraded. The percentage reduction is that advised by the Council's valuers.

The valuations are made on the following assumptions:

- That no high alumina cement, asbestos, or other deleterious material was used in the construction of any property and that none has been subsequently incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown.
- That the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal.
- That inspection of those parts which have not been inspected would not cause us to alter our opinion of value.
- That the land and properties are not contaminated, nor adversely affected by radon.
- That no allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.

## HRA Non-Dwellings

The date of valuation is 31 March 2016

The valuers undertook a full revaluation at 31<sup>st</sup> March 2016. The valuations were undertaken in accordance with the RICS Valuation – Professional Standards 2012 as published by the Royal Institution of Chartered Surveyors.

Apart from infrastructure, community and assets under construction, the basis of value for all assets is Current Value. Current value may be either the Existing Use Value, Depreciated replacement Cost or Fair Value depending on the property type and classification.

EUV is used only for valuing property that is owner-occupied. Fair value is used to value property held as surplus assets or properties held for sale.

## General Fund Assets

The date of valuation is 1 April 2015

The Council carries out a rolling programme that ensures that all Property, Plant and equipment required to be measured at current value is revalued at least every five years. Valuations are carried out by the Council's external valuers, NPS Norwich Ltd, in accordance with the methodologies and bases for estimation set out by the Royal Institution of Chartered surveyors.

Apart from infrastructure, community and assets under construction, the basis of value for all assets is Current Value. Current value may be either the Existing Use Value, Depreciated replacement Cost or Fair Value depending on the property type and classification.

EUV is used only for valuing property that is owner-occupied. Fair value is used to value property held for investment purposes, surplus assets or properties held for sale.

The valuation cycle fluctuated due to asset reclassifications, disposals and additions and any additional revaluations which occur due to the portfolio review and impairment review.

VALUATION CYCLE '000s	Council dwellings	Other Land & Buildings	Community assets	Infrastructure	Vehicles, Plant, & Equipment	AUC	Surplus properties	Total PPE
Valued at historical cost			11,356	1,827	4,318	19,249		36,750
Valued at current value								-
2015-16	705,758	44,058					321	750,137
2014-15		4,487						4,487
2013-14		29,047						29,047
2012-13		36,446						36,446
2011-12		519						519
<b>Total</b>	<b>705,758</b>	<b>114,557</b>	<b>11,356</b>	<b>1,827</b>	<b>4,318</b>	<b>19,249</b>	<b>321</b>	<b>857,386</b>

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 50–70 years
- Other Land and Buildings – 30–50 years
- Vehicles – 25% of carrying amount
- Plant Furniture & Equipment 5 – 20years
- Infrastructure – 25 years

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At 31 March 2016, the council has entered into a contract with Norwich Regeneration Ltd (a wholly owned subsidiary) for the construction of 18 houses for social rent at Threescore at a budgeted cost of £2.955m

### 13. Heritage Assets

Reconciliation of the carrying value of the Heritage Assets held by the Council

	<b>Civic Plate &amp; Regalia</b>	<b>Paintings</b>	<b>Sculptures &amp; Bronzes</b>	<b>Statues, Fountain etc</b>	<b>Buildings</b>	<b>Total Heritage Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Valuation</b>						
1st April 2014	8,041	4,675	2,235	2,287	3,405	<b>20,643</b>
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	20	-	-	-	-	<b>20</b>
<b>31st March 2015</b>	<b>8,061</b>	<b>4,675</b>	<b>2,235</b>	<b>2,287</b>	<b>3,405</b>	<b>20,663</b>
<b>Valuation</b>						
1st April 2015	8,061	4,675	2,235	2,287	3,405	20,663
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	5	-	-	-	-	5
<b>31st March 2016</b>	<b>8,066</b>	<b>4,675</b>	<b>2,235</b>	<b>2,287</b>	<b>3,405</b>	<b>20,668</b>

The Council's external valuer (Christopher Hartop) carried out a full valuation of the collection of civic plate and regalia as at 31 January 2014. The valuations were based on commercial markets, including recent transaction information from auctions where similar types of silverware are regularly being purchased.

There are two particularly significant exhibits within the collection which are:

- The Reade Salt - A rare and important Elizabeth I silver-gilt standing or drum salt (William Cobbold I 1568), valued by our external valuers as £2.5m
- The Howard Ewer and Basin - An early 17th century silver-gilt ewer and basin or rosewater dish (1617), valued by our external valuers as £2.0m

At any time approximately 50 per cent of the collection of regalia and civic plate are on display in Shirehall museum, 34 percent in the Castle Museum and 15 per cent in public meeting rooms at City Hall.

The Council's external valuer (Bonhams Fine Art Valuer and Auctioneers) carried out a full valuation of the collection of paintings, sculptures, bronzes, statues, plaques, fountains, memorials etc as at 31 March 2012.

A particularly significant exhibit within the collection is the portrait of Sir Harbord Harbord by Gainsborough. The portrait has been valued by an external valuer at £2.5m

At any time approximately 17 per cent of the collection of paintings are on display in the Castle Museum, 19 per cent in Blackfriars Hall, 10 per cent in public meeting rooms at City Hall, 9 percent in St Andrews Hall and 5 per cent in Strangers Hall. The remaining items are held in storage but access is permitted to scholars and others for research purposes.

## 14. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

	2015/16	2014/15
	£000	£000
Rental income from investment property	(2,545)	(2,385)
Direct operating expenses arising from investment property	(6,865)	715
<b>Total</b>	<b>(9,410)</b>	<b>(1,670)</b>

Due to the introduction of IFRS 13 (detailed below) all the councils Investment properties have been revalued (previously on a 5 year programme). This exercise has resulted in £7.624m of revaluation gains leading to the direct operating expenses becoming a credit of £6.847m. Direct operating expenses excluding revaluation gains are £0.776m

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

<b>Investment Property Fair Value Hierarchy</b>			
Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016			
Recurring fair value measurements using:	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2016
	£000	£000	£000
Industrial	3,299	11,923	15,222
Offices	7,564	1,328	8,892
Other	4,223	7,605	11,828
Residential	1,290	-	1,290
Retail	5,996	66	6,062
<b>Total</b>	<b>22,372</b>	<b>20,922</b>	<b>43,294</b>

There were no transfers between Levels 1 and 2 during the year

### Valuation techniques used to determine Level 2 and 3 Fair values for Investment Properties

#### Valuation techniques used to determine Level 2 fair values for Investment Properties

The fair value of Level 2 investment property has been measured using a market approach, which takes into account comparable evidence for similar transactions, for similar properties in similar locations, with yields chosen by comparison to similar transactions adjusted to allow for factors such as lease terms, strength of covenant, rent review periods and other lease clauses, voids, etc.

There are significant observable inputs, including physical inspection of location, size, accommodation, facilities, suitability etc. detailed lease terms, strength of covenant, general repair and condition together with yield evidence from comparable transactions.

#### Valuation techniques used to determine Level 3 fair values for Investment Properties

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The fair value of level 3 investment property, valuations have been based on comparable transactions to calculate gross development costs and gross development values to arrive at a residual land value. The following factors have been also been taken into account: location and topography, title and legal constraints, planning advice, access and ground conditions.

The authority's Investment properties categorised as Level 3 in the fair value hierarchy due to the fact that the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

### Highest and Best use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

### Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

### Reconciliation of fair value measurements (using significant observable inputs) categorised within Level 2 of the fair value hierarchy

The introduction of IFRS 13 fair value measurement from 1 April 2015 has resulted in a change in the classification of properties into different 'levels' which are based on the relevant fair value hierarchy. As the properties were not classified on these levels prior to 1 April 2015 (IFRS 13 being applicable prospectively only) the opening balance is nil with assets owned prior to 1 April being 'transferred' into the relevant level on 1 April.

	2015/16					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 2	£000	£000	£000	£000	£000	£000
Opening balance	-	-	-	-	-	-
Transfers into Level 2	3,007	6,009	4,152	1,876	5,012	20,056
Total gains or (losses ) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	291	1,540	365	(586)	984	2,594
Additions	-	16	-	-	-	16
Disposals	-	-	(294)	-	-	(294)
<b>Balance at end of year</b>	<b>3,298</b>	<b>7,565</b>	<b>4,223</b>	<b>1,290</b>	<b>5,996</b>	<b>22,372</b>

Gains or losses arising from changes in the fair value of the investment property are recognised in surplus or deficit on the provision of services – financing and investment income and expenditure line.

**Reconciliation of fair value measurements (using significant unobservable inputs) categorised within Level 3 of the fair value hierarchy**

The introduction of IFRS 13 fair value measurement from 1 April 2015 has resulted in a change in the classification of properties into different 'levels' which are based on the relevant fair value hierarchy. As the properties were not classified on these levels prior to 1 April 2015 (IFRS 13 being applicable prospectively only) the opening balance is nil with assets owned prior to 1 April being 'transferred' into the relevant level on 1 April.

	2015/16					
	Industrial	Offices	Other	Residential	Retail	Total
	£000	£000	£000	£000	£000	£000
<b>Investment Properties Level 3</b>						
Opening balance	-	-	-	-	-	-
Transfers into Level 3	8,784	577	4,783	-	23	14,167
Total gains or (losses ) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	3,067	740	-	-	39	3,846
Additions	72	12	2,822	-	3	2,909
<b>Balance at end of year</b>	<b>11,923</b>	<b>1,329</b>	<b>7,605</b>	<b>-</b>	<b>65</b>	<b>20,922</b>

Gains or losses arising from changes in the fair value of the investment property are recognised in surplus or deficit on the provision of services – financing and investment income and expenditure line.

**Valuation process for Investment Properties**

The fair value of the council's investment property is normally valued in a five rolling programme, but for the year ended 31 March 2016 the whole portfolio was valued as at 1 April 2015. All valuations are carried out by our external valuers NPS Property Consultants Ltd.

All valuations are carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Current year valuations were carried out by:

Gillian Knox MRICS (NPS)  
Deborah O'Shea MRICS (NPS)  
Grant Brewer MRICS (NPS)

**15. Intangible Assets**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased software and licenses. The software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. Of the amortisation of £220,416 charged to revenue in 2015/16, £89,770 was charged in respect of the telephony system to the Customer Contact cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. Of the remaining £130,646, £121,640 related to software and £9,006 related to a Private Sector Housing Needs survey.

£50,868 was charged to the Housing Revenue Account, £169,548 to the General Fund

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The movement on Intangible Asset balances during the year is as follows:

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at the start of the year</b>		
· Net carrying amount	848	910
· Additions	149	132
Amortisation for the period	(220)	(194)
<b>Net Carrying amounts at the end of the year</b>	<b>777</b>	<b>848</b>
Comprising:		
· Gross carrying amount	1,452	1,304
· Accumulated amortisation	(676)	(456)
	<b>776</b>	<b>848</b>

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## 16. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£000	£000	£000	£000
Financial Liabilities (principle amount)	208,617	224,490	10,750	-
Accrued interest	-	-	1,212	1,300
Other accounting adjustments	288	290	-	-
Financial liabilities at amortised cost	208,905	224,780	11,962	1,300
<b>Total Borrowings</b>	<b>208,905</b>	<b>224,780</b>	<b>11,962</b>	<b>1,300</b>
Finance lease liabilities	1,189	1,274	85	80
<b>Other long term liabilities</b>	<b>1,189</b>	<b>1,274</b>	<b>85</b>	<b>80</b>
Financial liabilities carried at contract amount	-	-	19,940	17,527
<b>Total creditors</b>	<b>210,094</b>	<b>226,054</b>	<b>31,987</b>	<b>18,907</b>
Loans and receivables	3,000	3,000	58,300	48,000
Accrued interest	102	51	281	326
Total Loans and receivables (principle amount)	3,102	3,051	58,581	48,326
Unquoted equity investment at cost	824	824	-	-
Loans & receivables at amortised costs	3,926	3,875	58,581	48,326
NPT,HIL & DHL	4,023	2,667	-	-
Finance Leases	1,424	1,424	30	26
<b>Total Investments</b>	<b>9,373</b>	<b>7,966</b>	<b>58,611</b>	<b>48,352</b>
Financial assets carried at contract amounts	-	-	5,766	4,902
<b>Total Debtors</b>	<b>9,373</b>	<b>7,966</b>	<b>64,377</b>	<b>53,254</b>
<b>Soft Loans Provided</b>	<b>3,158</b>	<b>3,219</b>		

Financial assets carried at contract amount exclude statutory amounts, for example Council Tax Payers and Trade Creditors exclude receipts in advance as these are not classified as financial instruments.



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The movement of £10.3m in short term loans and receivables is due to increased money available to invest as a result of asset sales and retention of social housing rents.

The Council has made a number of loans to residents in respect of decent home loans and home improvement loans at less than market rates (soft loans). There are a number of small loans making up the balance owing of £3.158m. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed decent home loans information is as follows:

<b>Decent Home Loans</b>	<b>31-Mar-16</b>	<b>31-Mar-15</b>
	<b>£000</b>	<b>£000</b>
Opening Balance	2,498	2,549
Fair value adjustment	11	12
Loans repaid	(62)	(62)
<b>Balance carried forward</b>	<b>2,447</b>	<b>2,499</b>
<b>Nominal value carried forward</b>	<b>2,962</b>	<b>3,085</b>

The home improvement loans total £196k.

#### **Valuation Assumptions**

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing (5 per cent) and adding an allowance for the risk that the loan might not be repaid, in this case a zero rate. The loans are held as a land charge on the properties.

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The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2015/16			
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Assets & Liabilities at Fair Value through Profit & Loss	Total
	£000	£000	£000	£000
Interest expense	9,906	-	-	9,906
Reductions in fair value	-	-	-	-
<b>Total expenses in Surplus or Deficit on the Provision of Services</b>	9,906	-	-	9,906
Interest Income	-	(765)	-	(765)
Increases in fair value	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(765)	-	(765)
<b>Net gain/(loss) for the year</b>	9,906	(765)	-	9,141
	2014/15			
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Assets & Liabilities at Fair Value through Profit & Loss	Total
	£000	£000	£000	£000
Interest expense	10,128	-	-	10,128
Reductions in fair value	-	-	-	-
<b>Total expenses in Surplus or Deficit on the Provision of Services</b>	10,128	-	-	10,128
Interest Income	-	(717)	-	(717)
Increases in fair value	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(717)	-	(717)
<b>Net gain/(loss) for the year</b>	10,128	(717)	-	9,411

The fair value of trade and other receivables is taken to be the invoiced, billed amount or cost, less any bad debt provision. The fair values calculated are as follows:

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated interest rates at 31 March 2016 of 7.63% for loans from the PWLB, 4.5% as an effective interest rate for a stepped loan, 5.97% and 6.03% for money market loans
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The Code of Practice requires the fair value of each class of financial asset and liability to be disclosed to enable it to be compared to its carrying amount.

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The purpose of the valuation is to allow the user to evaluate quantitatively the council's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the council's risk exposure arising as a result of these transactions.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about market in which they are dealing and willing to buy/sell at an appropriate price with no other motive in their negotiations other than to secure a fair price.

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of liabilities calculated are as follows:

	31-Mar-16		31-Mar-15	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial Liabilities	216,888	269,069	243,693	299,412
Long term creditors	1,189	1,189	1,189	1,189
<b>Total Liabilities</b>	<b>218,077</b>	<b>270,258</b>	<b>244,882</b>	<b>300,601</b>

The fair value is greater than the carrying amount because the Councils' portfolio of loans includes a number of fixed rate loans, where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	Debt at	Reclassifications	Fair Value	Debt at
	31-Mar-15		discount	31-Mar-16
	£000		unwind	£000
PWLB	218,917	(10,750)	-	208,167
UK Banks	5,289	-	(2)	5,287
Other Financial Intermediaries	462	-	-	462
Local Government	1	-	-	1
Household Sector	48	-	-	48
European Investment Bank	-	-	-	-
<b>Total</b>	<b>224,717</b>	<b>(10,750)</b>	<b>(2)</b>	<b>213,965</b>

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The fair values of assets calculated are as follows:	31-Mar-16		31-Mar-15	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans & Receivables	44,590	44,991	56,726	57,194
Long Term Debtors	4,671	4,921	4,674	4,117
<b>Total Assets</b>	<b>49,261</b>	<b>49,912</b>	<b>61,400</b>	<b>61,311</b>

The differences are attributable to fixed interest instruments receivable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of loans and receivables.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

#### **Nature & Extent of Risks Arising from Financial Instruments**

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

#### **Overall procedures for managing risk**

The Council's overall risk management programme focuses on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum for exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at annually to Members.

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The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 17 February 2015 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2015/16 was set at £265.8m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £235.6m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy(which is contained in the Council's Treasury Management Strategy), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criterion is applied. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A, Support C and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.
- UK institutions provided with support from the UK Government;
- Building societies with assets in excess of £2bn

The full Treasury Management Strategy for 2015/16 was approved by Full Council on 17th February 2015 and is available on the Council's website.

[https://www.norwich.gov.uk/info/20189/finance\\_and\\_transparency/1601/treasury\\_management\\_strategy](https://www.norwich.gov.uk/info/20189/finance_and_transparency/1601/treasury_management_strategy)

Commercial Tenants are assessed, taking into account their financial position, past experience via trade and bank references, if these are not available then rent deposits may be requested or a guarantor required. Heads of Terms state rent liability and commitments in accordance with parameters set by Norwich City Council.

Norwich City Council has debentures, unquoted equity investments and loans to related parties where there is no observable market or historical experience of default and has assessed the credit risk as nil.

The following analysis summarises the Council's maximum exposure to credit risk.

	Amount	Historical experience of default	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	£000	£000
	31 March 2016	31 March 2016	31 March 2016	31 March 2015
Customers	2,411	12%	289	289

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No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £1.654m of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2016	31 March 2015
	£000	£000
Less than three months	410	537
Three to six months	284	89
Six months to one year	325	94
More than one year	635	694
<b>Total</b>	<b>1,654</b>	<b>1,414</b>

The Council initiates a legal charge on property where clients cannot afford to pay immediately. The total debt where there are legal charges at 31 March 2016 was £43,868 (31 March 2015 £157,210).

### Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	2015/16	2014/15
	£000	£000
Repayable between:		
Less than one year	50,000	48,000
Between 1 & 2 years	3,000	3,000
	<b>53,000</b>	<b>51,000</b>

### Refinancing & Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved Minimum Limit	Approved Maximum Limit	Actual 31 March 2016 £000	Actual 31 March 2015 £000
Less than 1 year	0%	10%	11,962	6,360
Between 1 & 2 years	0%	10%	7,000	5,750
Between 2 & 5 years	0%	30%	2,000	14,000
Between 5 & 10 years	0%	50%	113,159	59,959
More than 10 years	0%	95%	86,236	139,438
			<b>220,357</b>	<b>225,507</b>
Perpetually irredeemable Loan Stock	0%	10%	573	573
			<b>220,930</b>	<b>226,080</b>

## Market risk

### Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

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	<b>£000s</b>
Increase in interest payable on variable rate borrowings (all Norwich City Council borrowing is at fixed rate)	-
Increase in interest receivable on variable rate investments	739
Impact on Surplus or Deficit on Provision of Services	739
Increase in Government grant receivable for financing costs	-
Share of overall impact debited to the HRA	-
Decrease in fair value of fixed rate investment assets	-
Impact on Comprehensive Income & expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	23,433

The impact of a 1% fall in interest rates on interest receivable would be £(589)k – where the fall of 1% would take the interest lower than zero, this interest received has been taken as zero. The impact of a 1% fall in interest rates on the fair value of fixed rate borrowing liabilities would be as above, but with the movement being reversed.

#### **Indemnity**

In February 2014 the Council advanced £1m to Lloyds Banking Group as part of the Local Authority Mortgage Scheme (LAMS). LAMS is aimed at first time buyers within the district and the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period, at which point the advance will be returned to the Council plus an amount of interest. As at 31 March 2016, the total commitment against the £1m indemnity is £0.938m. There have been no defaults requiring a call on this indemnity to date.

#### **Price risk**

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

However it does have shareholdings to the value of £0.8m in Norwich Airport. Whilst these holding are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

#### **Foreign exchange risk**

The Council has no financial assets or liabilities denominated in foreign currencies at the balance sheet date. It therefore has no exposure to loss arising from movements in exchange rates.

### **17. Long Term Investments**

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Banks	3,000	3,051
Local Authorities	-	23
Norwich Airport Ltd	824	824
Other Related Companies	18	18
	<b>3,842</b>	<b>3,916</b>



### **Banks and Local Authorities**

Investments of £3m that are for periods longer than one year are included as long term investments on the balance sheet. These will mature in April 2017.

### **Norwich Airport Ltd**

As part of a Public Private Partnership Agreement, 80.1% of the shares held in Norwich Airport Ltd (NAL) by Norfolk County Council and Norwich City Council were sold in March 2004 to Omniport Ltd., thereby taking NAL out of local Council control. The remaining shares are held by the City Council (6%), the County Council (9%) and a jointly owned Local Authority company, Legislator 1656 (4.9%).

A second jointly owned Local Authority company - Legislator 1657, a wholly owned subsidiary of Legislator 1656 - holds some land associated with the airport which was excluded from the sale to Omniport. The City Council holds 40% of Legislator 1656, with Norfolk County Council holding the other 60%, effectively giving the City Council a further holding of 2% in NAL. The sale valued Norwich Airport Ltd at £13.7m (previously £15.3m) and the investment value shown in the Balance Sheet represents the Council's 6% direct holding in the company. The shares of Norwich Airport Ltd are carried in the accounts at cost. Consideration has been given to measuring the fair value of Norwich Airport Ltd from Norwich City Councils percentage shareholding from the Airports balance sheet for 2013 and draft balance sheet for 2014. These calculations gave a fair value higher than that of the carrying value at cost but were subjective and could not reliably measure fair value. An impairment review was undertaken in accordance with the Code which states that 'where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).' Norwich City Council have assessed that there has been no impairment of the asset as a potential purchaser has shown an interest in purchasing NCC airport holding, although no price has yet been established. Norwich City Council has an interest in Legislator Companies 1656 and 1657 which has been assessed as immaterial for the purpose of Group Accounts.

### **Norwich Preservation Trust Ltd**

The long-term investment of £18,270 consists of loans made to the Trust.

## 18. Long Term Debtors

	2015/16			2014/15
	Debtors	Provision for Bad Debt	Net Debtors	Net Debtors
	£000	£000	£000	£000
Advances for House Purchase: Council Houses Sold	3	-	3	3
Norfolk County Council Transferred Debt	892	-	892	868
Deferred Capital Receipt Sale of Airport Shares	400	-	400	400
Deferred Capital Receipt – Livestock Market	636	-	636	593
Decent Home Loans	2,448	-	2,448	2,499
Finance Lease > 1 year	1,423	-	1,423	1,424
Home Improvement Loans	196	-	196	162
Local Authority Mortgage Scheme	1,000	-	1,000	1,000
Housing Benefit Overpayments	6,256	(3,849)	2,407	2,027
Shared Equity Dwellings	311	-	311	181
SALIX	185	-	185	262
Legal	44	-	44	157
Wholly owned subsidiary	23	-	23	-
Other Long Term Debtors	270	-	270	208
	<b>14,087</b>	<b>(3,849)</b>	<b>10,238</b>	<b>9,784</b>

Long Term Debtors consist of:

- Transferred Debt - This debt represents the value of assets transferred to other Public Bodies. The value of these assets was determined by the amount of related outstanding loan at the time of transfer.
- Deferred Capital Receipts Sales of Airport Shares - 80.1% of the shares held in Norwich Airport Ltd. by Norfolk County Council and Norwich City Council were sold in March 2004 to Omniport Ltd. £1m of the total sale price is payable after 15 years or, should Omniport sell its interest before then, at the time of the sale. The City Council's share of this deferred capital receipt is £400,000.
- Deferred Capital Receipts Livestock Market –the Livestock Market was sold in July 2010, the purchaser withheld £800,000 relating to the area of the cattle market as this is leased back to the Council. The monies have to be paid over in 10 years' time or sooner if the cattle market is resited. The monies due are treated as a soft loan and discounted.
- In February 2014 the Council advanced £1m to Lloyds Banking group as part of the Local Authority Mortgage Scheme. The Scheme is aimed at first time buyers; the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period; at the end of this term, the advance will be returned to the Council. No calls have been made on the indemnity during the year

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### 19. Short Term Investments

Short term investments represent temporary lending of surplus monies to other local authorities and major financial institutions. The amounts invested at 31 March were as follows:

	2015/16	2014/15
	£000	£000
Banks	10,158	15,071
Building Societies	25,119	30,252
Local Authority	-	5,000
<b>Total Short Term Investments</b>	<b>35,277</b>	<b>50,323</b>

### 20. Short Term Debtors

	2015/16	2014/15
	£000	£000
Central Government Bodies	1,917	2,833
Other entities & individuals	5,656	8,391
Other Local Authorities	3,684	1,441
<b>Total Short Term Debtors</b>	<b>11,257</b>	<b>12,665</b>

### 21. Cash & Cash Equivalents

	2015/16	2014/15
	£000	£000
Cash held by Council	30	26
Bank current accounts	1,222	(973)
Short term deposits with banks	10,000	10,000
Short term deposits with building societies	2,300	4,250
Short term deposits with local authorities	8,000	-
<b>Total Cash &amp; Cash Equivalents</b>	<b>21,552</b>	<b>13,303</b>

### 22. Assets Held for Sale

	Current	
	2015/16	2014/15
	£000	£000
<b>Balance outstanding at start of year</b>	<b>150</b>	<b>1,392</b>
Assets newly classified as held for sale:		
Property, Plant & Equipment	2,744	1,253
Assets declassified as held for sale:		
Property, Plant & Equipment	-	(65)
Asset disposals	(350)	(2,430)
Other movements	(8)	-
<b>Balance outstanding at year-end</b>	<b>2,536</b>	<b>150</b>

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**23. Short Term Creditors**

	2015/16	2014/15
	£000	£000
Central Government Bodies	2,909	3,012
Other Local Authorities	10,214	9,006
National Health Bodies	12	9
Trade Creditors	9,052	7,035
Receipts in Advance	2,434	2,561
Other entities & individuals	4,198	2,834
<b>Total Short Term Creditors</b>	<b>28,819</b>	<b>24,457</b>

**24. Long Term Creditors**

	2015/16	2014/15
	£000	£000
Developer Contributions	1,726	1,855
Lease Liability	1,188	1,273
Rent Prepayments	250	300
SALIX	46	83
Norwich Regeneration Ltd	-	-
<b>Total Long Term Creditors</b>	<b>3,210</b>	<b>3,511</b>

**25. Provisions**

	2015/16	2014/15
	£000	£000
Balance at 1 April 2015	573	346
Additional provisions	998	227
<b>Balance at 31 March 2016</b>	<b>1,572</b>	<b>573</b>

The provision represents that for NNDR appeals required following the introduction of Business Rates Retention on 1 April 2013.

**26. Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement

**27. Unusable Reserves**

	2015/16	2014/15
	£000	£000
Revaluation Reserve	58,234	50,749
Capital Adjustment Account	629,189	553,490
Financial Instruments Adjustments Account	(1,108)	(1,078)
Deferred Capital Receipts	2,059	2,068
Pensions Reserve	(123,351)	(146,997)
Collection Fund Adjustment Account	(465)	(734)
<b>Total Unusable Reserves</b>	<b>564,558</b>	<b>457,498</b>

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Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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 at which the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2015/16		2014/15
	£000	£000	£000
<b>Balance at 1 April</b>		<b>50,749</b>	<b>48,497</b>
Upward revaluation of assets	8,344		4,328
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(113)		(173)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>		<b>8,231</b>	<b>4,155</b>
Difference between fair value depreciation & historical cost depreciation	(543)		(611)
Other amount written off to Capital Adjustment Account	-		-
Accumulated gains on assets sold or scrapped	(203)		(1,293)
<b>Amount written off to the Capital Adjustment Account</b>		<b>(746)</b>	<b>(1,904)</b>
Other movements		-	-
<b>Balance at 31 March</b>		<b>58,234</b>	<b>50,748</b>

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and 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, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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.

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Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation reserve.

	2015/16		2014/15
	£000	£000	£000
<b>Balance at 1 April</b>		<b>553,490</b>	<b>541,088</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(19,834)		(18,543)
Revaluation gains / (losses) on Property, Plant & Equipment	53,781		3,665
Revenue expenditure funded from capital under statute	(4,881)		(3,053)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(7,880)		(10,149)
Difference between historic cost & carrying value depreciation	543		611
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>21,729</b>	<b>(27,469)</b>
Adjusting amounts written out of the Revaluation Reserve		203	1,293
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>21,932</b>	<b>(26,176)</b>
<b>Capital financing applied in the year:</b>			
Use of the Capital Receipts Reserve to finance new capital Expenditure	16,279		4,342
Use of the Major Repairs Reserve to finance new capital expenditure	12,691		12,653
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	2,100		1,315
Application of grants to capital financing from the Capital Grants Unapplied Account	5,303		2,462
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	60		1,094
Capital expenditure charged against the General Fund & HRA balances	9,400		16,958
		<b>45,833</b>	<b>38,824</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		7,779	(182)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		215	-
HRA Self Financing Debt		-	-
Other		(62)	(64)
<b>Balance at 31 March</b>		<b>629,187</b>	<b>553,490</b>

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Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund over the next 15 years.

	2015/16	2014/15
	£000	£000
<u>Financial Instruments Adjustment Account</u>		
<b>Balance at 1 April</b>	<b>1,078</b>	<b>1,166</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	42	(76)
	<b>1,120</b>	<b>1,090</b>
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(12)	(12)
<b>Balance at 31 March</b>	<b>1,108</b>	<b>1,078</b>

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2015/16	2014/15
	£000	£000
<b>Balance at 1 April</b>	<b>2,068</b>	<b>2,119</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	(9)	(51)
<b>Balance at 31 March</b>	<b>2,059</b>	<b>2,068</b>

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions 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 come to be paid.

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	2015/16	2014/15
	£000	£000
<b>Balance at 1 April</b>	<b>(146,997)</b>	<b>(134,895)</b>
Actuarial gains or (losses) on pensions assets & liabilities	23,621	(8,222)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(6,130)	(9,749)
Employer's pensions contributions & direct payments to pensioners payable in the year	5,377	5,095
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	778	774
<b>Balance at 31 March</b>	<b>(123,351)</b>	<b>(146,997)</b>

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2015/16	2014/15
	£000	£000
<b>Balance at 1 April</b>	<b>(734)</b>	<b>(79)</b>
Amount by which Council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	20	210
Amount by which NNDR income credited to the Comprehensive Income & Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	249	(865)
<b>Balance at 31 March</b>	<b>(465)</b>	<b>(734)</b>

**28. Cash Flow Statement – Operating Activities**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements. The cash flows for operating activities include the following items:

	2015/16	2014/15
	£000	£000
Interest received	(706)	(1,113)
Interest paid	9,913	9,803
	<b>9,207</b>	<b>8,690</b>



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	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Depreciation	16,313	16,492
Amortisation	220	194
Impairment and revaluations	(50,118)	(1,417)
Reductions in the fair value of soft loans (non Subsidiary) made in the year	180	85
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	(139)	(135)
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	1,186	(807)
Increase/(Decrease) in Interest Creditors	-	-
Increase/(Decrease) in Creditors	758	(2,822)
(Increase)/Decrease in Interest Debtors	118	534
(Increase)/Decrease in Debtors	1,610	(1,956)
(Increase)/Decrease in Inventories	-	-
(Decrease)/Increase in Pension Liability	(25)	3,879
Contributions to Provisions	999	227
Carrying amount of non-current assets sold	7,876	10,149
Movement in Investment Property values	(7,777)	151
	<b>(28,799)</b>	<b>24,574</b>

The adjustment for items in the net surplus or deficit on the provision of services that are investing and financing activities is comprised of:

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Capital grants credited to surplus or deficit on the provision of services	(2,100)	(1,315)
Proceeds from the sale of property, plant and equipment and investment properties	(9,981)	(10,555)
	<b>(12,081)</b>	<b>(11,870)</b>

**29. Cash Flow Statement – Investing Activities**

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Purchase of property, plant & equipment, investment property & intangible assets	(45,794)	(33,885)
Other Capital Payments	-	-
Purchase of short term & long-term investments	(48,700)	(55,000)
Other payments for investing activities	(1,194)	(113)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	9,982	10,555
Other Capital Cash Receipts	175	65
Capital grants received	834	1,259
Proceeds from short term & long-term investments	63,700	46,500
<b>Net cash flows from investing activities</b>	<b>(20,997)</b>	<b>(30,619)</b>

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### 30. Cash Flow Statement – Financing Activities

	2015/16	2014/15
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(81)	3
Repayments of short- & long-term borrowing	(5,060)	-
Other receipts /(payments) for financing activities	1,130	1,123
<b>Net cash flows from financing activities</b>	<b>(4,011)</b>	<b>1,126</b>

### 31. Amounts Reported for Resource Allocation Disclosure

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's directorates for the year is as follows:

Directorate Income & Expenditure 2015/16	Chief Executive	Business Relationship Management	Customers, Communication & Culture	Strategy, People & Democracy	HRA (to be included with SPD)	Reg & Development	Not Reported	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-	(3,975)	(1,037)	(7,163)	(72,456)	(13,400)	-	(98,031)
Income from Council Tax/ Business rates	-	(12,156)	-	-	-	-	-	(12,156)
Government Grants	-	(77,269)	(274)	(706)	(569)	(3,773)	-	(82,591)
<b>Total Income</b>	<b>-</b>	<b>(93,400)</b>	<b>(1,311)</b>	<b>(7,869)</b>	<b>(73,025)</b>	<b>(17,173)</b>	<b>-</b>	<b>(192,778)</b>
Employment expenses	174	(2,308)	3,502	5,216	5,842	(1,916)	-	10,510
Operational Expenses	45	84,099	2,360	16,067	55,458	8,506	-	166,535
Support Service recharges	(219)	(1,266)	(2,521)	857	5,717	4,609	-	7,177
<b>Total Expenditure</b>	<b>-</b>	<b>80,525</b>	<b>3,341</b>	<b>22,140</b>	<b>67,017</b>	<b>11,199</b>	<b>-</b>	<b>184,222</b>
<b>Net (Income) / Expenditure</b>	<b>-</b>	<b>(12,875)</b>	<b>2,030</b>	<b>14,271</b>	<b>(6,008)</b>	<b>(5,974)</b>	<b>-</b>	<b>(8,556)</b>

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Directorate Income & Expenditure 2014/15	Chief Executive	Business Relationship Management	Customers, Communication & Culture	Strategy, People & Democracy	HRA (to be included with SPD)	Reg & Development	Not Reported	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(45)	(2,549)	(886)	(7,178)	(72,108)	(12,792)	-	(95,558)
Income from Council Tax/ Business rates	-	(12,301)	-	-	-	-	-	(12,301)
Government Grants	-	(76,196)	(252)	(928)	(408)	(3,834)	-	(81,618)
<b>Total Income</b>	<b>(45)</b>	<b>(91,046)</b>	<b>(1,138)</b>	<b>(8,106)</b>	<b>(72,516)</b>	<b>(16,626)</b>	<b>-</b>	<b>(189,477)</b>
Employment expenses	158	809	3,538	4,866	5,619	(1,741)	-	13,249
Operational Expenses	28	74,469	2,388	16,250	66,157	12,700	-	171,992
Support Service recharges	(142)	(421)	(2,730)	1,309	5,690	4,177	-	7,883
<b>Total Expenditure</b>	<b>44</b>	<b>74,857</b>	<b>3,196</b>	<b>22,425</b>	<b>77,466</b>	<b>15,136</b>	<b>-</b>	<b>193,124</b>
<b>Net (Income) / Expenditure</b>	<b>(1)</b>	<b>(16,189)</b>	<b>2,058</b>	<b>14,319</b>	<b>4,950</b>	<b>(1,490)</b>	<b>-</b>	<b>3,647</b>

**Reconciliation of Directorate Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	2015/16	2014/15
	£000	£000
Net expenditure in the Directorate Analysis	(8,553)	3,649
Net expenditure of services & support services not included in the Analysis	(42,213)	(648)
Expenditure Statement	(42,213)	(648)
<b>Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>(50,766)</b>	<b>3,001</b>

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Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Directorate Analysis £000	Net Expenditure of services and support services not included in the Analysis £000	Amounts not reported to management for decision making £000	Reallocation analysis £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(98,031)	4,067	-	-	(93,964)	(4,067)	(98,031)
Interest & investment income	-	-	-	(8,777)	(8,777)	-	(8,777)
Income from Council Tax/ Business rates	(12,156)	12,156	-	-	-	(12,156)	(12,156)
Government Grants & contributions	(82,591)	14,390	-	-	(68,201)	(14,390)	(82,591)
<b>Total Income</b>	<b>(192,778)</b>	<b>30,613</b>	<b>-</b>	<b>(8,777)</b>	<b>(170,942)</b>	<b>(30,613)</b>	<b>(201,555)</b>
Employment expenses	10,511	(896)	-	-	9,615	896	10,511
Other service charges	166,536	(71,563)	-	29,562	124,535	5,969	130,504
Support Service recharges	7,178	(128)	-	-	7,050	128	7,178
Depreciation, amortisation & impairment	-	-	-	(42,577)	(42,577)	-	(42,577)
Interest Payments	-	-	-	22,619	22,619	-	22,619
Precepts & Levies	-	-	-	207	207	-	207
Payments to Housing Capital Receipts Pool	-	-	-	1,123	1,123	-	1,123
Gain or Loss on Disposal of Fixed Assets	-	-	-	(2,157)	(2,157)	-	(2,157)
<b>Total Expenditure</b>	<b>184,225</b>	<b>(72,587)</b>	<b>-</b>	<b>8,777</b>	<b>120,415</b>	<b>6,993</b>	<b>127,408</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>(8,553)</b>	<b>(41,974)</b>	<b>-</b>	<b>-</b>	<b>(50,527)</b>	<b>(23,620)</b>	<b>(74,147)</b>

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2014/15 Comparatives	Directorate Analysis	Net Expenditure of services and support services not included in the Analysis	Amounts not reported to management for decision making	Reallocation analysis	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(95,559)	4,009	-	-	(91,550)	(4,009)	(95,559)
Interest & investment income	-	-	-	(10,327)	(10,327)	-	(10,327)
Income from Council tax	(12,301)	12,301	-	-	-	(12,301)	(12,301)
Government Grants & contributions	(81,618)	14,634	-	-	(66,984)	(14,634)	(81,618)
<b>Total Income</b>	<b>(189,478)</b>	<b>30,944</b>	<b>-</b>	<b>(10,327)</b>	<b>(168,861)</b>	<b>(30,944)</b>	<b>(199,805)</b>
Employment expenses	13,250	(1,005)	-	-	12,245	1,005	13,250
Other service charges	171,994	(30,209)	-	(31,026)	110,759	16,484	127,243
Support Service recharges	7,883	(109)	-	-	7,774	109	7,883
Depreciation, amortisation & impairment	-	-	-	15,279	15,279	-	15,279
Interest Payments	-	-	-	25,318	25,318	-	25,318
Precepts & Levies	-	-	-	206	206	-	206
Payments to Housing Capital Receipts Pool	-	-	-	976	976	-	976
Gain or Loss on Disposal of Non-current Assets	-	-	-	(426)	(426)	-	(426)
<b>Total Expenditure</b>	<b>193,127</b>	<b>(31,323)</b>	<b>-</b>	<b>10,327</b>	<b>172,131</b>	<b>17,598</b>	<b>189,729</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>3,649</b>	<b>(379)</b>	<b>-</b>	<b>-</b>	<b>3,270</b>	<b>(13,346)</b>	<b>(10,076)</b>

### 32. Trading Operations

The Authority has established various trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. The financial results for which are disclosed below:

	2015/16			2014/15
	Expenditure	Income	(Surplus) / Deficit	(Surplus) / Deficit
	£000	£000	£000	£000
Car Parks	3,643	(5,198)	(1,555)	(2,630)
Industrial Estates	(2,009)	(661)	(2,670)	(410)
Corporate Estates	(3,928)	(3,182)	(7,110)	(1,325)
Civic Halls	491	(179)	312	258
Markets	382	(733)	(351)	(50)
Yacht Station	-	-	-	10
<b>Net (Surplus) / Deficit</b>	<b>(1,421)</b>	<b>(9,953)</b>	<b>(11,374)</b>	<b>(4,147)</b>

Other than for Markets, the income and expenditure of the remaining Trading Operations for 2015/16 and 2014/15 have been consolidated within the Net Cost of Services in accordance with SerCOP. Income and expenditure of the markets are within Other Operating Expenditure.

The large surpluses on Industrial Estates, Corporate Estates and Markets are due to the introduction of IFRS 13 on 1 April 2015 which resulted in large revaluation gains. These are reversed out in the Movement in Reserves Statement and have no impact on General Fund Balance or Council Tax requirements

The reduction of surplus on car parks is due to capital works carried out on St Andrews car park which did not increase the value therefore these costs had to be impaired. The impairment is reversed out in the Movement in Reserves Statement and has no impact on the General Fund Balance and Council Tax requirement.

### 33. Associates

Norwich City Council has three associate companies; NPS Norwich Limited, Norwich Norse Environmental Limited and Norwich Norse Building Limited– see disclosure of services produced in note 46. The results of these associates have not been consolidated in the Council's accounts on the grounds of immateriality; therefore results of the associates are detailed in the table below of which Norwich City Council's share is 50%

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	<b>NPS Property Consultants Ltd</b>		<b>Norwich/Norse Environmental Ltd</b>		<b>Norwich Norse Building Ltd</b>	
	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Profit &amp; Loss Account</b>						
Operating Profit	251	211	141	92	117	(10)
Interest (Payable) /Receivable	2	3	(5)	-	-	-
<b>Profit on Ordinary Activities before Corporation Tax</b>	<b>253</b>	<b>214</b>	<b>136</b>	<b>92</b>	<b>117</b>	<b>(10)</b>
Corporation Tax	(51)	(46)	(29)	(19)	(22)	2
<b>Retained Profit for the financial year</b>	<b>202</b>	<b>168</b>	<b>107</b>	<b>73</b>	<b>95</b>	<b>(8)</b>
<b>Balance Sheet</b>						
Profit & Loss b/f	<b>267</b>	<b>99</b>	<b>137</b>	<b>64</b>	<b>(8)</b>	-
Profit & Loss for the financial year	202	168	107	73	95	(8)
<b>Profit &amp; Loss reserve c/f</b>	<b>469</b>	<b>267</b>	<b>244</b>	<b>137</b>	<b>87</b>	<b>(8)</b>

### 34. Agency Services

The City Council is a member of four Joint Committees – Norfolk Joint Museums and Archaeology Committee, Norfolk Joint Records Committee, Norfolk Highways Joint Committee and CNC Building Control Consultancy Joint Committee (Building Control Partnership).

The Norwich Highways Joint Committee oversees the operation of the Highways Agency Agreement providing the services for highways, traffic management and on-street car parking. The Council acts as agent for the County in relation to the work governed by the Joint Committee. The amounts of income and expenditure for 2015/16 and 2014/15 are as follows:-

<b>Highways</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Expenditure	2,588	1,045
Income	(2,700)	(912)
(Surplus) paid over to Norfolk County Council/ Deficit reimbursed to Norwich City Council	<b>(112)</b>	<b>133</b>

<b>On-Street Car parking</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Expenditure	1,171	1,168
Income	(1,275)	(1,281)
(Surplus) paid over to Norfolk County Council	<b>(104)</b>	<b>(113)</b>

The non-agency elements of the Norwich Highways Joint Committee are not material.

The Council's interest in the Norfolk Joint Museums and Archaeology Committee, the Norfolk Joint Records Committee and the CNC Building Control Consultancy Joint Committee (Building Control Partnership) are not material.

On 1<sup>st</sup> November 2012 Norwich Business Improvement District was launched. A Business Improvement District (BID) is a defined area within which businesses pay an additional tax or fee in order to fund projects within the district's boundaries. The council acts as agent for Norwich BID by billing and collecting the additional tax.

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Billed	624	634
Collected	(469)	(480)
Paid over to Norwich BID	364	366

**35. Members' Allowances**

The total of members' allowances paid in the year was £350,804 (2014/15 £344,142) in accordance with the Members' Allowance Scheme as set out in Appendix 16 of the Council's Constitution.



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36. Officers Remuneration

Post Holder	Salary (incl Fees & allowances) £	Expenses £	Compensation for loss of office £	Total Remuneration (excl Pension contributions) £	Pension Contributions £	Total Remuneration (incl Pension contributions) £
Chief Executive Officer 2015/16	132,997	-	-	132,997	18,543	151,540
Chief Executive Officer 2014/15	129,699	-	-	129,699	18,806	148,505
Executive Head of Service for Regeneration & Development 2015/16 <sup>1</sup>	89,592	-	-	89,592	11,459	101,051
Executive Head of Service for Regeneration & Development 2014/15 <sup>2</sup>	19,266	-	-	19,266	2,626	21,892
Executive Head of Service for Communications, Customer & Cultural Services 2015/16	80,255	-	-	80,255	11,586	91,841
Executive Head of Service for Communications, Customer & Cultural Services 2014/15	78,730	-	-	78,730	11,416	90,146
Executive Head of Service for Strategy, People & Neighbourhoods 2015/16 <sup>3</sup>	59,929	-	-	59,929	8,690	68,619
Executive Head of Service for Strategy, People & Neighbourhoods 2014/15	80,805	-	-	80,805	11,717	92,522
Interim Executive Head of Service for Neighbourhoods 2015/16 <sup>4</sup>	17,479	-	-	17,479	2,534	20,013
Executive Head of Service for Business Relationship Management & Democracy 2015/16 <sup>5</sup>	81,260	-	-	81,260	11,586	92,846
Executive Head of Service for Business Relationship Management & Democracy 2014/15	75,624	-	-	75,624	10,940	86,564
Deputy Chief Executive 2014/15 <sup>6</sup>	39,441	-	-	39,441	7,092	46,533
<b>TOTAL 2015/16</b>	<b>461,512</b>	<b>-</b>	<b>-</b>	<b>461,512</b>	<b>64,398</b>	<b>525,910</b>
<b>TOTAL 2014/15</b>	<b>423,565</b>	<b>-</b>	<b>-</b>	<b>423,565</b>	<b>62,597</b>	<b>486,162</b>

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<sup>1</sup> Executive Head of Service for Regeneration & Development remuneration includes relocation expenses

<sup>2</sup> Executive Head of Service for Regeneration & Development started on 6/1/2015

<sup>3</sup> Executive Head of Service for Strategy, People & Neighbourhoods left on 31/12/2015

<sup>4</sup> Interim Executive Head of Service for Neighbourhoods started 1/1/2016

<sup>5</sup> Remuneration includes payments made in respect of election duties for the Chief Executive and Executive Head of Service for Business Relationship Management & Democracy

<sup>6</sup> Deputy Chief Executive retired on 1/9/2014

Senior officer's remuneration disclosed on the tables above is included in the bandings in the table below.

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 was:

<b>Remuneration Band</b>	<b>2015/16</b>	<b>2014/15</b>
£50,000 to £54,999	4	5
£55,000 to £59,999	4	1
£60,000 to £64,999	1	7
£65,000 to £69,999	6	-
£75,000 to £79,999	-	2
£80,000 to £84,999	3	1
£85,000 to £89,999	2	-
£90,000 to £94,999	2	-
£95,000 to £99,999	1	-
£125,000 to £129,999	-	1
£130,000 to £134,999	1	-
	<b>24</b>	<b>17</b>

The increase is due to a higher number of termination payments in 2015/16.

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

2015/16					
Exit package cost band (including special payments)		Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000		-	6	6	75,596
£20,001 - £40,000		-	3	3	89,583
£40,001 - £60,000		-	3	3	128,927
£60,001 - £80,000		-	1	1	67,881
£80,001 - £100,000		-	1	1	95,293
£100,001 - £150,000		-	2	2	216,953
<b>Total</b>		<b>0</b>	<b>16</b>	<b>16</b>	<b>674,233</b>

2014/15					
Exit package cost band (including special payments)		Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000		-	1	1	5,396
<b>Total</b>		<b>0</b>	<b>1</b>	<b>1</b>	<b>5,396</b>

### 37. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

In 2015/16 and 2014/15 the following fees were payable by the Council to our external auditors.

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
		<b>restated</b>
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor	80	107
Fees payable to the External Auditors for the certification of grant claims & returns	37	38
Fee payable to the External Auditors in respect of other services provided	6	-
<b>Total</b>	<b>123</b>	<b>145</b>

The fees for 'other services' payable in 2015/16 related to the auditor's consideration of calculation of the council's new Minimum Revenue Provision Policy and Right to Buy audit.

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### 38. Grants Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16	2014/15
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Revenue Support Grant	(4,096)	(5,981)
Local Strategic Partnership - Second Homes	(49)	(140)
New Homes Bonus	(2,373)	(2,056)
NNDR Administration Grant	(271)	(271)
Small Business Rate Relief Grant	(1,298)	(1,115)
Other Grants (Non Capital)	(511)	(119)
<b>Sub-Total inc NNDR</b>	<b>(8,598)</b>	<b>(9,682)</b>
<b>Capital Grants &amp; Contributions</b>		
DfT Cycle Ambition Grant	(915)	(2,612)
Home and Communities Agency	(935)	(720)
Community Infrastructure Levy (Funding from developers)	(933)	(208)
Community Infrastructure Levy (Funding from GNGB Strategic Pool)	(249)	(161)
Disabled Facilities Grant	(472)	(408)
Capital Grant Income (from Government bodies)	(728)	(291)
Capital Grants & contribution income (from non Government)	(810)	(499)
<b>Sub Total</b>	<b>(5,042)</b>	<b>(4,899)</b>
<b>Capital Grants &amp; Contributions(REFCUS expenditure)</b>		
DECC Green Deal Community Fund	(395)	-
Capital Grants & contribution income (from Government Bodies)	-	(20)
Capital Grants & contribution income (from non Government)	(87)	(32)
<b>Sub Total</b>	<b>(482)</b>	<b>(52)</b>
Donated Assets	(215)	-
<b>Sub Total</b>	<b>(215)</b>	<b>-</b>
<b>Total</b>	<b>(14,337)</b>	<b>(14,633)</b>
<b>Credited to Services</b>		
Rent Allowance Subsidy	(29,841)	(28,073)
Rent Rebate Subsidy	(34,751)	(35,182)
Discretionary Housing Payments	(365)	(411)
Housing Benefit Administration Grant	(991)	(1,024)
PFI Grant	(1,429)	(1,429)
Home and Communities Agency	(59)	(60)
Big Lottery Fund	-	(50)
Supporting People	(477)	(185)
Other Revenue Grants & Contributions (from Government)	(625)	(831)
Other Non Govt revenue grants and contributions	(31)	(10)
<b>Sub Total</b>	<b>(68,569)</b>	<b>(67,255)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

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<b>CURRENT LIABILITIES</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Grants Receipts in Advance (Capital Grants)</b>		
Home and Communities Agency Capital Grant	(59)	(994)
DECC Green Deal Community Fund	(20)	(416)
Developers Contributions (S.106)	(900)	(425)
<b>Total</b>	<b>(979)</b>	<b>(1,835)</b>
<b>Grants Receipts in Advance (Revenue Grants)</b>		
Home and Communities Agency	-	(59)
Other Government Grants & Contributions	(460)	(597)
Other Non Government Grants & Contributions	(336)	(136)
LEGI Re Guildhall	(50)	(50)
SALIX	(67)	(38)
Developers Contributions (S.106)	(264)	(186)
<b>Total</b>	<b>(1,177)</b>	<b>(1,066)</b>
<b>LONG TERM LIABILITIES</b>		
	<b>£000</b>	<b>£000</b>
<b>Grants Receipts in Advance (Capital Grants)</b>		
Other Government Grants & Contributions	(33)	(28)
Developers Contributions (S.106)	(408)	(823)
Other Non-Government Grants & Contributions	(52)	(47)
<b>Total</b>	<b>(493)</b>	<b>(898)</b>
<b>Grants Receipts in Advance (Revenue Grants)</b>		
Local Enterprise Growth Initiative re Guildhall	(250)	(300)
SALIX	(46)	(83)
Developers Contributions (S.106)	(1,726)	(1,855)
<b>Total</b>	<b>(2,022)</b>	<b>(2,238)</b>

The council continues to collect a Community Infrastructure Levy in accordance with a charging schedule adopted on the 25<sup>th</sup> June 2013.

The contributions collected from developments liable to pay the levy are designated to fund both the infrastructure required to support the planned growth in housing and jobs across the Greater Norwich area and improvements to address the demands that development places on local neighbourhoods within the city.

Section 106 agreements and planning conditions will also continue to be used for local infrastructure requirements on development sites, such as site specific local provision of open space, access roads and affordable housing.

### 39. Capital Expenditure & Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

		2015/16	2014/15
		£000	£000
Opening Capital Financing Requirement 1st April		234,453	235,976
Correction of prior years error		(1,294)	-
Adjusted Opening Capital Financing Requirement		<b>233,159</b>	<b>235,976</b>
Property, Plant & Equipment		30,833	29,963
Assets under Construction		16,127	4,458
Investment Property		102	55
Intangible Assets		149	132
Decent Home Loans granted net of repaid		(19)	1
Municipal Bond Agency Investment		50	50
Revenue Expenditure Funded from Capital Under Statute		4,881	3,053
		<b>285,282</b>	<b>273,688</b>
<b>Sources of Finance</b>			
Capital Receipts		(16,279)	(4,342)
Government Grants & Other Contributions		(7,404)	(3,777)
Housing Revenue Account Major Repairs Allowance		(12,691)	(12,653)
Revenue Contributions & Minimum Revenue Provision *		(9,460)	(18,049)
		<b>239,448</b>	<b>234,867</b>
HRA non-dwelling depreciation, revaluation & impairments		(460)	(414)
<b>Closing Capital Financing Requirement 31 March</b>		<b>238,988</b>	<b>234,453</b>
Increase (decrease) in underlying need to borrow (unsupported by government financial assistance)		4,535	(1,523)
<b>Increase (decrease) in Capital financing Requirement</b>		<b>4,535</b>	<b>(1,523)</b>

Each local Council has a borrowing limit determined by the level of debt which it can afford. The system is governed by CIPFA's 'Prudential Code for Capital Finance in Local Authorities' and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

On 3 February 2016 Cabinet agreed to change the Minimum Revenue Provision (MRP) policy to an annuity based charge. This has reduced the annual charge going forward until 2035/36 thus the charge for MRP for 2015/16 is reduced from that in 2014/15

\* The Minimum Revenue Provision 2015/16 is £0.225m (2014/15 £1.091m) and this represents a provision against the Council's underlying debt that has been acquired to finance capital expenditure.

During the year an error was identified in the calculation of the Capital Financing Requirement going back some years, this had resulted in an overcharge of MRP in each year which, as not material in total, has been corrected with a credit in 2015/16

#### 40. Leases

##### Council as Lessee

##### Operating Leases

The Council leases cars and equipment to facilitate provision of services. It also leases privately owned properties to provide a decent, affordable housing alternative to those facing homelessness.

The Council's future minimum lease payments due under non-cancellable lease in future years are:

	31-Mar-16		31-Mar-15	
	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings
	£000	£000	£000	£000
<b>Future Rental Liabilities</b>				
Not later than one year *	169	1,498	182	1,653
Later than one year & not later than five years	345	1,710	368	1,971
<b>Total</b>	<b>514</b>	<b>3,208</b>	<b>550</b>	<b>3,624</b>

\* based on Pool Car contract extension to October 2017

The expenditure charged to the Housing Revenue Account, Cultural, Environmental, Regulatory and Planning Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.293m (2014/15 £2.287m)

	2015/16	2014/15
	£000	£000
Sublease payments receivable	2,201	2,236
<b>Total</b>	<b>2,201</b>	<b>2,236</b>

##### Finance Leases

The council has acquired communal aeries for its dwellings under a finance lease, these assets are disclosed as Property, Plant and Equipment in the Balance Sheet under Vehicles, Plant and Equipment at the net amount of £1.020m (2014/15 £1.113m)

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

	2015/16	2014/15
	£000	£000
<b>Finance Lease Liabilities</b>		
Current	85	81
Non-Current	1,189	1,274
Financing Costs payable in future years	662	743
<b>Minimum Lease Payments</b>	<b>1,936</b>	<b>2,098</b>

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

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Future Rental Liabilities</b>		
No later than one year	161	161
Later than one year & not later than 5 years	646	646
Over 5 years	968	1,130
<b>Total</b>	<b>1,775</b>	<b>1,937</b>

**Council as Lessor**

Operating Leases

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

- The provision of community services such as sports facilities, tourism services and community centres
- economic development purposes to provide suitable affordable accommodation for local businesses

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

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Tenants Future Rental Liabilities</b>		
Not later than one year	3,200	3,619
Later than one year & not later than five years	10,683	11,507
Over five years	59,691	66,322
<b>Total</b>	<b>73,574</b>	<b>81,448</b>

In addition to the above, there are 112 properties (101 in 2014/15) where the rent is in perpetuity that amounts annually to £0.351m per annum (2014/15 £0.238m).

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Finance Leases

- The Council leases out twenty one properties on a finance lease.

The Council has gross investments in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments are the payments over the lease term that the lessee is or can be required to make, excluding contingent rent. The gross investment is made up of the following amounts

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Finance lease debtor (net present value of minimum lease payments):		
Current	30	26
Non-current	1,424	1,424
Unearned finance income	2,021	2,097
Unguaranteed residual value of property	85	112
<b>Gross investment in the leases</b>	<b>3,560</b>	<b>3,659</b>



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The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£000	£000	£000	£000
<b>Future Rental Liabilities</b>				
Not later than one year	51	48	51	48
Later than one year & not later than five years	224	219	224	218
Later than five years	3,285	3,393	3,200	3,281
<b>Total</b>	<b>3,560</b>	<b>3,660</b>	<b>3,475</b>	<b>3,547</b>

#### 41. Impairment Losses

During the year the Council carried out adaptations at a cost of £947,584 (2014/15 £826,708) to a number of council dwellings under Disabled Facilities legislation. No individual adaptation was significant in value. As advised by our valuer these adaptations added no value to the dwellings, therefore this expenditure was impaired as shown in note 12 (combined with the impairments detailed below).

The Council carried out works to the bin stores for the council dwellings of £58,482 (2014/15 £510,435). As advised by our valuer these works added no value to the dwellings, therefore this expenditure was impaired as shown in note 12 (combined with the impairments detailed below and above).

The Council also impaired the cost of works to flats within blocks for which the lease has been sold £835,538 of which structural £782,373, windows £11,712, roofing £41,354. Other impairments include Lift installations £7,443 enhancement to HRA estates £283,664, District Heating schemes £562,558, work benefitting dwellings subsequently sold or the area surrounding dwellings sold under Right to Buy legislation £4,271

The Council also impaired the cost of works to HRA shops £85,437 and HRA development land £6,491 as it was deemed not to add value.

Remedial works were carried out on St Andrews car park £1,112,247 which the valuer advised would not increase the valuation therefore that expenditure was impaired immediately.

#### 42. Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16, incurring liabilities of £674,233 (2014/15 £5,396). These were payable to 16 (1 in 2014/15) officers who were made redundant as part of the Council's rationalisation of Services and include amounts payable in respect of early retirement to the pension fund.

#### 43. Other Long Term Liabilities

The Council has other long term liabilities as detailed in the table below

	2015/16	2014/15
	£000	£000
Pension Fund Liability	123,351	146,997
Other	95	89
	<b>123,446</b>	<b>147,086</b>

#### 44. Defined Benefit Pension Schemes

##### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered by Norfolk County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The LGPS pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Norfolk County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee which includes the Interim Head of Finance of Norfolk County Council.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

#### **Transactions relating to Retirement Benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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	<b>2015/16</b>		<b>2014/15</b>
	<b>£000</b>		<b>£000</b>
<b>Comprehensive Income &amp; Expenditure Statement</b>			
<i>Cost of Services</i>			
Current service cost	4,868		4,255
(Gain)/loss from settlements	(3,258)		-
<i>Financing and Investment Income and expenditure</i>			
Net Interest expense	4,520		5,494
<b>Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>6,130</b>		<b>9,749</b>
<i>Other post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>			
Return on plan assets (excluding the amount included in the net interest expense)	2,065		(22,209)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	-		-
Actuarial (Gains) and Losses arising on changes in financial assumptions	(18,495)		33,294
Other experience	(7,191)		(2,863)
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(17,491)</b>		<b>17,971</b>
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code and HRA balances for pensions in the year	(6,130)		(9,749)
<b>Total Remeasurements recognised in Other Comprehensive Income</b>	<b>(23,621)</b>		<b>8,222</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a loss of £100.104m (31 March 2015 loss of 123.725m)

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

	<b>2015/16</b>		<b>2014/15</b>
	<b>£000</b>		<b>£000</b>
Present Value of funded liabilities	(358,282)		(386,696)
Present Value of unfunded liabilities	(19,759)		(22,083)
Fair Value of plan assets	254,635		261,772
<b>Net Liability arising from defined benefit obligation</b>	<b>(123,406)</b>		<b>(147,007)</b>

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	2015/16	2014/15
<b>Reconciliation of present value of the scheme liabilities:</b>	<b>£000</b>	<b>£000</b>
At 1 April	(408,779)	(371,990)
Total service Cost	(4,868)	(4,255)
Interest Cost	(12,489)	(15,064)
Contributions by Members	(1,299)	(1,294)
Remeasurement (gains)/Losses		
- actuarial gains/losses arising from changes in demographic assumptions	-	-
- actuarial gains/losses arising from changes in financial assumptions	18,495	(33,294)
- other	7,191	2,863
Benefits Paid	14,677	14,255
Losses/(Gains ) on curtailments	9,031	-
<b>At 31 March</b>	<b>(378,041)</b>	<b>(408,779)</b>

	2015/16	2014/15
<b>Reconciliation of fair value of the scheme assets</b>	<b>£000</b>	<b>£000</b>
At 1 April	261,772	237,076
Interest Income	7,969	9,570
Remeasurement Gain/(loss) the return on plan assets excluding amount included in net interest expense	(2,065)	22,209
Employer Contributions	4,909	4,653
Contributions by Members	1,299	1,294
Contributions in respect of unfunded benefits	1,201	1,225
Benefits Paid	(13,476)	(13,030)
Unfunded benefits paid	(1,201)	(1,225)
(gains)/loss on curtailments	(5,773)	-
<b>At 31 March</b>	<b>254,635</b>	<b>261,772</b>

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**Local Government Pension Scheme assets comprised:**

	2015/16				2014/15			
	Quoted Prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of total assets	Quoted Prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of total assets
Cash & Cash Equivalents		5,628	5,628	2.2%		6,985	6,985	2.7%
Equity Instruments								
<i>by industry type</i>								
Consumer	18,273		18,273	7.2%	11,254		11,254	4.3%
Manufacturing	13,269		13,269	5.2%	13,886		13,886	5.3%
Energy and Utilities	5,719		5,719	2.2%	5,764		5,764	2.2%
Financial institutions	16,661		16,661	6.5%	16,834		16,834	6.4%
Health and care	8,133		8,133	3.2%	8,852		8,852	3.4%
Information Technology	7,659		7,659	3.0%	8,895		8,895	3.4%
Other	-		-	0.0%	13,267		13,267	5.1%
Sub-total Equity Instruments	<b>69,714</b>		<b>69,714</b>		<b>78,752</b>		<b>78,752</b>	
Private equity	<b>16,372</b>		16,372	6.4%		17,216	17,216	6.6%
Bonds								
<i>by sector</i>								
Corporate			-	0.0%	11,012		11,012	4.2%
Other			-	0.0%	285		285	0.1%
Sub-total Bonds		-	-		<b>11,297</b>		<b>11,297</b>	
Property								
<i>by geographical location</i>								
UK property	29,022		29,022	11.4%		27,803	27,803	10.6%
Overseas property	3,924		3,924	1.5%		3,192	3,192	1.2%
Sub-total Property	32,946		32,946			30,995	30,995	
Investment Funds & Unit Trusts								
Equities	65,387		65,387	25.7%	105,361		105,361	40.2%
Bonds	65,509		65,509	25.7%	10,841		10,841	4.1%
Sub-total Investment Funds & Unit Trusts	<b>130,896</b>		<b>130,896</b>		<b>116,202</b>		<b>116,202</b>	
Derivatives	(787)		(787)	-0.3%	232		232	0.1%
Other			-	0.0%	93		93	0.0%
<b>Total Assets</b>	<b>249,141</b>	<b>5,628</b>	<b>254,769</b>		<b>206,576</b>	<b>55,196</b>	<b>261,772</b>	

### Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31 March 2013.

The principle assumptions used in their calculations have been:

	2015/16	2014/15
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	22.1yrs	22.1yrs
Women	24.3yrs	24.3yrs
Longevity at 65 for future pensioners		
Men	24.5yrs	24.5yrs
Women	26.9yrs	26.9yrs
Rate of inflation	2.10%	2.10%
Rate of increase in salaries	3.10%	3.00%
Rate of increase in pensions	2.10%	2.10%
Rate for discounting scheme liabilities	3.40%	3.10%
Take up of option to convert annual pension into retirement lump		
Pre-April 2008 service	50%	50%
Post-April 2008 service	75%	75%

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

#### Increase in Assumption £000

Longevity (increase of 1 year)	11,341
Rate of increase in salaries (increase by 0.5%)	5,797
Rate of increase in pensions (increase by 0.5%)	27,458
Rate for discounting scheme liabilities (decrease by 0.5%)	33,402

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contribution expected to be made to the scheme by the Council for the year to March 2017 is £5.095m

The weighted average duration of the defined benefit obligation for scheme members is 23.9 years, 2014/15 23.9 years

## **45. Contingent Assets and Liabilities**

### **Liabilities**

#### **Business rates**

The council is aware that one of its Business rates hereditaments has put forward a proposal to merge its premises that appears in councils rating lists countrywide into a single national assessment appearing from 1 April 2010 (i.e. the change would take effect from 1 April 2010). The VOA has confirmed that the proposal includes premises and telecommunications and is proposing a single listing forming one hereditament to one council.

The VOA will now need to consider this proposal and has requested supporting evidence from the maker of it. At this stage they are unable to provide anyone with an indication of how long this will take but will keep councils informed as to the progress.

There are 68 councils which have this company's premises within their rating lists; the total rateable value being £72.259m, the maximum rateable value is £6.235m with 3 councils having a rating listing of less than £100k.

The method for deciding which Billing Authority the merged assessment (if that is the outcome) should fall within is covered by the Non Domestic (Miscellaneous Provisions) Regulations 1989 SI 1060. The regulation applies to any unit of property ("relevant property") which by virtue of section 64(1) of the Act comprises separate hereditaments solely by reason of being divided by a boundary between charging authorities. Relevant property shall be treated as one hereditament and as situated throughout any relevant period in the area of the charging authority in whose area is situated that part of the property which would but for this regulation be the hereditament appearing to the relevant valuation officer or officers to have, on the relevant day, the greater or (as the case may be) the greatest rateable value. This authority would effectively have a windfall of the back dated business rates and increased business rates going forward whilst the remaining 67 councils would suffer significant loss.

The increased business rates for the receiving authority could be viewed as 'growth' for which a levy is payable, but the maximum levy would be 50%. The largest authority is in a business rates pool so the pool would be able to keep the growth – this would be a large loss of revenue for the government.

This is a proposal, not an appeal. An appeal is where the ratepayer believes there is an error in the rateable value. The company is not (in this proposal at least, they may have individual appeals lodged) questioning the validity of the rateable value, it is maintaining that the relevant property comprises separate hereditaments solely by reason of being divided by a boundary between charging authorities.

There is no indication as to whether the proposal will be accepted or rejected, therefore the council has decided on disclosure of a contingent liability; if a requirement for a provision be revealed by the review at 2017/18 NNDR1 the impact on the council would be the same as if full provision had been made at 2015/16 year end. This is because the distribution of the 2015 surplus/deficit in 2016/17 was estimated in the 2016/17 NNDR1, any variance to be distributed in 2017/18. Should the proposal be accepted the impact for 2016/17 rates income would be £0.249m and the backdated amount would be £1.865m on the Collection Fund of which the council shares would be £0.1m and £0.646m respectively.

## NHS Trusts

During January and February 2016, NHS Trusts wrote to local authorities countrywide claiming charitable status and requesting mandatory relief from business rates under s.43(5) and (6) of the Local Government Act 1988, the request being backdated to 2010. If granted this would lead to a backdated payment by Norwich City Council and ongoing reduced business rates going forward as well as impacting the Norfolk business rates pool.

The decision to grant relief to the Trust related to the council has not yet been taken and is subject to ongoing investigation. The view of the council is that the claim is unfounded. The timing, probability and amount of any relief is therefore uncertain at the current time.

## Assets

### VAT Compound Interest

There have been a number of recent developments in relation to the ability of taxpayers to claim 'compound', as opposed to 'simple', interest on monies repaid (or to be repaid) to them by HMRC. Compound interest can far exceed that of simple interest and the Council has been advised that claims for compound interest can, potentially, go back to 1973. In view of the significant value of VAT repayment claims already made by the Council, both in relation to that still outstanding (as above) and those already repaid by HMRC under 'Fleming', the Council has engaged PWC to submit a claim for compound interest to the High Court. It is currently unclear when these claims will be determined.

## 46. Related Parties

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

UK government has significant influence over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 31 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 38; debtors are shown in Note 20 and creditors in Note 23.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 and 2014/15 is shown in Note 35. During 2015/16, works and services to the value of £17,028 (2014/15 £84,975) were commissioned from an organisation in which one member had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition members approved £329,223 (2014/15 £318,895) and officer working parties a further £6,453 (2014/15 £6,341) as grants to voluntary organisations in which eight members had an interest. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at City Hall during office hours.

During 2015/16, grants totalling £39,223 were made to one organisation (2014/15 £38,835 to one organisation) in which a member of senior management had an interest. The member of senior management did not take part in any discussion, decision, or administration relating to the grants.

During 2015/16, there were no works and services commissioned (2014/15 Nil) from entities in which officers had interests.

Companies and joint ventures – the council has interests in:

- I. Two companies, Legislator 1656 and 1657 Ltd, which the Council has shares in and are related to developments at Norwich Airport.



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- II. Norwich Norse (Environmental) Ltd – provides a range of facilities, management, and contract services to Norwich and surrounding areas.
- III. Norwich Norse (Building) Ltd – provides maintenance, repairs and upgrades to housing and non-housing buildings for Norwich City Council.
- IV. NPS Norwich Ltd – provides property management services to Norwich City Council.
- V. Norwich Regeneration Ltd – a wholly owned subsidiary company set up by the council to carry out redevelopment projects.

For all the above, the Council has officer and member representatives on the boards of these companies, and relevant information is disclosed in the notes to the accounts about such interests. No amounts of money have been paid to or from the Legislator companies during 2015/16. £5,922,569 (2014/15 £5,569,705) has been spent with Norwich Norse Environmental Ltd, and £10,047,013 (2014/15 £11,692,310) with Norwich Norse Building Ltd during 2015/16 and £4,901,877 (2014/15 £4,377,055) has been spent with NPS Norwich Ltd. Amounts due to Norwich Norse Building Ltd are £177,151, Norwich Norse Environmental Ltd are £43,284 and NPS Norwich Ltd are £69,014. Amounts due from NPS Norwich Ltd are £244,376. At 31 March 2016 the council had entered into a development agreement with Norwich Regeneration Ltd for the development of social housing at Threescore in Norwich. The company will issue shares to the council in exchange for land (at the full market value) upon which it will carry out the development work at Threescore.

Several councillors are appointed to represent the Council on various Strategic Partnership boards. During the year there have been a number of transactions with the Strategic Partnerships totalling £338,812 (2014/15 £299,527). There have also been a number of transactions on behalf of the strategic partnerships with the Highways Agency, disclosed in Note 34; and the Norwich and Homes & Communities Agency Strategic Partnership, with expenditure of £59,013 (2014/15 £119,293). These partnership activities are integrated into the council's usual budget setting and management processes.

## Housing Revenue Account Income & Expenditure Statement

	Notes	2015/16	2014/15
		£000	£000
<b>Expenditure</b>			
Repairs & Maintenance		12,432	14,940
Supervision & Management		16,073	16,466
Rents, Rates, Taxes & Other Charges		5,940	6,474
Depreciation & Impairment of Non-current Assets	HRA10&11	16,178	15,746
Local Authority Housing - Revaluation loss (gain) on Dwellings		(54,699)	(4,095)
Debt Management Costs		85	72
Movement in Allowance for Bad Debts		258	(19)
<b>Total Expenditure</b>		<b>(3,733)</b>	<b>49,584</b>
<b>Income</b>			
Dwelling Rents		59,942	58,766
Non-dwelling Rents		2,215	2,178
Charges for Services & Facilities		3,089	3,125
Contributions towards expenditure		7,411	8,203
<b>Total Income</b>		<b>72,657</b>	<b>72,272</b>
<b>Net (Income)/Cost of HRA Services included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>(76,390)</b>	<b>(22,688)</b>
HRA services share of Corporate & Democratic Core		585	471
<b>Net (Income)/Cost of HRA Services</b>		<b>(75,805)</b>	<b>(22,217)</b>
<b>HRA share of operating income &amp; expenditure included in the Comprehensive Income &amp; Expenditure Statement</b>			
Other Operating Expenditure		(2,111)	(856)
Financing & Investment Income & expenditure		9,756	9,986
Taxation & Non-Specific Grant Income		(416)	(253)
<b>(Surplus)/deficit for the year on HRA services</b>		<b>(68,576)</b>	<b>(13,340)</b>

Of the revaluation gains of £54.699m, £54.557m relates to council dwellings. This gain is reversed out in the Movement in Reserves Statement and has no impact on the HRA fund balance. The remaining £0.142m relates to non-dwelling assets and is not reversed, so does have an impact on the HRA fund balance.

## Movement in Reserves Statement (Housing Revenue Account)

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	20,179	25,129
<u>Movement in reserves during Year</u>		
Surplus/ (deficit) on provision of services	68,576	13,339
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>68,576</b>	<b>13,339</b>
Adjustments between accounting basis & funding basis under regulations (note 7 main accounts)	(62,568)	(18,270)
<b>Net Increase/ Decrease before Transfers to Earmarked Reserves</b>	<b>6,008</b>	<b>(4,931)</b>
Transfers between reserves	-	(19)
<b>Increase/Decrease in Year</b>	<b>6,008</b>	<b>(4,950)</b>
<b>Balance at 31 March carried forward</b>	<b>26,187</b>	<b>20,179</b>
	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
(Gains)/Losses on the disposal of non-current assets	(2,111)	(856)
<b>Total</b>	<b>(2,111)</b>	<b>(856)</b>

## Notes to Housing Revenue Account Income & Expenditure Statement

### 1. Other Operating (Income) / Expenditure

	2015/16	2014/15
	£000	£000
(Gains)/Losses on the disposal of non-current assets	(2,111)	(856)
<b>Total</b>	<b>(2,111)</b>	<b>(856)</b>

### 2. Financing and Investment Income and Expenditure

	2015/16	2014/15
	£000	£000
Interest payable and similar charges	8,724	8,731
Pension interest cost and expected return on pension assets	1,222	1,478
Interest receivable and similar income	(190)	(223)
<b>Total</b>	<b>9,756</b>	<b>9,986</b>

### 3. Taxation and Non-Specific Grant Income

	2015/16	2014/15
	£000	£000
Capital Grants and contributions	(416)	(253)
<b>Total</b>	<b>(416)</b>	<b>(253)</b>

### 4. Loan Charges

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £8.644m being charged to the HRA in 2015/16 (2014/15 £8.646m).

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## 5. HRA Council Dwellings

At 31 March 2016 there were 15,156 HRA Council dwellings, of which 953 were sheltered housing units.

	31-Mar-16	31-Mar-15
	<b>Total Stock</b>	<b>Total Stock</b>
Parlour houses	312	315
Non-parlour houses	5,248	5,321
Non-traditional houses	645	651
Bungalows	340	340
Cottage properties	220	227
Flats	6,525	6,574
Maisonettes	504	508
Flats in tower blocks	409	414
Sheltered/Good Neighbour housing units	953	953
	<b>15,156</b>	<b>15,303</b>
The changes in stock during the year can be summarised as follows		
<b>Stock as at 1 April</b>	<b>15,303</b>	<b>15,486</b>
Right to Buy sales	(151)	(149)
Other Dwelling Sales	(2)	(8)
Conversions	(3)	-
Appropriation to General Fund	-	(35)
Re-purchase of former RTB Dwelling	-	1
New Build Housing	9	8
<b>Stock as at 31 March</b>	<b>15,156</b>	<b>15,303</b>

## 6. Housing Valuation

	31-Mar-16	31-Mar-15
	£000	£000
Operational Assets:		
Council Dwellings (HRA)	705,758	637,495
Other Land & Buildings	25,136	24,426
Vehicle, Plant & Equipment	1,030	1,113
Infrastructure & Community Assets	2,197	2,197
Assets Under Construction	9,268	3,281
Surplus assets	59	141
<b>Sub Total</b>	<b>743,448</b>	<b>668,653</b>
Assets held for Sale - Current	374	150
<b>Sub Total</b>	<b>374</b>	<b>150</b>
Intangible Assets	102	153
<b>Sub Total</b>	<b>102</b>	<b>153</b>
<b>Total</b>	<b>743,924</b>	<b>668,956</b>

The above figure for Council dwellings (HRA) equates to the value for Council dwellings shown in note 12 to the Core Financial Statements.

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As set out in the Statement of Accounting Policies, Council dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This value is less than the Vacant Possession Value to reflect the fact that Local Authority Housing is let at sub-market rents and, in broad terms, is arrived at after applying a regional adjustment factor of 61% (2014/15 61%). The difference between the two values therefore shows the economic cost of providing housing at less than market value.

The Vacant Possession Value of all HRA Dwellings as at 31 March 2016 was £1,773.89m (31 March 2015 £1,602.32m)

### 7. Major Repairs Reserve

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward at 1 April	-	-
Depreciation charge for the year	(12,691)	(12,653)
Financing of capital expenditure for the year	12,691	12,653
<b>Balance for the year</b>	<b>-</b>	<b>-</b>
<b>Balance Carried forward</b>	<b>-</b>	<b>-</b>

### 8. HRA Capital Expenditure

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Investment</b>		Restated
Opening Capital Financing Requirement 1st April	207,286	208,776
Operational Assets	28,476	28,598
Surplus Assets	92	-
Assets under Construction	8,010	2,992
Appropriation from GF	-	(1,075)
Reclassification to GF	-	-
	<b>243,864</b>	<b>239,291</b>
<b>Sources of Finance</b>		
Capital Receipts	(14,142)	(1,778)
Government Grants & Other Contributions	(344)	(202)
Major Repairs Allowance	(12,691)	(12,653)
Revenue Contributions	(9,400)	(16,958)
	<b>207,287</b>	<b>207,700</b>
HRA Non Dwellings depreciation, revaluation & impairments	(460)	(414)
<b>Closing Capital Financing Requirement 31 March</b>	<b>206,827</b>	<b>207,286</b>

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## 9. HRA Capital Receipts

In 2015/16 total capital receipts from the disposal of HRA assets were:

	2015/16	2014/15
	£000	£000
Land	220	51
Council dwellings	9,324	8,825
Insurance receipt	32	-
<b>Total</b>	<b>9,576</b>	<b>8,876</b>

## 10. Depreciation

From 1<sup>st</sup> April 2012 depreciation of the Council's housing stock is calculated by reference to the value at the previous 31<sup>st</sup> March. Council dwellings have their individual components identified as to the date of upgrade, and using the asset life as advised by the Council's valuers, depreciation associated with each properties components is calculated.

The amount of depreciation charged for the year was £13.386m (2014/15 £13.339m)

	2015/16	2014/15
	£000	£000
<u>Operational Assets</u>		
Council dwellings	12,693	12,655
Other land & buildings	549	540
Vehicles, Plant & Equipment	93	93
Intangible Assets	51	51
	<b>13,386</b>	<b>13,339</b>

## 11. Impairment Costs

During the year there were £2.791m of impairment costs (2014/15 £2.408m) relating to HRA assets, which are detailed in the table below.

	2015/16	2014/15
	£000	£000
Revaluations		
Council Dwellings	(2,695)	(2,233)
Other Property	(96)	(175)
	<b>(2,791)</b>	<b>(2,408)</b>
Disabled Facilities adaptations not adding value	(948)	(827)
Lift installations not adding value	(7)	(31)
Upgrades to District Heating schemes not adding value	(563)	(196)
Enhancement of HRA estates not adding value	(284)	(668)
Construction of Bin Stores not adding value	(58)	(510)
Impairment due to adverse ground conditions	(53)	-
Other	(96)	(175)
	<b>(2,791)</b>	<b>(2,407)</b>

## 12. Pensions Reserve

As set out in the Statement of Accounting Policies at Note 1, the Council has restricted the accounting entries for the purposes of IAS19 'Retirement Benefits' to current service cost only for the HRA. This is reflected in the Net Cost of Services and a compensating adjustment is made to the Pensions Reserve in order that there is no impact on either the surplus/deficit for the year or subsequent rent levels.

## 13. Rent Arrears

Rent arrears at 31 March 2016 were £4.82m (2014/15 £4.35m). The provision for doubtful debts (rents) at 31 March 2016 was £2.64m (2014/15 £2.45m). Amounts written off during the year amounted to £0.38m (2014/15 £0.37m).



## The Collection Fund Revenue Account

	31-Mar-16			31-Mar-15
	Business Rates £000	Council Tax £000	Total £000	Total £000
<b>INCOME</b>				
Council Tax receivable	-	69,495	69,495	68,346
Business rates receivable	77,917	-	77,917	75,898
Council Tax Reduction Scheme	-	(13,144)	(13,144)	(13,776)
	<b>77,917</b>	<b>56,351</b>	<b>134,268</b>	<b>130,468</b>
<b>EXPENDITURE</b>				
<b>Precepts &amp; Demands:</b>				
Central Government	38,379		38,379	38,415
Norfolk County Council	7,676	38,667	46,343	45,392
Norfolk Police Authority		7,051	7,051	6,743
Norwich City Council	30,703	8,082	38,785	38,463
<b>Distribution of Estimated Surplus for Previous Years:</b>				
Central Government	(1,558)	-	(1,558)	(190)
Norfolk County Council	(312)	1,139	827	184
Norfolk Police Authority	-	204	204	39
Norwich City Council	(1,247)	233	(1,014)	(107)
<b>Charges to Collection Fund</b>				
Costs of Collection	271	-	271	271
Increase/decrease in Bad Debt Provision	(352)	578	226	111
Increase/decrease in Provision for Appeals	2,497	-	2,497	568
Write Offs of uncollectable amounts	1,238	291	1,529	1,292
	<b>77,295</b>	<b>56,245</b>	<b>133,540</b>	<b>131,181</b>
Collection Fund Balance b/fwd at 1 April	(3,428)	4,331	903	1,617
Surplus / (Deficit) for the year	623	106	729	(714)
<b>Collection Fund Balance c/fwd at 31 March</b>	<b>(2,805)</b>	<b>4,437</b>	<b>1,632</b>	<b>903</b>

## Notes to the Collection Fund Statement

### 1. Income from Business Rates

Since 1 April 2013 and the introduction of the Business Rates Retention Scheme, the Council collects national non-domestic rates (NNDR) for its area, which are based on local rateable values controlled by the Valuation Office multiplied by a uniform rate controlled by Central Government. The total amount, less certain reliefs and other deductions, is paid to Central Government, Norwich City Council and Norfolk County Council in accordance with legislated percentages of 50%, 40% and 10% respectively.

The total non-domestic rateable value at 31 March 2016 was £193.8m (31 March 2015 £192.719m). The national non-domestic rate multiplier for 2015/16 was 49.3p in the £ (2014/15 48.2p in the £). The small business multiplier for eligible businesses in 2015/16 was 48.0p in the £ (2014/15 47.1p in the £).

### 2. Council Tax

The calculation of the tax base, i.e. the number of chargeable dwellings in each Valuation Band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, is shown below:

Property Value	Band	2015/16 Calculated Number of Properties in Band	2014/15 Calculated Number of Properties in Band
Up to £40,000	A	9,583.19	9,122.15
£40,001 to £52,000	B	12,054.89	11,783.99
£52,001 to £68,000	C	5,709.82	5,661.64
£68,001 to £88,000	D	2,947.85	2,906.95
£88,001 to £120,000	E	2,295.88	2,297.53
£120,001 to £160,000	F	1,177.94	1,132.30
£160,001 to £320,000	G	956.33	950.92
Over £320,000	H	86.50	95.00
		<b>34,812.40</b>	<b>33,950.48</b>
Collection Rate		0.97	0.97
		<b>33,768.00</b>	<b>32,932.00</b>
Contribution in Lieu (relating to Crown Properties)		-	-
<b>Tax Base</b>		<b>33,768.00</b>	<b>32,932.00</b>

The tax rate per Band D property was £1,593.21 (2014/15 £1,584.58).

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**3. Council Tax Contribution to Collection Fund Surpluses & Deficits**

The Council Tax surplus on the Collection Fund will be distributed in subsequent financial years between Norwich City Council, Norfolk County Council and Norfolk Police Authority in proportion to the value of the respective precept made on the Collection Fund.

	2015/16	2014/15
	£000	£000
Norfolk County Council	3,207	3,130
Norfolk Police Authority	573	559
Norwich City Council	657	642
<b>Surplus Carried Forward</b>	<b>4,437</b>	<b>4,331</b>

**4. NNDR Contribution to Collection Fund Surpluses and Deficits**

The NNDR surplus / (deficit) on the Collection Fund will be distributed in subsequent financial years between Central Government, Norwich City Council and Norfolk County Council in accordance with legislated percentages of 50%, 40% and 10% respectively.

	2015/16	2014/15
	£000	£000
Central Government	(1,403)	(1,714)
Norwich City Council	(1,122)	(1,371)
Norfolk County Council	(280)	(343)
<b>Surplus /(deficit) Carried Forward</b>	<b>(2,805)</b>	<b>(3,428)</b>

## GLOSSARY OF TERMS

### Accounting Period

The period of time covered by the accounts, normally a period of twelve months, that commences on 1 April for local authority accounts. The end of the accounting period, i.e. 31 March, is the balance sheet date.

### Accrual

A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.

### Amortisation

A measure of the consumption of the value of intangible assets, based on the remaining economic life.

### Asset

An item having a value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year where a current asset (e.g. stocks or short-term debtors) can readily be converted into cash.

### Audit of Accounts

An independent examination of the Council's financial affairs, which ensures that the relevant legal obligations and codes of practice have been followed.

### Balance Sheet

A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.

### Billing Authority

A local authority charged by statute with the responsibility for the collection of and accounting for council tax, NNDR and residual community charge. These in the main are district councils, such as Norwich, and unitary authorities.

### Budget

A financial statement that expresses the council's service delivery plans in monetary terms. This covers as a minimum the same period as the financial year but increasingly councils are preparing medium-term financial plans covering 3 to 5 years.

### Capital Expenditure

Expenditure to acquire fixed assets that will be used in providing services beyond the current accounting period or expenditure that adds value to an existing fixed asset.

### Capital Financing

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

### Capital Financing Requirement

The capital financing requirement reflects the Council's underlying need to borrow for a capital purpose.

### Capital Programme

The capital schemes the council intends to carry out over a specified time period, often within a 6 to 10 year timeframe.

### Capital Receipt

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.

### **Cash Equivalents**

Investments that mature in 90 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.

### **Chartered Institute Of Public Finance and Accountancy (CIPFA)**

The principal accountancy body dealing with local government finance.

### **CIPFA Code of Practice on Local Authority Accounting**

This specifies the principles and practices of accounting to be followed when preparing the Statement of Accounts. It constitutes "proper accounting practice" and is recognised as such by statute.

### **Collection Fund**

A separate fund maintained by a billing authority which records the expenditure and income relating to council tax, NNDR and residual community charges.

### **Community Assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks.

### **Comprehensive Income and Expenditure Statement**

This statement reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants, and income from local taxpayers. It brings together expenditure and income relating to all the local authority's functions.

### **Consistency**

The concept that the accounting treatment of like items within an accounting period, and from one period to the next one is the same.

### **Contingent Liability**

A possible obligation arising from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events, that are not wholly within the Council's control.

### **Creditor**

Amounts owed by the Council for work done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

### **Debtor**

Amounts due to the Council for work done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

### **Depreciation**

The measure of the cost or revalued amount of the benefits of a fixed asset that have been consumed during the accounting period.

### **Effective Rate of Interest**

The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance at initial measurement.

### **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the Council, and which need to be disclosed separately, by virtue of their size or incidence, such that the financial statements give a true and fair view.

### **Fair Value**

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

### **Finance Lease**

A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Not the same as an Operating Lease (q.v.).

### **Financial Instruments**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets (e.g. bank deposits and investments), and financial liabilities (e.g. trade payables and borrowings).

### **Financial Reporting Standard (FRS)**

Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these standards is normally mandatory and any departure from them must be disclosed and explained.

### **Fixed Assets**

Tangible assets that yield benefits to the Council, and to the services it provides, for a period of more than one year.

### **Housing Revenue Account**

A separate account to the General Fund, which includes the expenditure and income arising from the provision of housing accommodation owned by the Council.

### **Impairment**

The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

### **Infrastructure Assets**

Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways), and for which a useful life-span cannot be readily assessed.

### **Intangible Fixed Assets**

These are assets which do not have a physical substance, e.g. software licences, but which yield benefits to the Council and the services it provides, for a period of more than one year.

### **Minimum Revenue Provision**

MRP is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements

### **Movement in Reserves Statement**

This statement precedes the Comprehensive Income and Expenditure Statement. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute, and non-statutory proper practices, to be charged or credited to the General Fund, Housing Revenue Account & other reserves

### **Movement in Reserves Statement – Housing Revenue Account**

This statement follows the Housing Revenue Account Income and Expenditure Statement. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute, and non-statutory proper practices, to be charged or credited to the Housing Revenue Account.

### **NNDR (National Non-Domestic Rate)**

National Non-Domestic Rate is a standard rate in the pound, set by the government, on the assessed rateable value of properties used for business purposes.

### **Non-Current Asset**

Tangible assets that yield benefits to the Council, and to the services it provides, for a period of more than one year.

### **Operating Lease**

A lease where the ownership of the fixed asset remains with the lessor. Not the same as a Finance Lease (q.v.).

### **Outturn**

Refers to actual income and expenditure or balances as opposed to budgeted amounts.

### **Precept**

The amount which a local authority, which cannot level a council tax directly on the public, requires to be collected on its behalf. The major precepting authorities are Norfolk County Council and Norfolk Police Authority.

### **Provisions**

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

### **Prudential Code**

The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.

### **Rateable Value**

The annual assumed rental value of a property, which is used for business purposes.

### **Reserves**

The accumulation of surpluses and deficits over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Reserves of a capital nature may have some restrictions placed on them as to their use.

### **Revenue Expenditure**

Spending on day to day items, such as employees' pay, premises costs and supplies and services.

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund and impact on that years' council tax.

### **Revenue Support Grant**

The main grant paid by central government to a local authority towards the costs of their services.

### **SERCOP (Service Reporting Code of Practice)**

The Service Reporting Code of Practice provides guidance on the content and presentation of costs of service activities within the CIES. It constitutes 'proper accounting practice' and is recognised as such by statute.

### **Tangible Assets**

See Fixed Assets (q.v.)

### **Transfer of Undertakings (Protection of Employment) Regulations (TUPE)**

This protects employees' terms and conditions of employment when a business is transferred from one owner to another. Employees of the previous owner when the business changes hands automatically become employees of the new employer on the same terms and conditions.

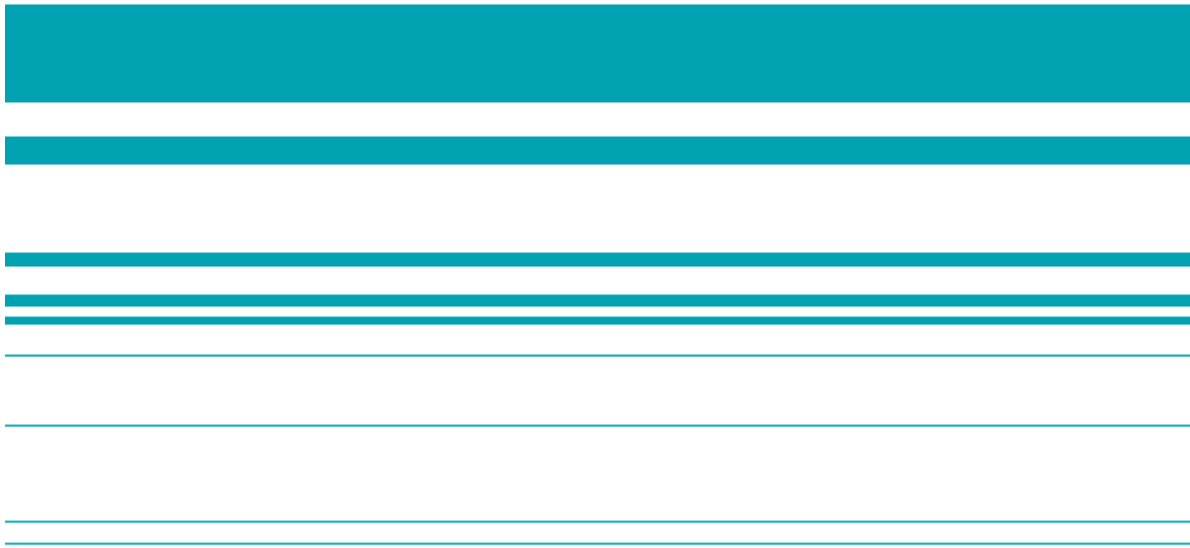
### **Trust Funds**

Funds administered by the Council for such purposes as prizes, charities and specific projects, usually as a result of individual legacies and donations.

**Two Tier authority**

In most areas of England, local government functions are divided between two tiers of local authority, county councils, known as “upper tier” authorities and city, borough or district councils, known as “lower tier” authorities.





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