NORWICH
City Council

Audit committee

Date: **Tuesday, 11 June 2019**
Time: **16:30**
Venue: **Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH**

Committee members:
Councillors:
Price (chair)
Driver
Giles
Lubbock
McCartney-Gray
Peek
Stutely
Youssef

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IN TRAN communication for all

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Agenda

		Page nos
1	**Appointment of vice chair** To appoint a vice chair for the ensuing civic year	
2	**Apologies** To receive apologies for absence	
3	**Public questions/petitions** To receive questions / petitions from the public Please note that all questions must be received by the committee officer detailed on the front of the agenda by **10am on Thursday, 6 June 2019** Petitions must be received must be received by the committee officer detailed on the front of the agenda by **10am on Monday, 10 June 2019.** For guidance on submitting public questions or petitions please see appendix 1 of the council's constutition.	
4	**Declarations of interest** (Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)	
5	**Minutes** To approve the accuracy of the minutes of the meeting held on 12 March 2019	**5 - 8**
6	**Annual audit report on internal audit and fraud 2018-19**	**9 - 26**

Purpose - To inform members of the Chief Internal Auditor's annual audit opinion for 2018-19, and the supporting work of internal audit. The report and the audit opinion within it, form part of the evidence to support the council's Annual Governance Statement 2018-19.

Purpose - This report presents the Annual Governance Statement (AGS) for 2018/19 for consideration by the Audit Committee prior to sign off by the Chief Executive and Leader of the Council

Purpose - This report presents the formal unaudited draft Statement of Accounts, authorised by the deputy S.151 officer on 31 May 2019.

9 Annual Audit Committee Report 2018-19 (Report to follow)

Purpose - To comment on the draft Annual audit committee report 2018-19.

10 Exclusion of the public

Consideration of exclusion of the public.

11 Exempt minutes of the audit committee meeting held on 12 March 2019 (Paragraph 3)

- This report is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) as in para 3 of Schedule 12A to the Local Government Act 1972.

Date of publication**: Monday, 03 June 2019**

NORWICH
City Council

Minutes

Audit committee

16:30 to 18:45 **12 March 2019**

Present: Councillors Price (chair), Driver (vice chair), Fullman and Stutely

Also present: Councillors Kendrick (cabinet member for resources) and Davis (cabinet member for social inclusion)

Apologies: Councillors Coleshill, Hampton, Lubbock and Smith

(Apologies had also been received from the external audit manager.)

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

Councillors Kendrick , the director of business services and the chief finance officer declared an other interest in Norwich Regeneration Ltd as directors of the board.

3. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 22 January 2019.

4. Risk Management Report

The deputy head of internal audit, LGSS, presented the report which cabinet had considered at its meeting on 6 February 2019. During the presentation he pointed out that the council was in the process of refreshing risk management across the council, and that as set out in paragraph 4 of the report, there were two outstanding actions relating to A2, Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework, and A4 Safeguarding children, vulnerable adults and equalities duties. The progress on the risk management report would be reported to the committee to a future committee meeting.

A member referred to Appendix C, LGSS Risk Management Customer Charter, and pointed out that in the first line, on page 41 of the agenda papers, the word "County" should be replaced by "city".

During discussion, the vice chair referred to risk A8, Housing Investment Strategy, and asked whether the reduction in rental income arising from the 1 per cent reduction in social housing rent would continue. The chief finance officer said that as far as was known this would be the last year where the rents were capped and this risk should disappear in 2020 and would ameliorate the situation by £6,500 per annum. The chief executive said that at the time that this risk was identified it looked like the housing revenue account would lose money on its high value void properties but the government had reviewed this policy in the summer and withdrawn it. The risk of the impact on the determination to fund right to buy for registered providers remained a risk and was dependent on government policy. The director of business services said that the register was around five years' old and needed a total refresh as there was a tendency to increase risks incrementally.

The deputy head of internal audit referred to the report and explained the methodology for assessing the corporate risks, the inherent risk, controls to mitigate the risk and the score. He advised that there could be different tolerances for different risks if the risk owners determined this would be sensible. It was agreed that copies of the slides prepared for an informal discussion with members before the meeting could be circulated. Members noted that the role of the audit committee was to monitor adherence to the risk management policy and to review it from time to time, to review reports on the risk management process, provide assurance of adequacy of the risk management framework and the associated control environment, and raise any concerns on risk management through the committee and, if necessary, committee chair to cabinet.

Discussion ensued in which the committee noted that risk was a question of balance. Members noted that in county and unitary authorities, which were responsible for children's services and adult social care functions, safeguarding was a greater risk of safeguarding than for district councils. It was also noted that district councils that had taken the decision to sell off its housing stock had a lower degree of risk than councils that had chosen to retain its council housing stock.

RESOLVED to note the risk management report.

5. Draft Internal Audit Plan for Norwich City Council 2019-20

(Councillor Kendrick had declared an other interest in this item.)

The deputy head of internal audit presented the report. He explained that the audit plan would commence in April 2019 and had been discussed with the corporate leadership team and followed the same format as recent years'.

During discussion the chair sought confirmation that the allocation of 20 days for the audit of contract management. The deputy head of internal audit said that the contracts for the audit would be identified in the first quarter. There could be a different scenario if contracts were brought into house and as the plan was flexible more resources could be diverted to this audit if required. The chief executive said that if the key controls were fine there should not be a problem. However, it was important that flexibility was retained in the plan so that more time could be spent on things as they arose.

In reply to a question, the deputy head of internal audit said that he considered 15 days on the Norwich Regeneration Limited audit would be sufficient to give an assurance of the suite of assurances that the city council required the company to have in place. He clearly explained that this was an audit of the arrangements the council has in place to monitor the performance of NRL against the agreed business case and not an internal audit of NRL itself. There was currently no provision for such an audit.

The vice chair referred to the Grant Assurance, Disabled Facility Grant, on page 54 of the agenda papers and pointed out that the certification to the county council should be completed by 2019 not 2017, as set out in the report.

In reply a question from the chair, the deputy head of internal audit said that the audit plan was reviewed every three months and reported to the audit committee. The chair said that members of the committee could receive full copies of the audit reports on individual audits on request. Members noted that the change in approach to internal audit meant that resources were targeted rather than a cyclical audit. Internal audit also took part in preventative work and had drawn up the whistleblowing and antifraud polices for the council.

Discussion ensued in which the vice chair expressed concern that the council was vulnerable to fraud from contractors and that he considered that local businesses could provide services more cheaply. The director of business services referred to the council's procurement strategy and procedures. Contracts were scored against a social policy framework which included a requirement for contractors to be paid the Living Wage and where applicable, apprenticeship schemes needed to be in place. This did not preclude local firms submitting tenders and they were welcome to contact the members of the procurement team. Members also noted that Norwich Regeneration Ltd was not subject to the Public Contracts Regulations 2015 as it was a separate but wholly owned company of the council. However, the company purchased its financial and procurement services through the city council. The deputy head of internal audit said that as the company developed it would be important to ensure that its governance arrangements were appropriate. In reply to a question, he said that he believed that the company had appointed an external auditor for its accounts.

During discussion on the Commercial Property Investment Strategy, the deputy head of internal audit confirmed that 20 days should be sufficient to provide an audit opinion on the extent to which a sample of acquisitions complied with the strategy and governance arrangements. The chief executive pointed out that the development of the strategy was a cabinet function and part of the council's corporate plan and budget framework agreed at the budget council. By way of explanation, the chief finance officer said that where a commercial property exceeded the limit permitted in the strategy, a decision was required by full council.

Discussion then ensued on the council's new finance system from 1 April 2019 and the sample testing on transactions that would be conducted in quarters 2 and 3 and further testing in the final quarter. The deputy head of internal audit confirmed that the days in the plan should be sufficient to give an assurance. The chief executive pointed out that the plan was flexible and if insufficient time had been allocated then the deputy head of internal audit would liaise with the corporate leadership team for the allocation of more resources. The chair commented that it needed to be a question of striking a balance between adding value and value for money.

RESOLVED to endorse the draft Internal Audit Plan for Norwich City Council 2019-20.

6. Impact of New Accounting Standards and Valuation of Council Housing for the HRA

The chief finance officer presented the report.

In reply to a question from the chair, the chief finance officer referred to the section of the report, IFRS 16 Leases, and said that the definition of a lease was any asset that the council owned which could be a piece of land or equipment. The council was waiting for further guidance from CIPFA particularly on the application to local authorities and in particular in relation to assets leased at a peppercorn rent and private sector rentals.

RESOLVED to receive the report.

(The chair referred to the supplementary agenda which had been circulated at the meeting and said that he had agreed to take the report, Internal Audit Update as an urgent item.)

7. Exclusion of the Public

RESOLVED to exclude the public from the meeting during consideration of items *8 (below) on the grounds contained in the relevant paragraphs of Schedule 12A of the Local Government Act 1972 (as amended).

*8. Internal Audit Update (Paragraph 3)

(There is a detailed minute of the discussion on this item which is exempt from publication on the grounds contained in Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).)

RESOLVED to:

(1) note the actions taken as set out in Annex 1;

(2) agree the audit report and proposed actions contained within Annex 2.

(3) note that internal audit will undertake a review this of audit in 6 months' time.

CHAIR

Report to	Audit Committee	**Item**
	11 June 2019	6
Report of	Chief Internal Auditor, LGSS	
Subject	Annual audit report on internal audit and fraud 2018-19	

Purpose

To inform members of the Chief Internal Auditor's annual audit opinion for 2018-19, and the supporting work of internal audit. The report and the audit opinion within it, form part of the evidence to support the council's Annual Governance Statement 2018-19.

Recommendation

To consider the annual Internal Audit report and opinion, noting the work of Internal Audit team for 2018-19.

Corporate and service priorities

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

Ward/s: All wards

Cabinet member: Councillor Kendrick – Resources

Contact officers

Duncan Wilkinson, Chief Internal Auditor	01908 252089
Neil Hunter, Deputy Head of Internal Audit	01223 715317
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Background documents

None

Report

Background

1. Under the Accounts and Audit Regulations 2015, the council "*must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*."

2. In 2012 (updated 2017) the relevant internal audit standard setters adopted a common set of standards across the public sector, the *Public Sector Internal Audit Standards* (PSIAS), which state *"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".*

3. The Standards require that the Chief Internal Auditor presents an annual report to the Audit Committee, which in practice is timed to support the authority's Annual Governance Statement. This is reflected in the 'Terms of Reference' of the Committee.

4. The annual report is a summary of all internal audit work carried out during the year. Each individual audit report is discussed at its draft stage and agreed action plans put in place. The annual report therefore represents in summary form a considerable degree of consultation with managers during the year.

5. Internal audit work is carried out to fulfil the audit plan, endorsed by the Committee and the Corporate Leadership Team. The plan is derived from corporate and service risk registers as well as any inherent risks such as a susceptibility to fraud associated with an individual system. Internal audit work seeks to provide assurance that the risks identified in the registers and within the systems risk matrix are mitigated by a sound system of internal control.

6. This annual report provides members of the Audit Committee with:
   - the Chief Internal Auditor's opinion for 2018-19;
   - a review of the system of internal control;
   - a summary of the work undertaken by internal audit in 2018-19; and
   - an overview of the performance of internal audit.

INTERNAL
AUDIT SERVICE

INTERNAL AUDIT ANNUAL REPORT 2018-19

DUNCAN WILKINSON, CHIEF INTERNAL AUDITOR 28 May 2019

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LGSS Internal Audit & Risk Management
Annual Report 2018-19

Norwich City Council

Contents:

Section 1

1. INTRODUCTION

1.1 The Annual Reporting Process

1.1.1 The Public Sector Internal Audit Standards (PSIAS) (Performance Standard 2450) state that the Chief Audit Executive (CAE) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement (AGS) that also forms part of the official Accounts for the Council. Norwich City Council's Chief Audit Executive is the LGSS Chief Internal Auditor.

1.1.2 The annual report is required to incorporate the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement plan.

Section 2

2. CHIEF INTERNAL AUDITOR OPINION 2018-19

2.1 Chief Internal Auditor Opinion

2.1.1 The CAE required Annual opinion must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

2.1.2 My opinion is derived from an assessment of the range of individual opinions arising from assignments contained within the risk-based Internal Audit Plan. This assessment has taken account of the relative materiality of these areas, and management's progress in addressing control weaknesses.

2.1.3 PSIAS also requires the CAE to confirm that the Internal Audit service has operated with an adequate level of resource to deliver an annual audit opinion. Internal Audit operates independent of the organisation, and there have been no compromises of Internal Audit's independence in its operation this year. I confirm the above was compliant with PSIAS requirements.

*On the basis of the audit work undertaken during the 2018-19 financial year, an opinion of **good** assurance is awarded. The internal control environment, (including the key financial systems – excluding payroll,) risk and governance is well established and operating effectively in practice. In addition, there are no outstanding significant issues arising from the work undertaken by Internal Audit.*

However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

I am pleased to report that the level of assurance therefore remains at a similar level from 2017-18.

Section 3

3. REVIEW OF INTERNAL CONTROL

3.1 How Internal Control is reviewed

3.1.1 In order to support the annual Internal Audit opinion on the internal control environment, each year Internal Audit develops a risk-based Audit Plan. This includes a comprehensive range of work to confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders.

3.1.2 The changing public sector environment and emergence of new risks increasingly necessitates re-evaluation of the Audit Plan throughout the year. The plan - and subsequent revisions - is reported to the Audit Committee throughout the financial year.

3.1.3 Each Internal Audit review has three key elements. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.

3.1.4 However, controls are not always complied with, which will in itself increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This enables Internal Audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

3.1.5 Finally, where there are significant control environment weaknesses or where key controls are not being complied with, further substantive testing is undertaken to ascertain the impact these control weaknesses are likely to have on the organisation's control environment as a whole.

3.1.6 Three assurance opinions are therefore given at the conclusion of each audit: control environment assurance, compliance assurance, and organisational impact. To ensure consistency in reporting, the following definitions of audit assurance are used:

Control Environment Assurance	
Level	**Definitions**
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Level	**Definitions**
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

3.1.7 Organisational impact will be reported as major, moderate or minor (as defined below). All reports with major organisation impacts are reported to CLT, along with the agreed action plan.

Organisational Impact	
Level	**Definitions**
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

3.2 The Basis of Assurance

3.2.1 The findings and assurance levels provided by the reviews undertaken throughout 2018-19 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.

3.2.2 In 2018-19, the Audit Plan has been based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in-year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. The Audit Plan reflects the environment in which the public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, better assurance and governance.

Section 4

4. INTERNAL AUDIT IN 2018-19

4.1 Overview and Key Findings

4.1.1 This section provides information on the audit reviews carried out in 2018-19, by assurance block.

4.1.2 For the reviews undertaken during 2018-19, there were no areas identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole.

4.1.3 Where reviews identify opportunities for improvement, these are agreed with management as part of an action plan. The actions are prioritised according to the significance of the control weakness, and urgency of implementing the improved control. Actions are given a rating of essential, important or standard priority:

E	**Essential** Failure to address the weakness has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/ reputational loss. The improvement is critical to the system of internal control and action should be implemented as quickly as possible.	**I**	**Important** Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/ reputational loss. The improvement will have a significant effect on the system of internal control and action should be prioritised appropriately.	**S**	**Standard** The finding is important to maintain good control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently. Management should implement promptly or formally agree to accept the risks.

4.1.4 Essential and important priority actions are actively monitored by Internal Audit to ensure they are implemented promptly, and progress is reported to the Audit Committee during the year. An overview of essential and important recommendations made in 2018-19 is summarised in Table 1 below:

Table 1: Essential and important recommendations

2018-19 Audit title	Essential priority recommendations	Important priority recommendations
Commercial Rents	0	6
Corporate Key Performance Measures	0	3
Contract Extensions	0	1
Norwich Regeneration Limited	5	3
Housing Rents-Arrears	0	3
Council Tax	0	2
Treasury Management	0	3
Project Management	0	3
Procurement Compliance	0	2
Housing Benefits	0	1
Total	**5**	**27**

4.2 Financial and Other Key Systems

4.2.1 This is the 2018-19 suite of annual core systems reviews, undertaken to provide assurance to management and External Audit that expected controls are in place for key financial systems; that these controls are adequately designed and are routinely complied with in practice. The work is focused on the systems that have the highest financial risk; these are agreed in advance with External Audit and assist in providing assurance to External Audit that systems recording transactions within the 2018-19 financial year are free from material misstatement. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

4.2.2 Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice although there are some minor areas where improvements have been recommended. The level of assurance provided for key financial systems reviews was good overall and all audits with previously satisfactory assurance have improved to good assurance. Table 2 below details the assurance levels of all key systems audits undertaken in 2018-19, compared to assurance levels in 2017-18.

Table 2: Key Financial Systems Audits 2018-19:

Key Financial Systems:	Audit Opinion 2018-19		Audit Opinion 2017-18	
	Environment	Compliance	Environment	Compliance
Accounts Receivable	Substantial	Substantial	Substantial	Substantial
Purchase to Pay	Substantial	Substantial	Substantial	Substantial
Payroll	In progress	In progress	Substantial	Substantial
Housing Rents & Arrears	Good	Good	Good	Good
Housing Benefits	Good	Good	Good	Satisfactory
Council Tax	Good	Good	Substantial	Good
NNDR	Substantial	Good	Substantial	Good
Treasury Management	Good	Good	Substantial	Substantial
Debt Recovery	Good	Good	Satisfactory	Satisfactory

4.2.3 At the time of writing this report, the opinion excludes the review of payroll due to resources in the HR team however, it is not anticipated that any substantial areas of weaknesses will be identified.

4.2.4 The housing rents and arrears review concluded that the control environment and compliance assurance was good. The important findings identified during the review relate to an independent review of rent accounts to verify parameter inputs, the authorisation of refunds and write offs, as well as the secure recording of such.

4.2.5 The review of housing benefits concluded that there was good assurance over the control environment and satisfactory assurance for compliance. The compliance weakness identified from the audit review relates to the authorisation of writing off debts over £2,000 in line with corporate financial procedures. This weakness has been reoccurring from previous audits.

4.2.6 The review of council tax concluded that the control environment and compliance assurance was good. The main weakness identified relates to the review of discounts and exemptions. Testing identified one (small) group of discounts which has not been regularly reviewed. Internal audit has identified efficiency opportunities to cease completing excessive checks, the service has agreed to this

4.2.7 The review of national non-domestic rates (NNDR) concluded with substantial assurance over the control environment and good assurance for compliance. Compliance weaknesses were identified relating to annual checks of access levels to the NNDR system not being carried out.

4.2.8 The review of treasury management concluded that the control environment and compliance assurance was good. The review identified various inconsistencies within the Treasury Management Strategy which have been consequently rectified in the new strategy. Other issues found relate to the system hierarchy of authorising CHAPs payments to ensure that only a manager can complete the final authorisation; and the service not completing long deal forms prior to investments being made.

4.2.9 The debt recovery review concluded that control environment and compliance assurance was good. The important recommendations regarding this review relate to outstanding issues from the previous audit regarding the LGSS collection strategy and the aged debtor reports. Most of the outstanding issues link in to the implementation of the new financial system.

4.3 Anti-fraud and corruption

4.3.1 This is a high-risk area across the public sector. LGSS Internal Audit undertakes work on anti-fraud and corruption which includes both reactive and pro-active elements, along with a number of initiatives to raise awareness of the council’s anti- fraud and corruption culture.

4.3.2 Internal audit investigated one referral under the Whistleblowing Policy relating to the Councils wholly owned housing company Norwich Regeneration Limited.

4.3.3 The Council fully participates in a national data matching exercise known as the National Fraud Initiative (NFI) which is run by the Cabinet Office to prevent and detect fraud. Data-matching, between public and private sector bodies, flags up inconsistencies in data that may indicate fraud and error and helps Councils to complete proactive investigations. Reports from the 2018-19 exercise were made available in February 2019. The results will be analysed in 2019-20.

4.4 Risk Management

4.4.1 The council's management of risk is facilitated by the LGSS risk management team and work is underway to support Norwich City Council management in reviewing the content of the risk register. The Council has established a 2040 Norwich City Vision; this is supported by the council's new corporate plan which. In line with this plan there will also be a supporting corporate risk register which is currently in development.

4.4.2 An audit review concluded that good assurance over the control environment and good assurance over compliance to the controls. The Council has clear risk management policies and procedures and risk is managed appropriately across the majority of the Council.

4.5 Risk-based audits

4.5.1 Risk-based reviews have been a key element of the assurance on the entire control environment of the authority in 2018/19. This assurance block includes reviews which have been targeted towards key areas of high risk, as identified through consultation with senior management, review of risk registers, and the Internal Audit risk assessment of the organisation.

4.5.2 The Plan for 2018-19 included audits in the following areas:

- Commercial Rents
- Project Management
- Norwich Regeneration Limited

4.5.3 The commercial rents review concluded that control environment and compliance assurance was satisfactory. Important issues found regarding rental income budget setting and monitoring; validation by the council of the provided performance results; reviews of rents, lease renewals and outstanding debts; and the formal contract documentation for properties not managed by NPSN.

4.5.4 The project management concluded that there was good assurance over the control environment and satisfactory assurance for compliance. weaknesses were identified relating to outdated frameworks, guidance and templates; and not competed risk management training for project managers.

4.5.5 The review on the governance arrangements in place with the councils wholly owned housing company Norwich Regeneration Ltd (NRL) concluded that there was limited assurance over the control environment and satisfactory assurance for compliance. Weaknesses were identified relating to information presented to Cabinet, managing conflicts of interest and statutory officers. All recommendations were agreed by the Chief Executive.

4.6 Policies and procedures

4.6.1 Effective policies and procedures drive the culture and risk appetite of the organisation and ensure key control principles are captured. A number of policies and procedures were reviewed to ensure they were; up to date; fit for purpose; effectively communicated; routinely complied with across the organisation; monitored and routinely improved.

4.6.2 A review of the Safeguarding Policy concluded that the control environment was substantial. The audit review only identified minor weaknesses which have been discussed and agreed with management.

4.6.3 A review of the fees and charges policy identified areas for improvement in the control environment however good practice was being demonstrated in some service areas in reviewing the external environmental factors when proposing fees and charges.

4.7 Compliance

4.7.1 Compliance work is fundamental, as it provides assurance across all Directorates and therefore underpins the Head of Internal Audit opinion on the control environment. The audit coverage for compliance is underpinned by an assessment of the Council's framework of controls (often directed by policies and procedures) and includes a focus on those core areas where a high level of compliance is necessary for the organisation to carry out its functions properly. The work involves compliance checks across the organisation to provide assurance on whether key policies and procedures are being complied with in practice. As a part of this work, the existing controls are challenged to ensure that they are modern, effective and proportionate.

4.7.2 The Plan for 2018-19 included coverage of compliance in the following areas:

* Corporate key performance indicators
* Procurement compliance
* Contract extensions

4.7.3 The review of corporate key performance indicators concluded that there was satisfactory assurance over the control environment and good assurance for compliance. The review identified that there is currently no written performance management framework in place, no checks being carried out to confirm the accuracy of the calculations and commentary provided by the service. It was also identified that not all results have been reported each quarter to senior management and members.

4.7.4 The review of procurement compliance resulted in satisfactory assurance over compliance to the contract procedures. Recommendations were made regarding content within the procurement strategy, procedures and guidance to clarify what supporting documents are needed, definitions, process and requirements of obtaining waivers and exemptions.

4.7.5 The review of contract extensions concluded that there was satisfactory assurance over the control environment and good assurance for compliance. The review identified weaknesses relating to the corporate contract procedures which do currently not include any reference to extending contracts and their requirements.

4.8 ICT Audit

4.8.1 Reviews undertaken this year include a review of GDPR and financial system (IT general controls). These audits are, at the time of the drafting the Annual Report, being finalised with client managers. These provide Satisfactory (GDPR) and Good (Finance IT Systems) assurances albeit those have yet to be formally agreed with the relevant clients. Some recommendations have been made that require agreement / implementation. Should those issues not be agreed that will be reflected within the final AGS if necessary, when submitted with the audited Accounts.

4.9 Other Work

4.9.1 Internal Audit continues to provide advice and guidance to officers on a wide range of issues, including the interpretation of Council policies and procedures, risks and controls within systems or processes, and ad-hoc guidance on queries relating to projects or transformation. Internal Audit aims to provide clear advice and risk-based recommendations with a view to reducing bureaucracy whilst maintaining a robust control environment. Where appropriate, we also refer queries or concerns on to specialist services such as Information Governance or IT Security.

4.9.2 In addition to audit reviews, the Principal Auditor sat on the Corporate Information Assurance Group, which reviews network issues, data protection, information risk and assurance, security breaches and information management.

4.9.3 There were a number of data incidents which were reviewed by key employees, including the Principal Auditor, in accordance with the Council's incident response plan. Actions were put in place to reduce the risk of recurrence.

4.9.4 The head of internal audit has delivered various training sessions to Audit Committee members including topics on statement of accounts, risk management and the role of the audit committee within the organisation and local government as a tool for governance.

4.9.5 The Internal Audit team reviewed disabled facility grant capital expenditure. This enabled Council to provide a statement of assurance, to Norfolk County Council, that capital expenditure had been spent according to their grant conditions.

4.9.6 The Council is implementing a new Finance System for HR and Finance. Internal audit has been assisting the project team by proactively providing advice on governance, facilitating project risk register updates and appropriate internal controls. This will help to mitigate potential control weaknesses prior to system go-live.

4.10 Summary of Completed Reviews

4.10.1 A summary of all audit reports issued in 2018/19 is attached at Appendix 1.

Section 5

5. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

5.1 Delivery of the 2018-19 Internal Audit Plan

5.1.1 It is good practice to keep audit plans under review and update them to reflect emerging risks, revisions to corporate priorities, and resourcing factors which may affect the delivery of the audit plan. It was agreed that the final internal audit plan for Norwich City Council would deliver 471 days of audit activity and quarterly updates are provided to CLT and the Audit Committee every quarter.

5.1.2 Internal audit has complied with all of their LGSS performance measures for the duration of 2018-19.

5.2 Customer Feedback

5.2.1 When final reports are issued, Internal Audit issue Customer Feedback Questionnaires to all officers who receive the final report, and request feedback. Officers have the opportunity to score the Internal Audit team against a range of criteria on a scale of:

- Excellent
- Good
- Satisfactory
- Poor

Officers also have the option of providing more detailed feedback.

5.2.2 A total of 7 questionnaires were returned following audit reports issued in 2018/19, all responses received good feedback.

5.3 Compliance with Public Sector Internal Audit Standards

5.3.1 The internal audit service has operated in compliance Public Sector Internal Audit Standards throughout the year.

APPENDIX 1

INTERNAL AUDIT

6.0 Summary of Completed Reviews 2018-19:

The table below summarises the Internal Audit reviews that were completed during the 2018-19 financial year.

Audit title	Control assurance	Compliance assurance	Organisational impact
Anti-Fraud and Corruption			
National Fraud Initiative	*Embedded assurance		
Fraud Investigations	No level of opinion was allocated.		
Key Financial Systems			
Accounts Receivable	Substantial	Substantial	Minor
Purchase to Pay	Substantial	Substantial	Minor
Payroll	In progress		
Housing Rents & Arrears	Good	Good	Minor
Housing Benefits	Good	Good	Minor
Council Tax	Good	Good	Minor
NNDR	Substantial	Good	Minor
Treasury Management	Good	Good	Minor
Debt Recovery	Good	Good	Minor
Risk Management			
Strategic Risk Management	*Embedded assurance		
Risk Management	Good	Good	Minor
Risk-based Audits			
Commercial Rents	Satisfactory	Satisfactory	Minor
Attend HR & Finance Meetings	*Embedded assurance		
Project management	Good	Satisfactory	Minor
Norwich Regeneration Limited	Limited	Satisfactory	Moderate
Policies & Procedures			
Fees and Charges	Satisfactory	Good	Minor
Key Policies & Procedures Review – Safeguarding policy	Substantial	N/A	Minor
Compliance			
Key Performance Indicators	Satisfactory	Good	Minor
Procurement Compliance	N/a	Satisfactory	Minor

Audit title	Control assurance	Compliance assurance	Organisational impact
Contract Extension	Satisfactory	Good	Minor
Total ICT and Information Governance			
Information Security and GDPR	In progress		
Financial Systems IT and General Computer Controls	In progress		
Grant assurance			
Disabled Facility Grant	*Embedded assurance		

* Embedded assurance applies to projects / audits where auditors attended project boards or other working groups.

Report to	Audit Committee	**Item**
	11 June 2019	7
Report of	Chief Internal Auditor, LGSS	
Subject	Draft Annual Governance Statement 2018-19	

Purpose

This report presents the Annual Governance Statement (AGS) for 2018/19 for consideration by the Audit Committee prior to sign off by the Chief Executive and Leader of the Council.

Recommendation

The Committee is asked to consider if the AGS is consistent with their own perspective on internal control within the Council, plus the governance issues and actions.

Corporate and service priorities

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

Ward/s: All wards

Cabinet member: Councillor Kendrick – Resources

Contact officers

Duncan Wilkinson, Chief Internal Auditor	01908 252089
Neil Hunter, Deputy Head of Internal Audit	01223 715317
Magen Powell, Principal Auditor	01603 212575

Background documents

None.

Report

Background

1. The Audit and Account Regulations 2015 requires the Council to produce an Annual Governance Statement (AGS) to accompany the Statement of Accounts. The AGS summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. The final statement will be signed by the Chief Executive and the Leader of the Council.

2. The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure.

3. The draft AGS is presented to the Committee in order to ensure that it reasonably reflects the Committee's knowledge and experience of the Council's governance and controls.

The Annual Governance Statement

4. The draft AGS has been compiled using sources of evidence, including:

   - A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
   - A review and re-drafting of the Council's Code of Corporate Governance itself, based on the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.
   - Self-assurance statements prepared by Heads of Service;
   - The Chief Internal Auditor's opinion on the Council's internal control environment, which will be formally reported to the Audit Committee on 11th June 2019.

5. The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The guidance states that the AGS should include:

   - The Council's responsibilities for ensuring a sound system of governance;
   - An assessment of the effectiveness of key elements of the governance framework, and the role of those responsible for the development and maintenance of the governance environment;
   - An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
   - The identification of any significant governance issues, and an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
   - A conclusion demonstrating a commitment to monitoring implementation through the next annual review.

6. 'Significant governance issues' are those that:

   - seriously prejudice or prevent achievement of a principal objective of the authority;

- have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- have led to a material impact on the accounts;
- the Audit Committee advises should be considered significant for this purpose;
- the Chief Internal Auditor reports on as significant in the annual opinion on the internal control environment;
- have attracted significant public interest or have seriously damaged the reputation of the organisation; or
- have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

The Code of Governance

7. The Council's governance arrangements are documented in its Local Code of Governance. This includes references to the relevant local codes, policies and procedures. CIPFA / SOLACE provide guidance which is intended to be used as best practice for developing and maintaining a locally adopted code of governance.

8. The guidance provides seven principles of good governance, to categorise examples within the code. The guidance was reviewed to reflect that Councils may be operating differently due austerity measures, and legislative changes such as the Localism Act 2011 and the Cities and Local Government Devolution Act 2016.

9. Consequently the principles and terminology in the guidance have been updated to reflect these changes, and it is good practice to update the Councils Local Code of Governance as well.

10. The Code of Governance is Appendix 19 of the Constitution.

11. Article 17 of the Constitution (Audit Committee) states that the Audit Committee should "*Review, consider and agree the AGS including the adequacy of the corporate governance framework and improvement action plan contained within it*". The Code of Governance is part of the corporate governance framework.

12. Article 15 of the Constitution (Review and revision of the Constitution[i]) states that "*Changes to the appendices of this constitution will be made by the director of business services, to reflect decisions taken in accordance with the constitution of the council, the cabinet, a committee or the chief executive as the case may be*". The Director of Business Services has recommended that the Code of Governance is also reviewed by the Constitution working party.

Conclusions

13. The draft AGS has been prepared, in accordance with professional guidance, and accompanies the Statement of Accounts. The process demonstrates good governance, it has been based on various sources of assurance, and the Committee is asked to consider the AGS. It will also be reviewed by the external auditors, and the final version will be signed by the Chief Executive and the Leader of the Council.

14. The Code of Corporate Governance has been updated to reflect the latest professional guidance, and should be considered by the Committee.

NORWICH City Council

Annual Governance Statement 2018-19

1. Scope of responsibility

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

1.2. In discharging this overall responsibility, Norwich City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3. Norwich City Council has approved and adopted a code of governance which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. The code forms appendix 19 of the council's constitution which is on the council website at www.norwich.gov.uk.

1.4. This statement explains how Norwich City Council has complied with the principles of the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

1.5 In April 2012 the council transferred the ICT and finance functions to LGSS, a public sector partnership between Northamptonshire and Cambridgeshire county councils. The arrangement is covered by a service level agreement. This arrangement was extended in April 2017 for a further five years and the LGSS partnership now includes Milton Keynes Council (since April 2017).

1.6 Under the arrangement, some of the roles which the annual governance statement refers to are now carried out by officers from LGSS, as follows:

- An appropriately qualified and experienced finance officer at LGSS is the council's chief finance officer and s151 officer.
- The LGSS chief internal auditor is responsible for internal audit and reports to audit committee. The fraud team that was based at City Hall, dealing primarily with benefits fraud, transferred to the Department for Work and Pensions' Single Fraud Investigation Service (SFIS) on 1 April 2015. Counter fraud work required by the council is referred to the LGSS counter fraud team working to the LGSS chief internal auditor.

1.7 The role of Monitoring Officer is carried out by a senior officer from NpLaw.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

2.3 The governance framework has been in place at Norwich City Council for the year ended 31 March 2019 and up to the date of the approval of this statement.

3. The governance framework

3.1 The council's Code of Governance recognises that effective governance is achieved through the following core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

4. Key elements of the Governance Framework

The following is a brief description of the key elements of the systems and processes that comprise the council's governance arrangements:

1. Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively:

- Under the Localism Act 2011 the new standards regime was adopted by council on 19 June 2012, including the members' code of conduct as documented in Appendix 13 of the Councils Constitution.
- Training is provided to new members, any issues or failings are reported at Standard Committee meetings and advice is provided to members by the monitoring officer as identified, or as requested.
- There is a separate code of conduct for employees, which is supported by HR policies and procedures. New employees are given a copy of the code of conduct and other key policies, and there are regular reminders regarding compliance with the policies. Employees are required to confirm that they have read the code of conduct and other key policies.

2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:

- The chief finance officer is responsible for advising whether decisions of the cabinet and council are in accordance with the policy and budget framework.
- Budget mangers have responsibility for ensuring that all proposals, decisions and actions incurring expenditure were lawful.
- Corporate policies and strategies, which are subject to regular review, are available on the council intranet. Employees are required to confirm that they have read key policies relating to conduct, security and certain personnel matters.
- Managers within the council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations. This is a key control and as such each year heads of service are asked to conduct a self-assessment of the systems of internal control within their services and highlight actions intended to address any areas for improvement.
- Colleagues from NpLaw and LGSS have provided assurance, across a range of governance areas, to support the AGS.

3. Documenting a commitment to openness and acting in the public interest:

- Progress on delivering the Corporate Plan is communicated through a performance management framework. The Scrutiny Committee receives regular reports on performance against the Corporate Plan in addition to matters referred to it by Cabinet. In order to demonstrate its openness the Authority also publishes:
    - Constitution

- Council, Cabinet and Committee Reports
- Scheme of delegation to officers
- Various transparency reports, such as Pay Policy Statement and Payments over £500

4. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- The council is part of Your Voice, a partnership of local organisations which enables anyone to sign up and have their say on services through consultations, surveys, focus groups and workshops, to name a few.
- The council's Customer first guidance for staff is intended to ensure that everything the council produces and sends out is easy for everyone to understand. It is supported by the Communications strategy and Communications handbook which helps staff to deal with communications issues.
- Residents are informed about the council's activities at all times. This is done through Citizen, the quarterly magazine for residents; work with the local media; the council website; social media and other channels. Council tenants also receive their own magazine, TLC, focusing on issues affecting them. Both of these publications are available on the council's internet.
- Tenants have a range of ways to be involved and these are detailed on the tenant involvement page of the council website. There is a clear framework with formal group structures for tenants and leaseholders, including seven active tenant and resident associations.
- In addition, a range of other options allows tenants to be involved at a level that suits them. These consist of the 1,200 tenant and leaseholder TalkBack panel used for surveys and focus groups, tenant inspectors, involvement in estate walkabouts and mystery shoppers. Proactive work by the tenant involvement team means that events and road shows are regularly held to encourage more tenants to be involved or simply give their views on services they receive.
- Any public consultations that are planned for the year are included in service plans. All consultations are co-ordinated by the council's business management group and reviewed on a quarterly basis.
- Information on current and closed consultations, including reports and minutes, is available on the council website.

5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning:

- The council has a clear vision of what it is trying to achieve, as set out in its corporate plan 2015-2020, which forms the council's overarching policy framework.
- The changing pace council blueprint (operating model) has been developed as a guide for how Norwich City Council designs services and structures to deliver the vision and priorities within its corporate plan in a way that proactively addresses the financial pressures and changing policy and legislative environment it faces.

- Details of all the above, together with any committee reports referred to in this statement, can be found on the council website at www.norwich.gov.uk
- The corporate plan sets out the city council's strategic direction including its vision, mission and priorities. The corporate plan 2019-2022 was approved by council on 26 February 2019.
- This has been developed in the light of the wider city vision work, which has been undertaken under the 'Norwich 2040' banner. This started with a significant piece of resident and stakeholder engagement to identify consensus about what the strengths and challenges of Norwich are. It then continued with analysis of the findings to shape a vision for Norwich in 2040 which provides a shared set of aspirations for Norwich
- The city vision is therefore the starting point for this corporate plan. This has been combined with information and analysis including:
    - Analysing information on levels of need in the city such as looking at demographics, economic, environmental and equalities data
    - Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.
    - Understanding how other local authorities are responding to similar challenges
    - Looking at the potential future factors that may impact on Norwich and the council
    - Discussions with councillors and officers
    - Reflecting the Medium Term Financial Strategy and transformation programme which helps plan resource allocation
- The draft corporate plan was informed by consultation with members, residents, local organisations and other stakeholders.
- Medium term financial plans are presented to council on an annual basis for the general fund and Housing Revenue Account along with capital, investment and treasury management strategies. The plans set out the level of general fund savings that need to be achieved in the coming and each of the following four years. An annual consultation on the budget is also undertaken. The delivery of the corporate priorities is managed through service plans for each service area and monitored through the council's performance management and reporting system.

6. Translating the vision into courses of action for the authority, its partnerships and collaborations:

- The council's vision and mission are:
    - The corporate vision – To make Norwich a fine city for all
    - The corporate mission – To put people and the city first
- The three corporate priorities are:
    - People living well

- Great neighbourhoods, local environment and housing
- Inclusive economy

- The corporate plan is underpinned by a range of strategic and operational plans, which set out in more detail how the council's vision and priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver.
- Service plans are being replaced by cross cutting strategies and team plans will be adapted to ensure a golden thread from each employee up to the corporate priorities and encourage a more joined up way of working as envisaged in the Fit for the Future Programme

7. Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality:

- The council's decision making framework is set out in the council's constitution including an effective scheme of delegation. The council's constitution is kept under continuous review in line with best practice, with a clear review plan, supported by a corporate governance group consisting of the director of business services, monitoring officer, chief finance officer (section 151 officer), head of HR and learning, director of neighbourhoods and local LGSS principal auditor. There is also a cross-party constitution working party - where major changes are proposed by the corporate governance group these are considered by the constitution working party before being recommended to council for approval.
- Key partnerships have been identified and are included in the council's partnership register. The financial contribution and risk for key partnerships are reviewed and the results are reported to cabinet annually

8. Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money:

- Performance management in the council is based on corporate plan priorities supported by a strategic management framework. The plan has a number of priorities and key performance measures and the team planning process is designed to explicitly reflect these priorities. The corporate plan is underpinned by team plans which set out how the top priorities will be delivered, and by operational delivery plans which set out practical steps and performance measures for all teams.
- The council uses an electronic performance management system which supports the performance management regime by holding high level indicators, risks and actions used to deliver the 2019-2022 corporate plan. Performance is reported monthly to portfolio holders, quarterly to cabinet and twice-yearly to scrutiny.
- The council is a member of HouseMark, which is the main benchmarking organisation for social housing. Norwich is a major subscriber and also a member of HouseMark clubs dealing with welfare reform and ASB issues comparing and shaping good practice. The council is also a founder / board member of ARCH (Association of Retained Council Housing) which promotes council housing and shares good practice through the exchange of ideas and seminars. The council

also has active tenancy scrutiny and involvement panels which enable tenants to be involved with contract monitoring and procurement.

- A summary of the overall performance of the council in 2018-19 is included in the narrative report to the statement of accounts for the year ending 31 March 2019.
- Change and transformation within the council is managed through the council's transformation programme guided by its changing pace blueprint (operating model) to ensure the council meets its savings targets while continuing to improve services wherever possible. This approach is supported by a range of tools such as the council's organisational change toolkit to ensure staffing changes are carried out effectively, and its project management toolkit to ensure the effective delivery of projects.
- The transformation programme is kept under regular review by the corporate leadership team and business management group (involving all the heads of service) with regular briefings for the leader and portfolio holders and major change proposals being formally approved by Cabinet and Council as appropriate.
- The council has received significant external recognition for its approach to managing change, transformation and organisational improvement.
- The council won the Gold Award for 'Council of the Year' in the Improvement and Efficiency Awards 2014 and the 'Most Improved Council Award' in the Local Government Chronicle (LGC) awards 2014. It was also a finalist in the Municipal Journal's 'Best Achieving Council' award 2015 and in the LGC 'Council of the Year' award 2016.

9. Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements:

- The council's constitution sets out how the council operates, and contains separate articles and appendices covering executive, non-executive, scrutiny and officer functions. In addition, there are separate appendices covering the scheme of delegations to officers, the protocol for member/officer working arrangements, and protocols for the chief finance officer and monitoring officer.
- There is also an agreed protocol between the leader and chief executive officer covering their working arrangements.
- The council has a corporate governance framework for working in partnerships, with significant partnerships and joint ventures such as those with LGSS, NpLaw and NPS Norwich being covered by service level agreements.

10. Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and, where they do not, explain why and how they deliver the same impact.):

- The role of the chief finance officer (CFO) and the finance function are sourced through a partnership and delegation agreement with LGSS, a public sector shared services organisation. It is intended that the finance function is insourced from LGSS to Norwich City Council from April 2020.

- The governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) are embedded within the agreement and performance against these requirements is regularly monitored to ensure compliance. The council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance.

11. Ensuring effective arrangements are in place for the discharge of the monitoring officer function:

- The monitoring officer is a statutory appointment under section 5 of the Local Government and Housing Act 1989. The current responsibilities of the monitoring officer rest with a senior officer at Nplaw, the council's shared legal service. The deputy monitoring officer roles rest with nominated officers at the council. They undertake to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions.
- It is important that members and officers work together to promote good governance within the council. The monitoring officer plays a key role in this and therefore it is vital that members and officers work with the monitoring officer to discharge the statutory responsibilities and other duties (as set out in appendix 9b of the constitution).
- There are working arrangements and understandings in place between the monitoring officer, members and the corporate leadership team which are designed to ensure the effective discharge of the council's business and functions. These arrangements are detailed in the monitoring officer protocol, which currently forms appendix 9B of the council's constitution.
- The Council has appointed directors as deputy monitoring officers to cover a conflict of interest if the monitoring officer or NpLaw cannot advise.

12. Ensuring effective arrangements are in place for the discharge of the head of paid service function:

- The role of head of paid service is defined in the Local Government and Housing Act 1989. In Norwich City Council it is assigned to the chief executive as set out in appendix 8 of the constitution and all necessary powers are delegated to her to fulfil the statutory role. Article 12 of the constitution requires the head of paid service to determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers.
- The head of paid service, despite having all the necessary authority to take delegated staffing decisions, has chosen to exercise her discretion on a number of occasions and has reported to cabinet on changes to the senior management structure or on significant changes to the organisation's structure as an aid to transparency. These proposals are discussed at the corporate leadership team and proposed to cabinet. All cabinet papers are circulated to all members. The

council's senior management structure is set out in appendix 17 of the constitution and publicised on the council's web site.

- The council is also required to provide the head of paid service with staff, accommodation and other resources sufficient to enable the performance of the function. In Norwich City Council, the annual budget proposed to council by cabinet, prepared by officers, seeks to align the provision of council resources with the delivery of the corporate plan. In this manner, the head of paid service is ensuring that the council is fulfilling its duty. During the year, any proposals that are made to significantly alter the manner of service delivery, to reduce or enhance a service, sets out the staffing and resource implications for that proposal. This is standardised in committee report formats to ensure that all relevant matters are considered when proposals are made. All cabinet papers are subject to scrutiny.
- A review (or appraisal) of the chief executive's performance is undertaken each year. The process is managed by an independent individual and takes account of the views of the Leader, cabinet and each opposition leader about how the chief executive has discharged all of her functions in relation to the role. There are also informal opportunities throughout the year for the adequacy of the chief executives performance to be discussed e.g. at weekly leader meetings and monthly meetings of group leaders.

13. Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:

- The cross-party councillors' development group sets the strategic and policy direction for all aspects of councillor development which includes:
    - promoting the development of members
    - developing, monitoring and evaluating the councillors training and development programme
- A full programme of training and development has been agreed by the group including a monthly schedule of both training sessions and briefings.
- Managers have a portfolio of learning and development available to them which is designed to develop their skills and to support achievement of the organisation's priorities. The Changing PACE values provide the overarching framework for development and include behaviours expected from all employees. There is an employee performance review which provides individual and team objectives and through which learning and development needs for all employees and managers are identified. A corporate learning and development plan is created to support employees in line with current and future needs.

14. Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability:

- The council has a risk management policy and a risk management strategy, which have been approved by cabinet and are published to the council website.

- The council's corporate risk register is the result of continued review by managers, corporate leadership team and audit committee of the key risks that may have an impact on achieving the council's objectives. Each risk shows the owner and the key controls in place to minimise any impact on the council and its provision of services to stakeholders. Individual projects and partnerships are also subject to risk assessments.
- The risk management charter was considered by Audit Committee on 12 March 2019 and by Cabinet on 6 February 2019. The council's risk management policy was updated, approved by Cabinet in January 2017 and will be updated in 2019/20 in line with the risk management charter.
- Service risks are included in service plans and are reviewed by departmental management teams. Any risks that are considered to be of a corporate nature are escalated to the corporate leadership team for possible inclusion in the corporate risk register.
- The council has a corporate business continuity plan for the effective management of business continuity issues, in order to ensure the continued delivery of services. Both business continuity and the management of major contracts are included in the corporate risk register. A business continuity policy and framework was approved by Cabinet on 25 June 2014.

15. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014):

- The council has recently reviewed its counter fraud arrangements, reflecting professional guidance and good practice, and has published revised anti-fraud and corruption, whistleblowing and anti-money laundering policies.
- The policies are promoted to employees, and are available on both the intranet and website. Employees are required to confirm that they have read these.
- For the public there is also a complaints procedure which can be accessed via the council website, plus an online form for reporting all types of suspected fraud.
- Under the partnership and delegation agreement, in 2018-19 LGSS provided a dedicated fraud team to investigate all alleged frauds perpetrated against the council. The team includes a qualified financial investigator who has the power to initiate recovery proceedings under the Proceeds of Crime Act.
- For the year 2018-19 the Internal Audit team has received one referral as part of the Whistleblowing Policy.
- The council fully participates in the Cabinet Office's regular national fraud initiatives (NFI) and regularly reports the results to audit committee.

16. Ensuring an effective scrutiny function is in place:

- The council's scrutiny committee through its work programme regularly carries out work that involves reviewing the performance and effectiveness of other public service providers as well as the council. A member of the council's scrutiny committee is a member of the Norfolk health scrutiny committee and provides regular updates on their work to the council's scrutiny committee.

- A member of the council is also a member of the Norfolk Health and Wellbeing Board and inputs into the progression of the Norfolk Health and Wellbeing Strategy.
- A member of the council is also a member of the police and crime panel, and a member of the council's scrutiny committee is a member of the Norfolk community safety partnership scrutiny panel to provide regular updates on their work to the council's scrutiny committee. The council's chief executive also chairs the Norfolk Community Safety Partnership.

17. Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact:

- In line with the partnership and delegation agreement, the internal audit for 2018-19 was provided by LGSS internal audit and is led by a professionally qualified head of internal audit in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations, Public Sector Internal Audit Standards and the Local Government Application Note.

18. Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013):

- The council has an audit committee with terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference were reviewed in October 2017 in line with the latest CIPFA guidance and can be found in article 17 of the council's constitution.

19. Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations:

- The council provides support and information to the externally appointed auditors (Ernst & Young). Audit findings and recommendations are reported through the Audit Committee.

20. Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures:

- The council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value.
- All key partnerships have been identified and are included in the partnership register. A corporate governance framework and toolkit has been developed for use by all key partnerships, to ensure that effective governance and risk management arrangements are in place.
- The governance arrangements for key partnerships are kept under review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships

- Norwich Regeneration Limited (NRL) has a board consisting of two councillors, and three officers of the council. The board combines a broad range of experience including finance, business case development, procurement, risk management as well as general management. The company appointed a full time Managing Director in 2018 who has significant commercial house building experience. NpLaw provide company secretary support to the board. The board is provided additional expertise from various people including officers of the council, a financial advisor, a project manager, estate agents, architects and legal. The board has put in place a scheme of delegation to allow day to day decisions to be taken without the need for a full board meeting but major decisions are reserved for the board. NRL is taking a phased approach to development and houses are being sold from its first development and NRL is now taking on further developments. NRL has a business plan in place which goes through rigorous scrutiny requiring the approval of The Council as shareholder as well as the NRL board. Risks are managed at a company level through the business plan and board meetings while project risks are managed through the project process for each project.

5. Review of effectiveness

5.1 Norwich City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the directors within the council who have responsibility for the development and maintenance of the governance environment, the LGSS Chief Internal Auditors annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

5.2 The following is a brief description of the roles and processes that have been applied in evaluating the effectiveness of the governance framework:

1. The council and cabinet

- In February 2015 the council approved the new corporate plan 2015-2020, which is reviewed each year in line with the medium term financial strategy and in parallel to the development of the budget for the following year to ensure the necessary resources are in place for its delivery. This was updated in 2017, with changes to the key performance measures, which had been agreed by cabinet and the scrutiny committee. The council will continue to engage with stakeholders to inform the setting of corporate priorities beyond 2018-19, reflecting the changing landscape of local government finance and emerging opportunities and challenges for Norwich.
- The council approves medium term financial plans for the general fund and housing revenue account along with capital, investment and treasury management strategies. These provide the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.
- During 2018-19 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council's savings requirements.
- Section 151 of the Local Government Act 1972 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. Council considered and delegated the decision to appoint a S151 & Chief Finance Officer to the Chief Executive and the Leader.
- Council considered the appointment of Independent Persons for the Council as per the standards framework to be compliant with the Localism act 2011.
- Following the decision made at full council, the Cabinet resolved to not participate in the Norfolk and Suffolk devolution agreement, with the process to establish an elected mayor and combined authority for the East Anglia region.
- Cabinet approved key strategies and policies such as the Procurement Strategy 2016-2020, and the Risk Management Policy. Cabinet approved that all appropriate mitigation had been taken for risks which exceeded the Councils risk appetite.

- Cabinet approved business plans, including joint ventures for NPS Norwich Limited, Norwich Norse Building Limited and Norwich Norse Environmental Limited, plus Norwich Regeneration Ltd and the Norwich and Homes and Communities Agency (HCA) strategic partnership.
- Quarterly performance monitoring reports are presented to scrutiny committee and cabinet – cabinet also receives budget monitoring reports. Performance monitoring reports during 2018-19 covered achievement against the council's detailed priority actions and performance measures detailed in the corporate plan 2015-20.
- The council's constitution working party recommends to cabinet and council any changes to the constitution.

2. The scrutiny committee

- The overview and scrutiny function is exercised by the scrutiny committee. Procedure rules and terms of reference include the general remit to maintain an overview of the discharge of the council's executive functions and the right to review council policies. Reviews also include delivery of the corporate plan, through performance reports.
- The statutory annual report on the work of scrutiny committee in 2017-18 was presented to scrutiny committee on 22 March 2018 and was presented to Council on 26 June 2018.

3. The audit committee

- The council has an audit committee with terms of reference which cover internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts.
- The committee receives reports on corporate risks, the work of internal audit, including the LGSS head of internal audit's annual report, and external audit reports, letters and briefings. It also reviews and approves the annual governance statement.
- The Local Audit and Accountability Act 2014 introduced changes to the appointment process for external auditors. The committee reviewed options for appointing external auditors, and endorsed a recommendation to use PSAA Ltd, who was specified as the sector-led appointing body under the Local Audit (Appointing Person) Regulations 2015. This was recommended to cabinet and approved by full council.
- The committee reviewed counter fraud policies including anti-fraud and corruption, anti-money laundering, and whistleblowing. These were recommended and approved by cabinet.
- In line with good practice, the annual report on the work of the audit committee in 2017-18 was discussed by the audit committee on 12 June 2018 and presented to council on 26 June 2018.

4. The standards committee and monitoring officer

- The council has a standards committee with terms of reference to promote and maintain high standards of conduct by members and co-opted members of the council and to assist members and co-opted members to observe the council's code of conduct.
- The standards committee is supported by the monitoring officer, whose duties include the promotion of ethics and standards across the council, maintaining the constitution, and ensuring compliance with relevant laws, regulations and policies. The monitoring officer is a statutory appointment, and the current responsibilities of this role rest with the nominated officer from NpLaw.
- The monitoring officer's annual report supports the assurance statements included in the annual governance statement. It provides a review of the monitoring officer's work as part of the council's governance arrangements and system of internal control. The report covered the period up to 21 June 2018 and was presented to the Standards Committee on 3 July 2018. This concluded that the systems of internal control administered by the monitoring officer, including the code of corporate governance and the council's constitution, were adequate and effective during the period covered by this report for the purposes of the latest regulations.

5. Chief finance officer

- The chief finance officer is a statutory appointment, and during 2018-19 the responsibilities of this role were sourced through the agreement with LGSS. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council as member of the corporate leadership team, ensuring that expenditure is lawful and within resources, advising on systems of internal financial control, and supporting the audit committee.
- Under the partnership and delegation agreement the council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance. This is evidenced by the fact that the external auditors issued unqualified audit opinions on the financial statements and value for money conclusion each year from 2012-13 to 2017-18.

6. Internal audit

- The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Chief Internal Auditor to give an opinion on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.
- The Chief Internal Auditor's annual report will be presented to the Audit Committee on 11 June 2019. This report will outline the key findings of the audit work undertaken during 2018-19, including areas of significant weakness in the internal control environment.
- From the audit reviews undertaken during 2018-19, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a

major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to audit committee.

- It is the opinion of the Chief Internal Auditor that, taking into account all available evidence, good assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2018-19, and this remains at a similar level from 2017-18. At the time of writing the report the opinion excludes the review of payroll due to resources in the HR team however, it is not anticipated that any substantial areas of weaknesses will be identified. The detail to support this assessment will be provided in the Annual Internal Audit Report

7. Corporate governance group

- This is an internal officer group meeting every four months, which is chaired by the director of business services, and is responsible for reviewing all aspects of the council's governance arrangements. Other members of the group are the chief finance officer, monitoring officer, head of HR and learning, director of neighbourhoods and LGSS principal auditor.

8. Other explicit review / assurance mechanisms

External audit

- Under the government's local public audit regime the Audit Commission awarded contracts for work previously carried out by the Commission's own audit practice. As a result Ernst & Young (now EY) became the appointed external auditor from 1 September 2012.
- EY's audit results report (ISA260) for 2017-18 was presented to audit committee on 24 July 2018. The annual audit letter 2017-18 was presented to audit committee on 16 October 2018. The annual report on the certification of claims and returns 2017-18 was presented to audit committee on 12 March 2019.
- For 2017-18 EY issued unqualified audit opinions on the financial statements, value for money conclusion and whole of government accounts. There were no significant risks identified other than the ongoing control weaknesses (e.g. regarding property, plant and equipment accounting records on the fixed assets register) which have previously been reported to audit committee and which will be improved once the new finance system has been implemented in July 2019.

Improvement and efficiency.

- The council has been on a significant journey of improvement over recent years which has been recognised by a number of awards including:
  - The Gold award for "Delivering through efficiency" in the iESE improvement and efficiency awards 2013.

- Highly commended in the Local Government Chronicle awards 2013 where we came second in the Most Improved Council of the Year category.
- Gold award for overall “Council of the Year” in the iESE improvement and efficiency awards 2014.
- Local Government Chronicle Award for “Most Improved Council” 2014.
- Selected as a finalist in the MJ Local Government Achievement Awards 2015, for ‘Best Achieving Council’.
- The council was also selected as a finalist in the Local Government Chronicle ‘Council of the Year’ award 2016.
- In addition, during 2015, iESE undertook a corporate health check of the council, and a review of efficiency was undertaken by Newton Europe, both with positive results
- Achieved silver standard status for the Council’s Home Options service by the peer led, National Practitioner Support Service
- The city council is shortlisted for a top accolade in next year’s LGC Awards for the housing development on Goldsmith Street

6. Governance issues and actions

- We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- The following is an outline of the significant issues arising from the review of effectiveness and the actions taken or proposed to deal with them (committee reports where mentioned, and minutes, can be found at www.norwich.gov.uk).

External auditors annual letter 2017-18

- EY's annual audit letter was presented to audit committee on 16 October 2018. EY issued an unqualified audit opinion on the council's financial statements, and an unqualified value for money conclusion, which is a positive report for the Council.
- Some significant risks were highlighted in the financial statements audit: the risk of fraud in revenue and expenditure recognition; and the risk of management override to perpetrate fraud. In these cases, following review and testing, EY did not identify any material misstatements.
- The value for money conclusion was unqualified, but EY highlighted the significant financial challenges facing the council in the next three to four years. The main areas of uncertainty are future levels of business rates income, new homes bonus and government funding.

Emerging legislation

- The Licensing of Houses in Multiple Occupation (Prescribed Description) (England) Order 2018.
- The Information Commissioner has confirmed that the United Kingdom will be adopting the EU General Data Protection Regulations which will apply from 25th May 2018. This will replace the existing Data Protection Act. It is anticipated that there will be new requirements for the Council to consider and adopt to maintain compliant with the law. The Council already has a positive track record in information governance and will monitor and respond to developments in the legislation as the guidance is published by the Information Commissioner and the European Article 29 Working Party.

7. Conclusion

Based on the work that has been completed, assurance can be taken that the governance arrangements at Norwich City Council are fit for purpose.

Norwich City Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements. Implementation of these actions will be monitored through the next annual review.

8. Statement by Leader of the Council and Chief Executive

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders.

We propose over the coming year to continually address any issues arising that need addressing in order to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation not only as part of our next annual review, but also continuously throughout the year.

Signed:

......…………………………….	………………………………..
Alan Waters	Laura McGillivray
Leader of the Council	Chief Executive
Date:	Date:

Report to	Audit committee	**Item**
	11 June 2019	8
Report of	Chief finance officer (Section 151 Officer)	
Subject	Statement of Accounts 2018-19	

Purpose

This report presents the formal unaudited draft Statement of Accounts, authorised by the deputy S.151 officer on 31 May 2019.

Recommendation

To review the draft Statement of Accounts 2018-19.

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 Kendrick - Resources

Contact officers

Karen Watling – chief finance officer	01603 212440
Hannah Simpson – strategic finance business partner	01603 212561

Background documents

None

Report

Background

1. The unaudited draft statement of accounts was authorised by the Deputy S.151 Officer in the absence of the Chief Finance Officer (CFO) on 31 May 2019. There is no requirement for the Committee to approve the draft financial statements however the unaudited accounts are presented to the Audit Committee for review.

2. The unaudited Statement of Accounts can be accessed on the council website.

Statement of Accounts

3. The statement of accounts is attached at Appendix 1. Its format is required to follow the Code of Practice 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. Group Accounts have been prepared which consolidate in the financial performance and position of the council's wholly-owned subsidiary Norwich Regeneration Limited.

5. The narrative report is included within the Statement of Accounts. The report provides the reader with:

   - an understanding of the council, its strategic priorities, and the local and national context in which it operates;
   - an overview of the council's medium term financial plans, future outlook, and key risks going forwards;
   - a summary of the council's financial performance for 2018/19 along with information on how well the council delivered its key priorities during the year; and
   - a guide to the key features of the primary statements and notes that make up the financial statements.

6. Section 9 of the narrative report details each of the primary financial statements and provides explanations of the key figures and movements.

New Accounting Standards

7. There have been two key changes to the accounting standards in 2018-19: IFRS 9: Financial Instruments and IFRS 15: Revenue from contracts with Service Recipients. The key impacts for the council's accounts are detailed below.

IFRS 9: Financial Instruments

8. The changes being implemented to IFRS 9 are largely a reaction to the global financial crisis and aim to provide greater transparency on gains and losses arising on financial assets and greater pessimism about potential credit losses.

9. The council's shareholding in Norwich Airport Ltd and the two Legislator companies has historically been held in the accounts at cost; under the new standard this must be held at fair value (market value). These valuations were undertaken by independent professionals. As these are equity instruments which are not held for trading purposes, we have taken the option under the Code to irrevocably designate as 'fair value through other comprehensive income'; thereby deferring any gains/losses until the investment matures or is sold. The movements in fair value have been taken to a new unusable Financial Instrument Revaluation Reserve.

10. The Code permits equity investments in subsidiaries to be excluded from the IFRS 9 requirements where they are fully consolidated into the group financial statements, as they are covered by more specific provisions about their recognition, measurement and disclosure. The equity shareholding in NRL has therefore continued to be held at cost and the company's results fully consolidated into the Group Accounts.

11. There is a requirement to adopt an expected credit losses model, requiring the council to assess the value of possible default events over the expected life of all financial assets. The high credit quality adopted by the council for its investment counterparties mean there is a highly immaterial expected credit loss position.

12. Loans to the council's wholly-owned subsidiary Norwich Regeneration Ltd have been assessed. The lending from the council is on the basis of an approved company Business Plan and financial model, with additional security on the loan in the form of the company's assets (housing). On this basis we have assessed that no impairment of the loan is required.

13. Decent Homes Loans balances have also been reviewed and the impairment level increased to reflect the limited security on the loan and repayment trends. As these are capital loans the expected losses taken through the income & expenditure statement and reversed out through the capital adjustment account.

14. Note 18 reports all the council's Financial Instruments and includes the increased disclosures required under the new standard.

IFRS 15: Revenue from contracts with Service Recipients

15. The standard introduces a five step approach to identify contracts and the performance obligations and has been revised to help to clarify and harmonise the treatment relating to revenue recognition.

16. A review has been undertaken of all the council's material income streams. The review has not identified any income streams where the accounting treatment needs to be amended in light of the implementation of IFRS 15.

Statement of accounts

for the year ending 31 March 2019

NORWICH City Council

Contents

Narrative Report

1. Introduction

Effective planning, management and scrutiny of the use of public funds are a key part of a local authority's responsibilities. The financial statements (commonly known as the accounts) are a vital part of the accountability framework, as they demonstrate how much money was spent and for what purpose, and how cash needs were met. They also record assets used, and liabilities incurred, in delivering services.

However, local authority financial statements are complex and can be difficult to understand: they must comply with the Chartered Institute of Public Finance & Accountancy's (CIPFA) "Code of Practice on Local Authority Accounting in the United Kingdom 2018/19", which is based on International Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.

This narrative report provides the reader with:

- An understanding of the council, its strategic priorities, and the local and national context in which it operates.
- An overview of the council's medium term financial plans, future outlook, and key risks going forwards.
- A summary of the council's financial performance for 2018/19 along with information on how well the Council delivered its key priorities during the year.
- A guide to the key features of the primary statements and notes that make up the set of financial statements along with a pointer to the key figures.

The council is required to publish an Annual Governance Statement to accompany the Statement of Accounts. This sets out the arrangements the council has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The 2018/19 Annual Governance Statement can be found at: *https://www.norwich.gov.uk/downloads/download/1978/statement_of_accounts*

2. Norwich City Council

Norwich City Council is a district city council. It delivers services to the heart of the city, approximately 60% of the urban area, covering a population of some 140,353 (Source: 2017 midyear estimates, Office of National Statistics, March 2019). These services include:

• Housing services • Waste & recycling collections • Street cleansing • Car parking • Parks and open spaces • Cultural, tourism and leisure services	• Electoral Registration • Housing and Council Tax Benefits • Local Planning • Public protection services including licensing and environmental health

The council has 39 Councillors representing 13 Wards (three Councillors for each Ward), each serving a four year term.

The political make-up of the city council during the 2018/19 civic year was as follows:

- Labour 31 seats,
- Green Party 5, and
- Liberal Democrats 3.

Labour had a majority of the seats and therefore had overall control. The Cabinet for the 2018/19 civic year consisted of eight members of the Labour group including the Leader of the Council, as follows:

Portfolio	Councillor
Leader of the council	Councillor Alan Waters
Deputy leader and social housing	Councillor Gail Harris
Safe and sustainable city environment	Councillor Kevin Maguire
Social inclusion	Councillor Karen Davis
Safer, stronger neighbourhoods	Councillor Beth Jones
Resources	Councillor Paul Kendrick
Sustainable and inclusive growth	Councillor Mike Stonard
Health and wellbeing	Councillor Matthew Packer

The Council employs 548.75 full time equivalent (FTE) employees (as at 31 March 2019). The actual number of employees is 656 of whom 398 are full time and 258 are part-time employees.

The Council delivers some of its services in partnership with other organisations, the most significant of these being NPS Norwich Ltd (land and property management), Norwich Norse Environmental Ltd (street and other cleansing, grounds maintenance and tree work), Norwich Norse Building Ltd (housing and non-housing repairs and maintenance), CNC Building Control, LGSS (provision of finance, internal audit, insurance and IT services) and NPLaw (legal services). The council intends to insource the Norse and LGSS contracts back into council control. The LGSS transfer will take place in April 2020.

3. Strategic direction of the Council

The corporate plan 2015-2020 sets out the overall strategic direction of the council including its vision, priorities and values. This guides everything the council will do for the city and its residents and visitors for the period. A copy of the Corporate Plan can be downloaded by following: https://www.norwich.gov.uk/info/20277/performance_and_open_data/1859/corporate_plan

Our vision: overall this is what as a council we aim to achieve for the city and its citizens.

Our vision: to make Norwich a fine city for all.

Our mission: this is the fundamental purpose of the council – so basically what we are here for.

Our mission: to always put the city and its people first.

Our priorities: these are the key things we aim to focus on achieving for the city and its residents to realise our vision over the next five years.

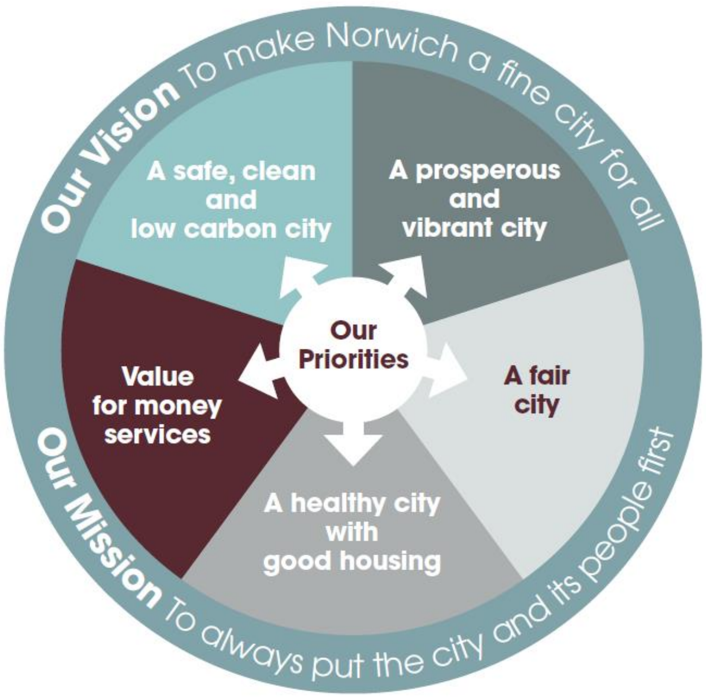
Our core values: these drive how we will all work and act as teams and employees of the council. Taken together, these summarise what we promise to do and be as a council for the city and its residents. Everything we ever do as an organisation, whether in teams or as individuals, will be done with our 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.



4. Local context

Norwich is a success story. It seamlessly combines the modern with the historic and is a vibrant city with a thriving economy and cultural scene. There is much to celebrate, but as with any city, it has some challenges. These issues include poor educational attainment and poor health. The severity of these varies considerably between different wards of the city.

Detailed statistical information about the city can be found in The State of Norwich report found at https://www.norwich.gov.uk/downloads/file/4172/state_of_norwich_2017

A new corporate plan covering 2019-2022 was approved by council on 26 February 2019.

This has been developed in the light of the wider city vision work, which was undertaken under the ‘Norwich 2040’ banner. This started with a significant piece of resident and stakeholder engagement during 2016/17 and 2017/18 to identify consensus about what the strengths and challenges of Norwich are. It then continued with analysis of the findings to shape a vision for Norwich in 2040 which provides a shared set of aspirations for Norwich.

The city vision is therefore the starting point for this new corporate plan. This has been combined with information and analysis including:

- Analysing information on levels of need in the city such as looking at demographics, economic, environmental and equalities data.
- Assessing the current environment the council operates in, including the national and local economic

climate and policy and legislation for local government.
- Understanding how other local authorities are responding to similar challenges.
- Looking at the potential future factors that may impact on Norwich and the council.
- Discussions with councillors and officers.
- Reflecting the Medium Term Financial Strategy and transformation programme which helps plan resource allocation.

Running alongside this is a review of the Council's whole operating model to make sure we are "Fit for the Future" and can deliver the services that our residents, visitors, businesses and partner organisations want and need, within the resources we have. This work has informed the new corporate plan for the Council for 2019/20 and onwards. The 'Fit for the Future' programme is continuing to take forward plans that will enable the council to better serve its city in challenging times, whilst also ensuring its financial sustainability.

5. National Context & Future Outlook

Norwich City Council is working in the context of the most challenging and uncertain financial times that local government has ever faced.

The financial year 2019/20 is the ninth year of austerity and government-imposed funding cuts. The city council has already made efficiency savings, including the generation of new income streams, of some £35.5m over these nine years and further gross savings/increased income of £1.9m is included in the 2019/20 general fund revenue budget.

2019/20 is also the last year of the four year financial settlement given by central government in 2016 and the last year of the current local government funding regime.
Local government is set to experience the most significant reform of its funding arrangements for over two decades. The Fair Funding review, reset of business rates baselines, and changes to the business rates retention system all have critical implications for the distribution of funding across local government. At the same time, the results of Spending Review 2019 will affect the total level of funding available to local government as a whole from April 2020.

Local authorities however still have no reliable basis on which to appropriately plan their budgets as it is unclear how much funding there will be from April 2020, how it will be distributed, and the means of delivery.

6. Medium Term Financial Plans and Risks

The latest general fund Medium Term Financial Strategy (MTFS), Housing Revenue Account (HRA) Business Plan, and capital, investment & treasury management strategies were approved by Council in February 2019 and can be found at this link: MTFS, HRA Business plan and 2018/19 Budgets.

General Fund

The council's General Fund (GF) revenue budget comprises the annual day-to-day costs and income of providing all of the council's services except social housing which is in a separate budget called the Housing Revenue Account (HRA).

The Medium Term Financial Strategy (MTFS) for the General Fund shows that forecast income is insufficient to fund forecast expenditure over the next five years.

This is a result of cost pressures, such as inflation and Pension Fund deficit contributions, growth in demand for services, and reducing grants from central government (in particular Revenue Support Grant (RSG) and New Homes Bonus).

General Fund MTFS 2020/21 to 2023/24

	2020/21	**2021/22**	**2022/23**	**2023/24**
Budget Requirement	20,831	23,155	25,467	27,568
Budget Resources	(15,714)	(16,183)	(16,665)	(17,163)
Budget Gap	**5,117**	**6,972**	**8,802**	**10,405**
Funding the budget gap:				
Cumulative gross savings needed	(2,565)	(5,130)	(7,695)	(10,260)
Planned use of reserves	(2,552)	(1,842)	(1,107)	(145)

Current forecasts, given the caveat that local government still does not know how intended changes to local government funding will impact on individual councils, show that a further £10.3m of gross savings will need to be found over the four year period from 2020/21. This quantum of savings represents 18% of the 2019/20 proposed gross expenditure budget (excluding the housing benefits budget which is funded via central government housing subsidy).

The council will plan to implement these savings in a controlled manner and by taking a strategic and medium-term rather than a short-term approach. It can do this because it has built-up significant general fund reserves in recent years, both purposefully and through in-year underspending of the approved budget. These will be used to partially fund the budget in a planned way over the next four financial years until the reserves are forecast to reach the minimum prudential level as recommended by the chief finance officer.

A key element of the council's proposals is to generate additional new net income from commercial activities, particularly through investing in commercial property and lending at commercial interest rates to the council's wholly owned company, Norwich Regeneration Limited, in order for the company to build new houses. This council, along with many other local authorities, invests in property in order to protect key front line services, using the net rental income streams generated to part-fund the loss in government grant over the last nine years. Full details are given in the commercial property investment strategy (see https://www.norwich.gov.uk/commercialstrategy).

Current savings and income generation plans, including the fit for the future programme, are thought at this initial stage, to be able to cover 30% to 40% of the medium term “budget gap”. It is almost inevitable therefore, given current forecasts that this council will need to cut or reduce general fund services in the medium term and move towards the provision of core statutory services only.

The council’s intention however is to protect all services currently provided for as long as possible whilst meeting the statutory need to set a balanced budget each year, maintaining financial stability over the medium term, and managing significant financial risks.

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) is a ring-fenced account, containing the costs arising from the provision and management of the council’s housing stock, offset by tenant rents, service charges and other HRA income.

The HRA does not face the same financial pressures as the council’s General Fund, although the account has lost significant income from the government’s enforced rent reduction enacted in the Welfare Reform and Work Act 2016 and there are potential risks to rental income streams arising from the roll out of Universal Credit and the continuing Right-to-Buy legislation.

The HRA is forecast to make a surplus of income over expenditure of £8.2m in 2019/20 and it is proposed to use £6m of this surplus to fund capital investment in the housing stock.

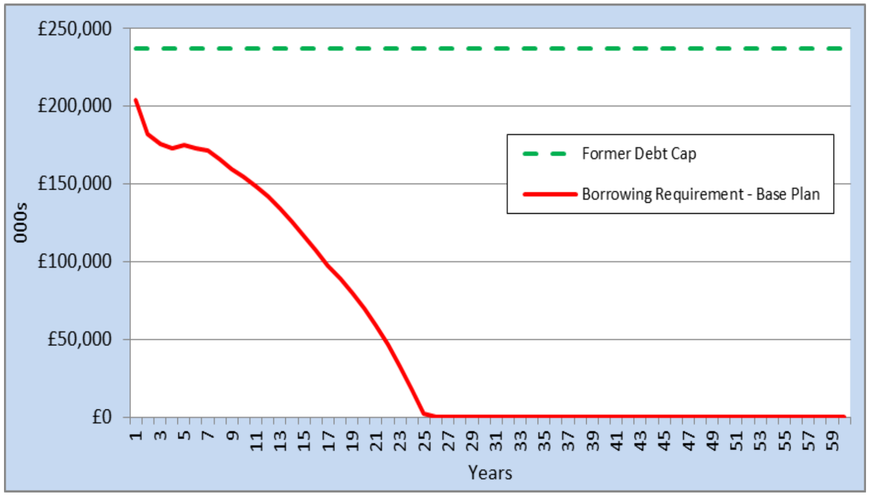
2019/20 is the last year of the enforced rent reduction and average HRA rents will reduce to £76.65 per week.

Longer term financial strategy for the HRA is based upon a 60 year business plan, which models the revenue costs of intended capital investment alongside other forecasts of revenue expenditure and income to determine the resultant surplus or deficit over the life of the plan.

The longer-term perspective is crucial to ensure that the service and its primary assets, the housing stock, are fit for purpose and that intended investments in the stock are affordable and sustainable for the whole of the plan.

The council is currently developing a strategy for the HRA which will help guide future investment decisions. The lifting of the HRA debt gap combined with the council’s long term business planning approach and recent experience of house building (either itself or through its company) mean that the council, through its HRA account, will seek to build more council homes in the city in the future. It has significant reserves that could be used for this purpose and the HRA Business Plan demonstrates significant “headroom” for the HRA to borrow whilst still ensuring the borrowing is prudent and affordable.

Ability to repay HRA borrowing



Capital Strategy

The council owns and maintains an extensive range of assets including commercial property, HRA dwellings, a market, heritage assets, walkways and paths and lighting columns. Major investment in these and in new assets is funded from the capital programme which in turn is resourced from the disposal of surplus assets, revenue budget contributions, grants, and external borrowing.

The council's capital programme for 2019/20 is £72.5m. In addition a further £148m of capital ambition projects may seek approval from council later in the year, subject to viable Business Cases.

Many of the capital ambition projects involve the council's wholly owned company building new homes for private sale and rental as well as affordable homes for sale to the council using the HRA account. These will deliver 587 new homes (of which 180 would be affordable homes).

Unlike the HRA, the general fund has insufficient capital resources to meet investment needs for the future. The existing maintenance backlog on the council's existing general fund assets is estimated at some £21m. Borrowing money to tackle this backlog is not an option for most of the properties requiring the expenditure, as the borrowing incurs financing costs that put extra costs onto the revenue budget whilst many of the improvements required will not generate any new income streams, or sufficient budget savings, to cover these costs. Capital grants are not often readily available for the work needing to be undertaken and capital receipts (income from asset assets), which have traditionally been used in the past to fund this type of expenditure, are reducing.

The council is proposing to undertake a comprehensive review of all of its non-HRA land and property assets to prioritise those that need investment, are not financially performing, or are surplus to service needs.

The council's overall financial position

The council has a strong balance sheet and owns some £1 billion of long term assets (mostly land and property). In addition, it has significant general reserves both for the general fund (£11.65m) and HRA (£30.9m) as at 31 March 2019.

CIPFA has produced financial stress indicators for the council which show that it is not currently "at risk" (further detail provided in the budget report).

The council's general fund services are under the most financial pressure, both for revenue and capital expenditure. The huge uncertainties surrounding the changes in the local government finance regime from 2020/21 hinder robust forward financial planning for the general fund.

Like many others, this council undertakes commercial activities which both contribute to its corporate priorities as well as generate new income streams to help fund front line services. These activities are classified as non-financial investments.

The investments proposed to be made are significant: in total just under £40m of expenditure is proposed in 2019/20 on commercial property investment, lending to third parties, and equity investments (the latter two primarily with Norwich Regeneration Limited).

9% of the General Fund's gross expenditure budget for 2019/20 will be funded from commercial income although a significant amount of the anticipated new income is prudently not taken into the MTFS budget until it is realised and some is set aside in earmarked reserves to mitigate against the risks associated with these commercial activities.

The funding of non-financial investments along with the proposed capital programme and capital ambition projects will significantly increase the council's capital funding requirement (its indebtedness or underlying need to borrow). If projects and programmes proceed to plan, then the capital financing requirement will increase by £129m from 2018/19 to 2022/23, a 49% increase. The indebtedness compared to the value of the council's assets (gearing ratio) increases from 2% in 2018/19 to 11% in 2022/23.

The council currently has £50.199m of cash & short term investment holdings and will therefore need to borrow externally at some point to fund the capital financing requirement. The strategy for switching from internal to external borrowing is set out in the Capital Strategy approved by Council in February 2019.

The council's policy for using borrowing as a means of funding capital expenditure is also described in the Capital Strategy. Essentially the council will only borrow money (increase its capital financing requirement) in cases where there is a clear financial benefit, such as a new income stream or budget saving, that, at the very least, will fund the costs arising from the borrowing (interest and MRP (Minimum Revenue Provision) costs).

The overall proposed direction of travel means more focus is being given to enhanced options appraisal, Business Case preparation, financial modelling, and commercial awareness so that robust decisions can be made. Recent appointments have significantly increased the council's skills and capacity in this regard (in the transformation and strategy team, in LGSS Finance, and in Norwich Regeneration Limited). The council regularly appoints external specialists to assist in many of its commercial activities (particularly independent experts in property, tax, treasury management and financial modelling) and it plans to enhance its capacity to deliver the capital ambition plan through the restructuring of its property functions as part of the fit for the future programme.

Financial Risks

Financially the Council faces a large number of challenges in the coming years. The 2019/20 Budget Report identified the key financial risks facing the Council, as follows:

- **Medium term financial uncertainty:** Given the lack of clarity on future local government funding post March 2020 it is currently not possible to undertake meaningful and robust medium term financial planning for the financial year 2020/21 and onwards.

- **Scale of general fund budget savings required over the medium term**: The proposals show a need, based on current financial planning assumptions, for the council to achieve gross savings totalling £10.3m over the 4 year period 2020/21 to 2023/24. Current savings and income generation plans, including the fit for the future programme, are thought at this initial stage, to be able to cover 30% to 40% of the medium term “budget gap”.

- **Brexit and the potential impact on the economy**: At the moment there is uncertainty surrounding the manner in which the UK may leave the European Union. The key risks to this council would arise if Brexit triggers a recession in the national economy.

- This scenario could have adverse impacts on the council’s income budgets ranging from council tax payments, Business Rates, car parking fees, and rental income from commercial property investments.

- In addition, any long term decrease in private house sales and prices would be financially challenging for the council’s wholly owned subsidiary, Norwich Regeneration Limited, and to the financial viability and hence successful delivery of many of the projects contained within the council’s capital ambition plan.

- **An increase in interest rates:** The council‘s underlying need to borrow will increase over the medium term financial period and the council will need to enter into new external borrowing to fund its capital ambition plan and non-financial investments. An interest rate rise could both (a) make a commercial investment financial unviable and (b) could increase the cost of servicing the debt to the revenue budget.

- **Business Rates income**: This is a highly volatile source of revenue and various factors, including business closures, successful appeals against rateable values, changes in property usage from office/industrial to residential, and changes to the health of the local and national economy can cause reductions in business rate revenue. Norwich City Council currently collects some £80m of business rates income and is expected to retain some £6.8m in 2019/20.

- **Increasing reliance on commercial income:** The council’s General Fund revenue budget contains some £4.8m of rental income from investment properties as well as £0.6m generated by lending to Norwich Regeneration Limited. This income currently funds 9% of the General Fund gross revenue budget and this proportion will increase over the medium term.

- **Legislative changes resulting in a curtailment of local government’s ability to undertake commercial investments:** CIPFA issued a statement to local government (18 October 2018) stating that it intends to issue more guidance in the near future on commercial property investment. To-date this has not yet been published.

7. Performance against our priorities

To help us improve and demonstrate progress, we use a performance management framework. This helps us to:

- Focus on the council priorities set up in the corporate plan
- Set targets aimed at improving services and measure progress
- Be accountable to our residents

For further information on the Council's performance, please click https://norwichperformance.inphase.com/ for the Citizen's Portal which highlights the Council's performance for each performance indicator. The performance for the financial year 2018/19 is shown in summary form in the pages that follow. (Green-means Succeeding, Amber- on track, and Red- needs improvement)**.**

SAFE, CLEAN AND LOW CARBON CITY

We want to ensure that Norwich is safe and clean for all citizens and visitors to enjoy and that we create a sustainable city where the needs of today can be met without compromising the ability of future citizens to meet their own needs.

- The council is at the forefront of building new homes to the highest of environmental standards, known as Passivhaus. Our Goldsmith Street development of 93 social houses is one of the largest collections of Passivhaus currently under construction in the UK.
- Our residents continue to express high levels of satisfaction with the quality of our parks, further improvements will be sought in order to achieve the challenging performance target
- The Local Area Survey perception indicators have enhanced our understanding of the issues around satisfaction with the local environment and feeling safe.

Measure		Actual	Target	RAG
SCL13 % change in the number of cyclists counted at automatic count sites	18-19	TBC	5.0	-
	17-18	*	5.0	-
SCL06 % of residential homes on a 20mph street	18-19	42.0	50.0	◆
	17-18	44.4	45.0	▲
SCL12 % of people satisfied with their local environment	18-19	67.9	75.0	◆
	17-18	67.9	80.0	◆
SCL11 % of people satisfied with parks & open spaces (Q)	18-19	73.2	85.0	◆
	17-18	78.7	85.0	◆
SCL01 % of streets found clean on inspection	18-19	84.9	88.0	▲
	17-18	87.3	89.5	▲
SCL04 Residual household waste per household (Kg)	18-19	383.8	375.0	▲
	17-18	397.4	380.3	▲
SCL08 % of adults cycling at least 3x per week for utility purposes	18-19	13.0	16.0	▲
	17-18	12.0	14.0	◆
SCL03 % of people feeling safe	18-19	60.5	60.0	●
	17-18	60.2	78.0	◆
SCL02 % of people satisfied with waste collection	18-19	82.7	85.0	●
	17-18	82.7	85.0	▲
SCL05 % of food businesses achieving safety compliance	18-19	96.0	90.0	●
	17-18	95.9	90.0	●
SCL09 % reduction CO2 emissions for the local area	18-19	2.9	2.4	●
	17-18	4.4	2.4	●
SCL10 % reduction CO2 emissions from local authority operations	18-19	11.6	2.2	●
	17-18	14.6	2.2	●
SCL07 Number of accident casualties on Norwich roads	18-19	399	400	●
	17-18	365	400	●

* The automatic counter sites have picked up erroneous data and therefore accurate data is not available for this indicator.

PROSPEROUS AND VIBRANT CITY

We want Norwich to be a prosperous and vibrant city in which businesses want to invest and where everyone has access to economic, leisure and cultural opportunities.

- Success with PVC07 has seen two buildings removed from the at risk register as a result of the Council's intervention.
- We continue to build on the positive partnerships which support our programme of free events and work well with the creative sector to help the city's unique cultural offer to thrive.

Measure		Actual	Target	RAG
PVC09 Amount of visitors at council run events	18-19	TBC	85,200	-
	17-18	98,945	85,200	●
PVC8 % of people satisfied with leisure and cultural facilities	18-19	98.0	95.0	●
	17-18	85.0	95.0	◆
PVC03 Amount of funding secured by the council for regeneration activity (4 year rolling average)	18-19	£2,872	£2,000	●
	17-18	£6,051	£2,000	●
PVC1 Number of new jobs created/ supported by council funded activity	18-19	491	300	●
	17-18	327	300	●
PVC6 Planning service quality measure	18-19	88.0	83.0	●
	17-18	90.0	83.0	●
PVC2 Delivery of the council's capital programme	18-19	87.0	80.0	●
	17-18	81.0	80.0	●
PVC07 No. of priority buildings on the 'at risk register' saved from decay by council interventions	18-19	2	1	●
	17-18	1	1	●

FAIR CITY

We want Norwich to be a fair city where people are not socially, financially or digitally excluded and inequalities are reduced as much as possible.

- The number of Living Wage employers in the city is increasing. We continue to demonstrate our commitment to this by paying all our staff, and the staff of our contractors who provide services in Norwich, the 'real' Living Wage.

- Work has been ongoing to incorporate learning from the inequalities programme into the ongoing transformation of the Council, which includes the creation of a Reducing Inequalities framework.

Measure		Actual	Target	RAG
FAC02 % of people who felt their wellbeing had been improved following receiving advice	18-19	TBC	86.0	-
	17-18	65.0	86.0	◆
FAC4 Timely processing of benefits %	18-19	93.0	100.0	△
	17-18	100.0	100.0	●
FAC06 % of comm. org. who pay the living wage for services delivered on behalf of NCC	18-19	90.0	100.0	△
	17-18	97.0	100.0	●
FAC1 Delivery of the reducing inequalities action plan %	18-19	100.0	100.0	●
	17-18	100.0	100.0	●
FAC3 Delivery of the digital inclusion action plan %	18-19	100.0	100.0	●
	17-18	100.0	100.0	●
FAC5 No of private sector homes where council activity improved energy efficiency (YTD)	18-19	414	165	●
	17-18	800	165	●

HEALTHY CITY WITH GOOD HOUSING

We want to ensure that people in Norwich are healthy and have access to appropriate and good quality housing.

- HCH04 is below target because of delays in affordable homes being built on a number of sites. These are expected to be built in Q1 2019/20.
- We continue to contribute to the health of residents by working in partnership with our colleagues in the Healthy Norwich Partnership.
- We continue to support people through the Homes Improvement Agency to maintain independent living.

Measure		Actual	Target	RAG
HCH04 Affordable Homes measure	18-19	248	350	◆
	17-18	117	200	◆
HCH03 No of empty homes brought back into use	18-19	1	20	◆
	17-18	45	20	●
HCH8 % of tenants satisfied with the housing service	18-19	81.0	83.0	△
	17-18	84.0	83.0	●
HCH1 Delivery of the Healthy Norwich action plan %	18-19	100.0	100.0	●
	17-18	95.0	100.0	△
HCH2 Relet times for council housing (days)	18-19	15	16	●
	17-18	17	16	△
HCH5 Preventing homelessness %	18-19	84.8	60.0	●
	17-18	67.5	60.0	●
HCH6 % of people who feel that the work of the HIA has enabled them to maintain independent living	18-19	100	90	●
	17-18	95	90	●
HCH7 % of council properties meeting Norwich standard	18-19	98.6	97.0	●
	17-18	97.9	97.0	●
HCH9 No of private sector homes made safe	18-19	109	100	●
	17-18	102	100	●

TO PROVIDE VALUE FOR MONEY SERVICES

The council is committed to ensuring the provision of efficient, effective and quality public services to residents and visitors. Whilst we will continue to face considerable savings targets over the next five years, we will continue to protect and improve those services our citizens' value most as much as we possibly can.

- We achieved new net income streams to help replace government cuts in funding by acquiring commercial property and investing in our company Norwich Regeneration Limited.
- The council has committed to putting services online where possible, to allow people to transact with us 24/7, while importantly continuing to supporting those who face digital exclusion.
- Information from public surveys regarding customer contact have been used to further improve the service.

Measure		Actual	Target	RAG
VFM8 % of customers satisfied with the opportunities to engage with the council	18-19	45.0	54.0	
	17-18	44.0	54.0	
VFM5 Channel shift measure %	18-19	22.3	20.0	
	17-18	17.1	19.4	
VFM02 Council achieves savings target	18-19	KPI removed		-
	17-18	£2.1m	£0	
VFM1 % of residents satisfied with the service they received from the council	18-19	76.5	79.5	
	17-18	75.3	75.0	
VFM4 Avoidable contact levels %	18-19	30.1	35.0	
	17-18	33.4	35.0	
VFM6 % of income owed to the council collected	18-19	KPI removed		-
	17-18	96.7	95.0	
VFM7 % of income generated by the council compared to expenditure	18-19	KPI removed		
	17-18	51.8	45.2	
VFM9 Delivery of local democracy engagement plan	18-19	KPI removed		-
	17-18	2	2	
VFM10 Council on track to remain within General Fund budget (£000's)	18-19	-£2,972	£250	
	17-18	N/A		-

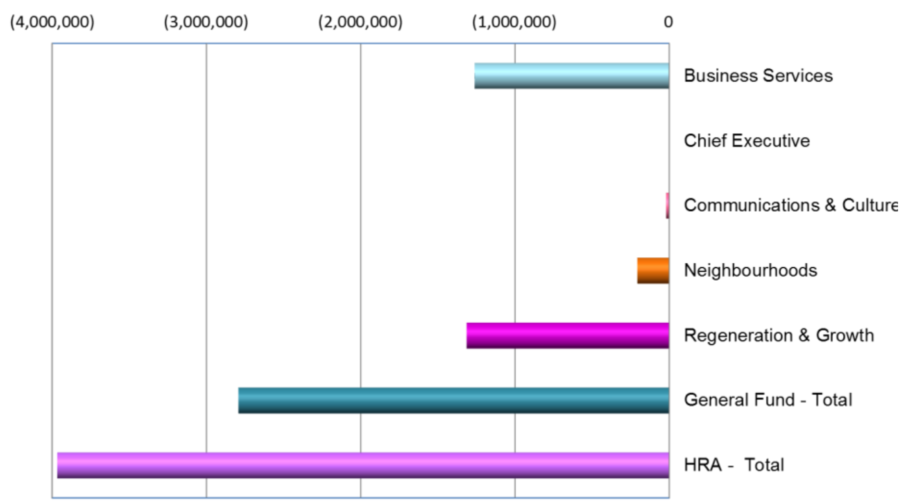
8. 2018/19 Financial Performance

Revenue Expenditure

2018/19 actual against budget for each service area

Cost of Services	Budget £000	Actual £000	Variance £000
Business Services	(14,980)	(16,242)	(1,262)
Chief Executive	204	214	9
Communications & Culture	2,162	2,141	(20)
Regeneration & Growth	62	(1,251)	(1,313)
Neighbourhoods	12,553	12,346	(206)
Housing Revenue Account	0	(3,966)	(3,966)
Net revenue expenditure	**0**	**(6,758)**	**(6,758)**

2018/19 underspends (£000) for each service area



2018/19 General Fund outturn

General Fund	Budget £000	Actual £000	Variance £000
Expenditure	154,235	154,779	543
Income	(55,111)	(55,325)	(214)
Grants and subsidies	(99,125)	(102,245)	(3,121)
Total in year variance	**0**	**(2,792)**	**(2,792)**
Budgeted reserves used in year			1,504
Transfer 2017/18 underspend to invest to save			1,614
Transfer to commercial property earmarked reserve			935
Transfer to NRL earmarked reserve			243
Total movement in GF reserve (as shown in the EFA & the movement in reserves statement)			**1,504**

The final outturn for the General Fund is a surplus of £2.8m which represents 1.8% of the gross expenditure budget reflecting sound financial management and good budgetary control.

Detailed information on how service areas performed against budget in 2018/19 is provided in the outturn report to Cabinet on 12 June 2019.

Significant key variances are as follows:

- £0.9m underspend on budgeted external borrowing costs relating to commercial property acquisitions and lending to the Council's wholly owned subsidiary Norwich Regeneration Ltd. This expenditure has been funded in the short term from internal cash resources, with the expectation that external borrowing will be required in the short to medium term.
- £0.5m unrequired corporate contingency budget

- £0.4m underspend on employee costs as a result of staff turnover during the year.
- £0.3m additional income from car parking.
- £0.2m additional rental income from new commercial property purchases; this reflects the early delivery of some of the 2019/20 additional income target.
- £0.2m additional housing benefit new burdens grant income; this was confirmed after budgets were set.
- £0.2m underspend on building repair costs; this will be earmarked to address asset maintenance requirements in 2019/20.

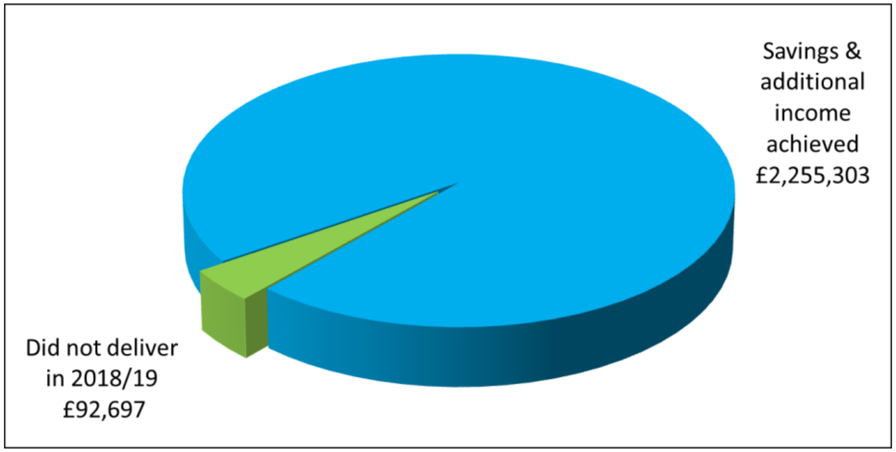
The Council continues to conduct regular analysis of budget outturns and where there are consistent underspends assessment is made of whether budgets can be reduced.

The underspends relating to new commercial property acquisitions have been transferred into the Council's Commercial Property earmarked reserve. This was established to reduce the risks associated with holding commercial property by providing funding for any future void and rent free periods as well as repairs and upgrades to the investment property portfolio. Building up this reserve is a key element of the risk management strategy associated with increased commercial activity.

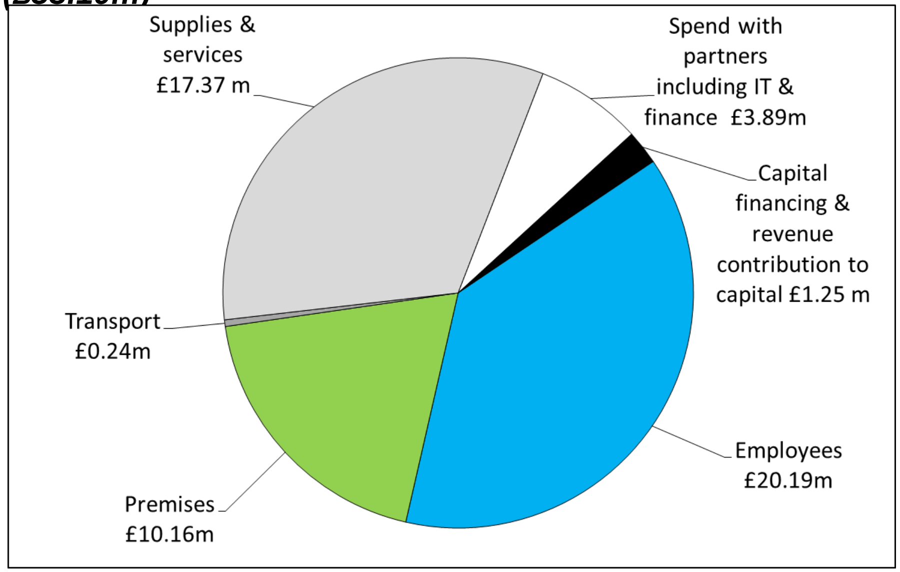
2018/19 General Fund Savings achieved

The 2018/19 budget included a target of £2.348m of budget savings or increased income. 96% of the target had been delivered by year end. The undelivered element was more than met by unbudgeted savings and additional income as mentioned in the previous paragraph. This successful delivery reflects the approach taken of only building adequately planned and robust savings into the budget.

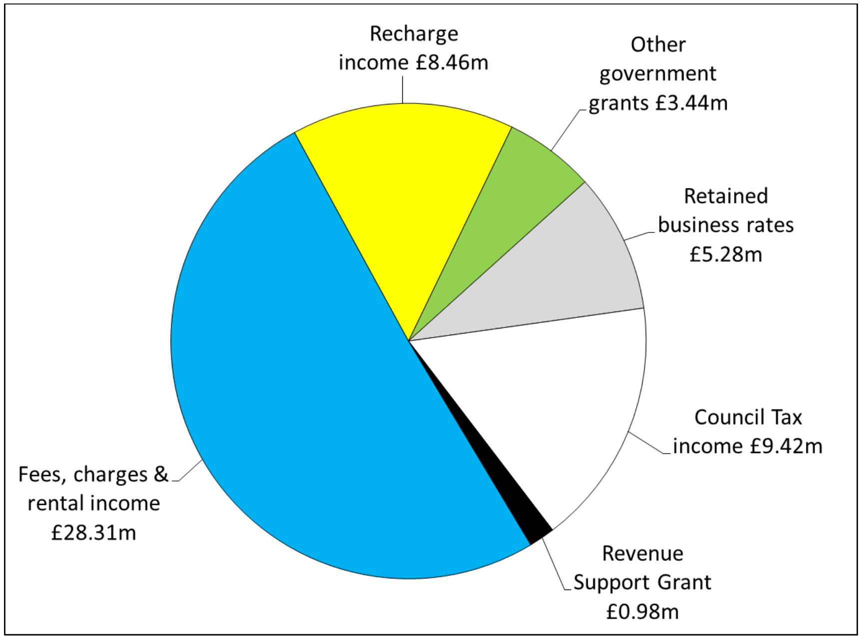
The following pie charts show how the money was spent (excluding housing benefit payments) and where the money came from in 2018/19.



General Fund – how the money was spent in 2018/19 (£53.10m)



General Fund - where the money came from in 2018/19 (£55.89m)



2018/19 Housing Revenue Account outturn

Housing Revenue Account (HRA)	Budget £000	Actual £000	Variance £000
Expenditure	69,039	64,697	(4,342)
Receipts	(69,039)	(68,663)	376
Total in year variance	**0**	**(3,966)**	**(3,966)**
Budgeted reserves used in year			2,550
Transfer to invest to save			1,000
Total movement in HRA reserve (as shown in the EFA & the movement in reserves statement)			**(416)**

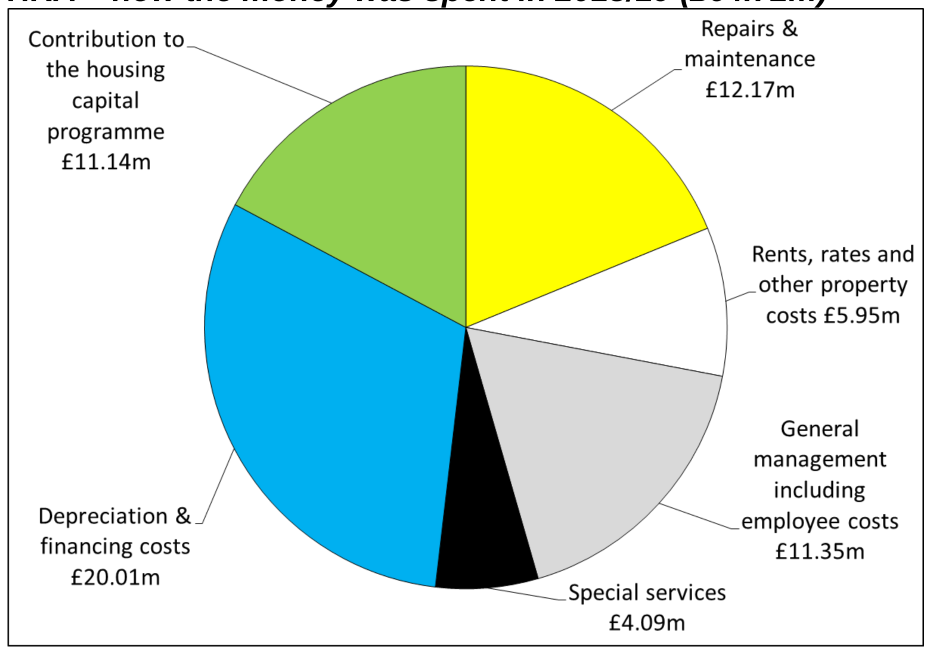
The final outturn position for the HRA is a surplus of £3.97m which represents 6% of the total expenditure budget.

The underspend is largely a result of the need for responsive repairs on HRA dwellings and empty property repairs being less than anticipated by £2.7m. Capital investment in planned works over the last six years has meant that old items have been replaced before they start to fail and require funding from the responsive repairs budget. The other significant area of underspending was in HRA general management including staffing costs and the HRA contingency budget

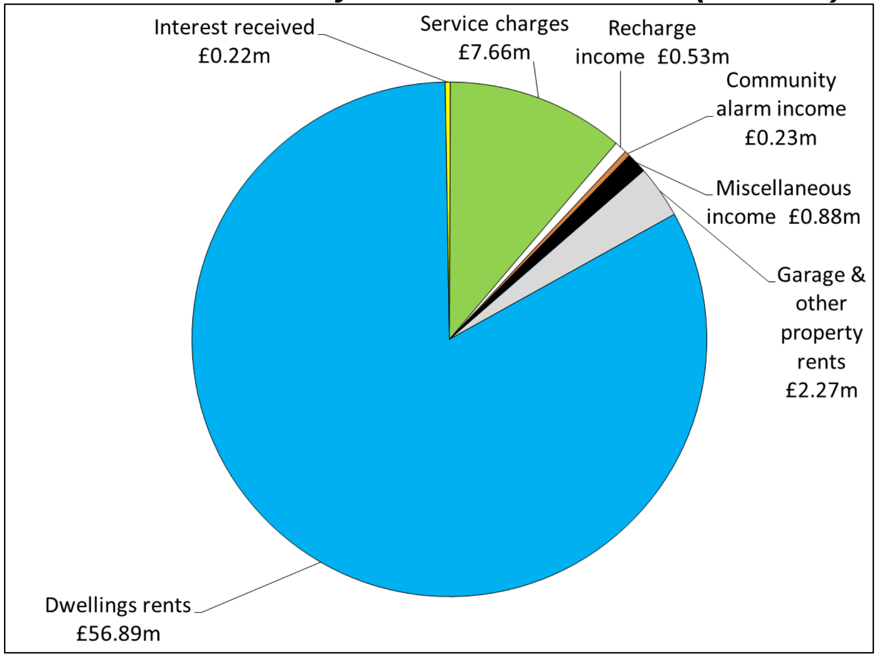
Reserves position

This is shown in the 2018/19 Statement of Accounts section of this narrative report in section 9.

HRA – how the money was spent in 2018/19 (£64.72m)



HRA- where the money came from in 2018/19 (£68.69m)



Capital Expenditure

2018/19 capital outturn

Fund	Budget £000	Outturn £000	Variance £000
General Fund capital	80,650	27,394	(53,256)
HRA capital	45,857	26,154	(19,703)
Total	**126,508**	**53,548**	**(72,960)**

2018/19 funding of the capital programme

Source of Funding	£000
Borrowing	18,873
Revenue Contribution (RCCO)	11,997
Major Repairs Reserve (MRR)	11,633
Retained One for One RTB (Right To Buy) Capital Receipts	3,277
Other Capital Receipts	2,256
City Cycle Ambition Grant	2,618
Grants & Contributions funding	1,928
CIL (Community Infrastructure Levy) Strategic Pool	713
Section 106	166
Leaseholder Contributions	87
Funding of 2018/19 Capital Programme	**53,548**

For 2018/19, a sum of £40m was approved in the General Fund capital budget for commercial property acquisition, along with an additional £26m that was carried forward from the previous year. This has enabled the council to continue its programme of upgrading and growing its investment property portfolio by selling smaller, less valuable assets and/or assets that take a lot of management time, and replacing them with better quality and higher yielding investment property.

During the year, a total of £18.8m was spent on acquiring three new investment properties and substantially extending another. This investment has continued to increase the commercial rental income which has more than achieved the net commercial rental income target set in the MTFS of £400k in 2018/19 and significantly contributed towards the target of £500k set for 2019/20.

The pace at which this budget may be spent is dependent upon suitable investment opportunities becoming available in the market and the availability of relevant specialist advice. During 2018/19, a decision was taken to temporarily pause the purchase of property, until a specialist adviser was appointed in January. As a result, £47m of the budget remains uncommitted and it is expected that a significant proportion will be carried forward into 2019/20.

During the 2018/19 financial year, the housing capital programme delivered upgrades to over 4,600 council homes, including heating upgrade works to over 900 properties, over 800 new kitchens, 600 new bathrooms and 300 replacement doors. Additionally, over 500 properties have benefitted from structural or roofing upgrades whilst 470 properties received renewable energy installations or additional insulation.

The development of council homes has continued, with 43 new Passivhaus homes completed at the award winning Goldsmith development with a further 50 homes to be completed in 2019/20. In addition, 18 new homes have been completed at Rayne Park by Norwich Regeneration Ltd and purchased by the HRA.

In addition, £9m of budgets for new HRA homes remain unspent, most of which will be carried forward to enable developments to continue in 2019/20.

Grants of Right to Buy receipts to Registered Providers have also enabled the development of a further 95 new affordable homes in the city.

Detailed information on 2018/19 performance against the capital budget is provided in the outturn report to Cabinet on 12 June 2019.

New HRA Passivhaus homes at Goldsmith development

9. 2018/19 Statement of Accounts

The Statement of Accounts sets out the financial performance of the Council for the year ended 31 March 2019 and its financial position at that date.

It comprises core and supplementary statements together with disclosure notes.

The format and content of the financial statements are prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Code requires that the accounts give a true and fair view of the financial position of the Council and are prepared on the basis that the Council is a going concern. In line with the Code, suitable accounting policies have been applied, and where necessary, prudent judgements and estimates have been made.

The Statement also includes the financial performance and position of the Council's wholly owned company, Norwich Regeneration Limited.

The purpose and key figures to note for each of the key statements are described in the following sections of this narrative report.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis essentially reconciles the figures given in the budget outturn position to those included in the Comprehensive Income and Expenditure Statement (CIES) which follows the Analysis.

The CIES shows the accounting cost for the year of providing the Council's services. This is not the same as the budget outturn information. The accounting cost is determined in accordance with generally accepted accounting principles (contained within the Code) whilst the budget, and the year-end outturn against the budget, has to comply with local government legislation.

The Code requires that councils make a number of adjustments to the budget outturn results to determine the accounting costs and income shown in the Statement of Accounts. For example, large adjustments are made for the accounting treatment of fixed assets (depreciation) and pension costs. These costs, whilst shown in the CIES because they are required under accounting standards, are not included in the Council's annual budget nor funded from Council Tax.

The inclusion of such costs in the CIES is to enable comparison of a council's Statement of Accounts with other organisations, both public and private sector.

The Expenditure Funding Analysis allows a link to be made between year-end outturn against the budget to the financial position as set out in the financial statements.

Key figures to note:

Net (Surplus) / Deficit on General Fund and HRA balance in year	*This part of analysis shows how annual expenditure is used and funded from resources (government grants, fees & charges, council tax and business rates).* For the General Fund the year-end outturn position is a surplus of (£1.04m), alongside total transfers to reserves of £2.54m in line with the proposed approach to managing reserves set out in the Medium term financial Strategy. For the HRA the year-end outturn is a surplus of (£1.60m), alongside total transfers to reserves of £1.19m. This results in an overall increase in HRA general fund reserves of £0.42m.
Adjustments between the funding & accounting basis	*This part of the analysis shows the adjustments that have been made in order to comply with generally accepted accounting practices.* These total £3.1m and comprise:

	• Depreciation & Impairment • Revaluation gains/losses • Capital grants and contributions credited to the CIES • Reversal of the HRA depreciation charge • Pension reserve adjustments • Collection fund adjustment account adjustments.
Net expenditure in the CIES	*This shows the accounting cost of providing each service (shown also in the CIES) after adding together the year-end outturn position against the budget with the adjustments required under accounting standards.* It is a surplus of £5.8m

Comprehensive Income and Expenditure Statement (CIES)

The CIES records all of the Council's income and expenditure for the year and has two parts:

- The first part reflects the accounting cost of providing the Council's services with the results summarised at the Surplus or Deficit on the Cost of Services line. In the private sector this would be equivalent to the profit or loss of a company.

- The second part, showing other comprehensive income and expenditure, shows the gains or losses in the measurement of the council's assets and liabilities. These gains and loses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pension liabilities.

Key figures to note:

Cost of Services	*This shows expenditure on continuing operations analysed by service area (based on the way the Council operates and manages its services). These lines are reconciled to the budget outturn position in the Expenditure & Funding Analysis.* The 2018/19 cost of services is a deficit of £6.78m compared to a surplus of (£35.77m) in 2017/18. The main reason for the movement is the a lower in-year revaluation gain on the Council's HRA dwellings compared to the prior year.
Other operating income & expenditure	*This includes the surplus or deficit from the sale of property, plant or equipment.* Total other operating income and expenditure is a (£2.4m) surplus largely arising from gains on the disposal of HRA dwellings (against the carrying value of the properties).
Financing and investment income and expenditure	*Includes interest receivable and payable, net rental income on the properties held purely for investment purposes; and the interest element of the pension fund liability.* The net costs have increased from 2017/18

	mainly due to fair value adjustments on investment properties.
Other income & expenditure	*This includes surplus/deficit on revaluations of non-current assets and actuarial gains/losses on the local government pension scheme. These are both calculated annually by our property valuers and actuaries. These items are non-cash transactions and do not impact on the general fund reserve balances, being reversed out through the Movement in Reserves Statement.*

Movement in Reserves Statement (MIRS)

The MIRS shows the movement from the start of the year to the end on the different reserves held by the council. It shows how the movements are broken down between gains and losses incurred in accordance with the Code and the statutory adjustments required to return to the amounts chargeable to the budget as required under local government legislation.

Reserves are important to local authorities as, unlike central government, they cannot borrow money over the medium-term, other than for investment in assets, and they are required to balance their budgets on an annual basis. They are therefore a vital part of prudential financial management and help reduce the financial risks mentioned earlier in this narrative report.

Reserves are analysed into two categories: usable and unusable.

Usable reserves

- Result from the Council's activities
- Members are involved in deciding on the levels maintained and their use
- Can be spent in the future
- Include: general fund, HRA, earmarked reserves, capital receipts reserve, major repairs reserve, and capital grants unapplied

Unusable reserves

- Derive from accounting adjustments
- Cannot be spent
- Include: revaluation reserve and capital adjustment account

Key figures to note:

Opening Balances	*These are the same as the previous year's closing balances.*
Total comprehensive income	This is £5.8m and agrees with the Comprehensive Income and Expenditure Account.
Adjustments between accounting basis & funding basis under regs.	*These are made as the result of regulation and are adjustments that are required by accounting standards or statute.* *For example, accounting standards require depreciation to be charged to the general fund to represent the cost of*

	assets used in the delivery of services. Statute however requires that these are removed from the general fund in order to calculate the amount of useable general fund reserves. Overall net adjustments of (£6.0m) have been made to the useable reserves.
Transfers to/from earmarked reserves and between reserves (voluntary transfers)	*These are made as a result of the authority's decisions.* *Voluntary transfers include the earmarking of reserves, which is the setting aside of cash to fund specific longer-term objectives & spend.* The main transfers in year have been into the general fund and HRA invest-to-save reserves, Section 31 grant reserve, commercial property reserve and the insurance reserve.
Closing Balances	These agree with the figures shown in the Balance Sheet with total usable reserves of £113m and unusable reserves of £558m.

A description of each of the Council's useable reserves and the amount held in the reserve as at the end of 2018/19 is shown below.

Reserve	Purpose	Amount as at 31/3/19 (£000)
GENERAL FUND RESERVES		
General reserve	This is a usable reserve which has not been earmarked for a specific future use. However, the agreed MTFS strategy is to use this reserve over the next 4 years to part fund the annual budget.	**11,652**
Invest to save reserve	The reserve has been set up to support the delivery of savings and efficiencies through the Fit for the Future programme. The reserve is expected to be utilised to support the implementation of a new operating model, IT investment and increased capacity in commercial, property and place shaping activities over the next 2-3 years.	**4,262**
Revenue grants unapplied reserve	This holds the grants and contributions received which have yet to be applied to meet expenditure. The use of the balance is restricted and can only be used to fund the specific expenditure/service area awarded the grant income.	**1,841**

S31 Earmarked reserve	This holds the unutilised balance of the S31 grant monies received in 2017/18 and 2018/19 from central government to fund Business Rates relief. These monies will be transferred to the General Fund Reserves as and when required to offset any future Business Rates deficit.	**2,045**
Insurance reserve	This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual review.	**935**
Commercial property reserve	Has been established to reduce the risks associated with holding commercial property by providing funding for any future void and rent free periods as well as repairs and upgrades to the investment property portfolio.	**1,058**
Elections reserve	This is to provide funding for future elections, the cost and funding of which varies each year depending on the type of elections being held.	**113**
Mousehold Conservators Reserve	Set aside for use on Mousehold Heath.	**9**
NRL reserve	This reserve has been established to smooth any fluctuations in net income received by the Council from lending to NRL. It will provide a buffer in case the income is lower than anticipated due to the company not borrowing as much or as early from the council as planned (e.g. due to delays in construction).	**293**
HOUSING REVENUE ACCOUNT (HRA) RESERVES		
General reserve	This is also a usable reserve which has not been earmarked for a specific future use. The use of this is incorporated into the HRA business plan.	**30,904**
Invest to save reserve	This will fund the HRA's share of implementing the Fit for the Future programme (see above).	**1,500**
CAPITAL RESERVES		
Major Repairs Reserve (MRR)	The MRR is a statutory reserve which can only be used to fund new capital investment in HRA assets or the financing of historical capital expenditure by the HRA.	**9,969**
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which can only be used to fund capital expenditure. Some of this reserve will already be committed for schemes that are progressing or have been approved in the	**43,228**

	future capital programme. The breakdown of the reserve is as follows: • £5.7m General Fund – earmarked to fund the 5 year capital programme • £18.8m HRA - included within HRA Business Plan funding (in line with forthcoming housing strategy) for specific schemes • £18.8m HRA Retained One for One receipts - earmarked for new build social housing but can only fund 30% of total cost of scheme.	
Capital grants unapplied	This holds the grants and contributions received towards capital projects which have yet to be applied to fund expenditure. The use of the balance is restricted and can only be used to fund the specific capital projects awarded the grant income.	**5,141**
TOTAL USEABLE RESERVES		**112,949**

Balance Sheet

The Balance Sheet provides a "snapshot" of the Council's position at a specific point in time showing what it owns and owes as at 31 March 2019. It is very similar to other public sector or private sector balance sheets.

The Balance Sheet is always divided into two halves that should, as the name suggests, balance:

- Net Assets (the top half), and
- Reserves (the bottom half).

The Council continues to maintain a strong balance sheet with net assets of £671m. With a current ratio (current assets/current liabilities) of 2:1, the Council is able to pay all its short term liabilities with current assets and is holding cash and cash equivalents of £24m.

Key figures to note:

Non-current assets including: • **Property, plant & equipment** • **Heritage assets** • **Intangible assets** • **Investment property** • **Long term debtors**	*Non-current assets have a life of more than one year. For most authorities, including Norwich City Council, the biggest balance by far is property, plant and equipment. These are tangible (i.e. physical) assets that are used to deliver the authority's objectives and services.* *With some exceptions they need an existing use value. Any changes in valuations are matched by changes in reserves (generally the unusable revaluation reserve).* Plant, property and equipment has been valued at £931.2m as at 31 March 2019 - an increase of £9.7m from the prior year. This is mainly driven by asset additions of £27m, disposals of £8m and net downward revaluations of £13m. The Council dwelling valuations are undertaken annually by qualified valuers. As at 31 March 2019 there were 14,729 HRA council dwellings, this is a reduction of 78 units from 2017/18

	mainly due to right to buy sales. Although much smaller in value than property, plant and equipment, the Council has continued to grow its investment property portfolio during 2018/19. The overall value has increased by £9.2m during 2018-19. This is largely due to the acquisition of three new commercial properties (£16.3m) and investment in an extension to an existing property (£2.5m). Long term debtors total £18.2m at 31 March. This includes the loan balance with the Council's wholly-owned subsidiary Norwich Regeneration Ltd of £12.4m. Another significant debtor balance relate to Housing Benefit overpayments (£2.1m).
Current assets	*These are assets that are either held as cash or other assets that, in the normal course of business, will be turned into cash within a year of the balance sheet date.* Cash & cash equivalents total £24m at 31 March 2019. The balances have decreased by £4.2m from the prior year. Short term investments however total £26m, which is an increase of £3m from the prior year.
	The Council has continued to be able to fund commercial investment property purchases from existing cash and investments balances. The returns from these activities are higher than the interest income obtainable in the market for short term cash investments. Short term debtors includes housing rent debt, VAT recovery claim, collection fund debtors and trade.
Current Liabilities	*Short term creditors include trade creditors, collection fund shares for central government and Norfolk County Council and year end expenditure accruals. These are amounts which are anticipated to be settled within 12 months.* The short term creditors balance has increased by £4.2m from 17/18 due in part to an increase in the central government share of the Non-Domestic Rate collection fund.
Long term liabilities & provisions	*Includes borrowings, any amounts owed for leases and an estimate for the cost of meeting the council's pensions obligations earned by past and current members of the pension scheme.* ***Borrowing*** - Overall borrowing (long term and short term) has reduced from £203m to £201m due to the scheduled repayment of £2m of HRA debt. The

	Council has taken no new borrowing during the year. Long term borrowing is disclosed and analysed in Note 18. ***Provisions*** – represent future liabilities over how much the authority owes or when it will have to pay. The Council's most significant provision relates to Business Rates valuation appeals. Following localisation 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 due to the number and size of rateable properties in the area. The Council currently has 117 rating appeals outstanding. The provision allowance has been increased in 2018/19 to continue to provide coverage of the new 2017 ratings list. To date only a small number of rating challenges have been received and a provision has therefore been created based on historic appeals trends until further information is available. ***Pension Liabilities*** - *The* Council has net pension liabilities of £199m 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.

	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. Details of the Council's pension liability calculated under IAS19 are shown at note 45 of the core financial statements.

Cash Flow Statement

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

The statement also includes "cash equivalents" which are short term investments that are readily convertible into cash and which are subject to only insignificant risks of changes in value.

Cash flows are related to the income and expenditure seen in the CIES but are not the same as them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the CIES when the transactions occurred, and not when the cash was paid or received.

Key figures to note:

The statement shows that the Council has decreased its cash and cash equivalents by £4.2m over the year to give a closing balance of £24.2m.

The cash flow adjusts the CIES net surplus for the impact of non-cash transactions including asset revaluations £5m, depreciation of £17m, and the movement in debtors and creditors. After adjustments there was a net cash inflow of £27.4m from operating activities.

Within the investing activities the main cash outflows related to the purchase of plant property and equipment (£28m) and the purchase of investment properties (£20m). This was offset by the receipt of £16m of capital proceeds.

The main movement in the financing activities was a cash outflow arising from the scheduled repayment of £2m of HRA borrowing.

Housing Revenue Account (HRA)

This Statement shows the income and expenditure incurred by the Council as a provider of social housing under the Local Government & Housing Act 1989. It is a ring-fenced account, so it cannot subsidise or be subsided by other Council activities.

Key figures to note:

The statement shows that the HRA surplus for the year has decreased from £58m in 2017/18 to £17m in 2018/19. This has arisen from a lower revaluation gain on local authority housing dwelling than in the previous year.

Collection Fund

The Collection Fund shows the total income received by the Council from Business Rates and Council Tax and how the redistribution of some of that money to Norfolk County Council, Norfolk Police Authority, and central government.

Key figures to note:

In 2018/19 a total of £79.9m was raised in Business Rates and £66.7m in Council Tax (after council tax reduction scheme).

Overall the non-domestic rates element of the collection fund is in a £1.9m surplus position. This is due to resulting from higher than anticipated gross rateable values and a lower required contribution to the appeals provision. This surplus will be shared across the relevant bodies (Norwich City Council, Central Government and Norfolk County Council) in 2019/20 and 2020/21.

The council tax element of the collection fund is showing a £5.3m surplus. This will be distributed to the relevant bodies in future years.

Group Financial Statements

Group accounts need to be prepared if the council has a significant subsidiary such as a trading company. The Group Accounts report the full extent of the assets and liabilities of the Council and the companies and similar entities which the Council either controls or significantly influences.

The Council is presenting Group Accounts by consolidating the financial performance and position of Norwich Regeneration Limited (NRL) into the overall group.

NRL is a private limited company wholly owned by Norwich City Council. It was incorporated on 13 November 2015.

The company's vision and over-arching objective is to deliver sustainable and balanced communities primarily in Norwich. Its aims are to:
• Accelerate housing delivery in the City
• Catalyse regeneration opportunities
• Generate a return for the council's General Fund.

NRL's first project is housing development at Rayne Park. This commenced on site in May 2017 and has progressed well during the 2018/19 financial year. This is a 172 dwelling development, of which 112 dwellings are being built to passivhaus standards. The development includes 33% affordable housing (85% social rent (to be purchased by the Council's Housing Revenue Account), and 15% shared equity) with the remainder of the units being private dwellings to be sold or rented on the private market by the company.

Rayne Park Development

The first residents moved in in May 2018 and by 31 March 2019 18 units had been sold to the council's Housing Revenue Account (HRA) for social letting, 6 were privately let, 8 were sold outright and 1 shared equity sale. Shortly after the financial year end a further 31 units were sold to the HRA for social letting.

NRL also managed a renovation scheme for the HRA at Bullard Road to deliver 6 social homes with completion expected in July 2019.

The company's Business Plan for the next three years includes further housing development at the Threescore site, at the former Mile Cross depot, at Ber Street, and at

Argyle Street. Other developments are also being actively considered.

In order to finance the development, NRL borrows money at commercial interest rates from the Council. In 2018/19 NRL drew down further loans totalling £0.9m to meet its on-going cash flow requirements for planned developments.

Norwich Regeneration Limited made an operating loss for 2018/19 of £701k. This was anticipated in the company's Financial Model as housing development was still under construction for much of 2018/19.

The company however has long term assets comprising of land (£1.0m) and Investment Property that it will rent on the private market (£5.4m). In addition it has property to be sold to the market valued at £7.3m.

A draft Statement of Accounts for Norwich Regeneration Limited has been prepared and will be subject to audit by Aston Shaw. The accounts will be presented to the company's Board of Directors in June 2019 for approval. A copy of the draft accounts may be obtained by request to the Council.

Additional disclosures

The notes to the financial statements include important information and provide the context and detail for the figures in the primary financial statements.

Accounting Policies	*These set out the accountancy rules the Council has followed in preparing the financial statements.* *They are largely specified by International Financial Reporting Standards and CIPFA's Code of Practice.* There have been no changes made to the accounting policies in the year.
Critical Judgements	*Show the key areas where officers and third party experts have made judgements about the application of accounting policies.* *The aim is to highlight key areas of the accounts where others may have made different judgements about the accounting treatment.* These are set out in note 3.
Property, plant & equipment	*The notes gives a lot of detail about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value, and the amount of depreciation charged.* These are set out in note 14.
Employee remuneration	*Details or the pay of the most senior officers, all officers' remuneration disclosed in pay bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of*

	pensions. These are set out in note 37.
Contingent liabilities	*Details of possible costs that the council may need to meet, but has not yet charged to the CIES because the costs will be confirmed only by the occurrence of future events not wholly within the Council's control. The most common contingent liability is for legal claims.* These are set out in note 46.

Independent auditor’s report to the members of Norwich City Council

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Statement of Responsibilities for the Statement of Accounts

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;

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.

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 2019 and its income and expenditure for the year then ended.

Signed: H Simpson. Date: 31 May 2019

Hannah Simpson
Deprived S151 Officer.
Acting Chief Finance Officer

Certificate of Approval of the Statement of Accounts

Signed: Date:

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

Expenditure Funding Analysis 2018/19

The Expenditure and Funding Analysis shows how the Council has used available funding in providing services, in comparison with those resources that the Council has consumed or earned in accordance with generally accepted accounting practices. It also shows how the Council has allocated this expenditure for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Net Expenditure Chargeable to the GF & HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000
Business Services	9,709	2,631	12,340
Chief Executive	869	1	870
Communications & Culture	4,412	555	4,967
Regeneration & Growth	(1,900)	6,635	4,734
Neighbourhoods	9,687	930	10,617
Housing Revenue Account	(13,343)	(13,413)	(26,756)
Net Cost of Services	**9,434**	**(2,661)**	**6,772**
Other income & expenditure	935	(3,341)	(2,406)
Financing and Investment Income	4,091	7,285	11,376
Taxation and non-specific grant income	(17,101)	(4,416)	(21,517)
(Surplus) or deficit	**(2,642)**	**(3,133)**	**(5,775)**
Opening General Fund and HRA balance at 31 March 2018	(43,644)		
Net (Surplus) / Deficit on General Fund and HRA balance in year	(2,642)		
Transfer between reserves	3,729		
Closing General Fund and HRA balance at 31 March 2019	**(42,557)**		
Analysed between General fund and HRA balances	**General Fund**	**HRA**	**Total**
Opening General Fund and HRA balance at 31 March 2018	(13,156)	(30,488)	(43,644)
Net (Surplus) / Deficit on General Fund and HRA balance in year	(1,038)	(1,602)	(2,640)
Transfer between reserves	2,543	1,186	3,729
In year movement in reserves	**1,505**	**(416)**	**1,089**
Closing General Fund and HRA balance at 31 March 2019	**(11,651)**	**(30,904)**	**(42,555)**

	Adjustments for capital purposes	Net Changes for Pension adjustments	Other Difference	Total Adjustments
	£'000	£'000	£'000	£'000
Business Services	(1,214)	(1,509)	93	**(2,631)**
Chief Executive	-	(1)	-	**(1)**
Communications & Culture	(548)	(7)	-	**(555)**
Regeneration & Growth	(6,624)	(10)	-	**(6,635)**
Neighbourhoods	(922)	(8)	-	**(930)**
Housing Revenue Account	13,424	(10)	-	**13,413**
Net Cost of Services	**4,115**	**(1,546)**	**93**	**2,661**
Other income & expenditure	3,341	-	-	**3,341**
Financing and Investment Income	(2,336)	(4,949)	-	**(7,285)**
Taxation and non-specific grant income	2,646	-	1,770	**4,416**
(Surplus) or deficit	**7,766**	**(6,495)**	**1,863**	**3,133**

Expenditure Funding Analysis 2017/18

	RESTATED Net Expenditure Chargeable to the GF & HRA balances	RESTATED Adjustments between Funding and Accounting Basis	RESTATED Net Expenditure in the CIES
	£'000	£'000	£'000
Business Services	8,199	2,021	10,221
Chief Executive	693	22	715
Communications & Culture	4,110	636	4,745
Regeneration & Growth	(803)	4,550	3,747
Neighbourhoods	9,491	1,712	11,202
Housing Revenue Account	(12,943)	(53,457)	(66,400)
Net Cost of Services	**8,747**	**(44,517)**	**(35,770)**
Other income & expenditure	872	(4,162)	(3,290)
Financing and Investment Income	6,638	2,327	8,965
Taxation and non-specific grant income	(19,942)	(8,478)	(28,420)
(Surplus) or deficit	**(3,685)**	**(54,830)**	**(58,515)**
Opening General Fund and HRA balance at 31 March 2017	(44,727)		
Net (Surplus) / Deficit on General Fund and HRA balance in year	(3,685)		
Transfer between reserves	4,768		
Closing General Fund and HRA balance at 31 March 2018	**(43,644)**		
Analysed between General fund and HRA balances	**General Fund**	**HRA**	**Total**
Opening General Fund and HRA balance at 31 March 2017	(14,344)	(30,383)	(44,727)
Net (Surplus) / Deficit on General Fund and HRA balance in year	(2,783)	(902)	(3,685)
Transfer between reserves	3,971	797	4,768
In year movement in reserves	**1,188**	**(105)**	**1,083**
Closing General Fund and HRA balance at 31 March 2018	**(13,156)**	**(30,488)**	**(43,644)**

	Adjustments for capital purposes	Net Changes for Pension adjustments	RESTATED Other Difference	Total Adjustments
	£'000	£'000	£'000	£'000
Business Services	(1,438)	(306)	(277)	**(2,021)**
Chief Executive	-	(22)	-	**(22)**
Communications & Culture	(472)	(164)	-	**(636)**
Regeneration & Growth	(4,312)	(238)	-	**(4,550)**
Neighbourhoods	(1,517)	(195)	-	**(1,712)**
Housing Revenue Account	53,727	(270)	-	**53,457**
Net Cost of Services	**45,987**	**(1,194)**	**(277)**	**44,517**
Other income & expenditure	4,162	-	-	**4,162**
Financing and Investment Income	2,307	(4,634)	-	**(2,327)**
Taxation and non-specific grant income	9,513		(1,035)	**8,478**
(Surplus) or deficit	**61,969**	**(5,828)**	**(1,311)**	**54,830**

Restatement to reclassify adjustments involving the Collection Fund Adjustment Account from Business Services to Taxation and non-specific grant income.

Comprehensive Income and Expenditure Statement (CIES)

		2018/19			2017/18		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Business Services		70,861	(58,521)	12,340	71,723	(61,501)	10,222
Chief Executive		877	(7)	870	733	(18)	715
Communications & Culture		6,139	(1,172)	4,967	5,877	(1,132)	4,745
Regeneration & Growth		17,443	(12,709)	4,734	14,962	(11,216)	3,746
Neighbourhoods		17,301	(6,684)	10,617	18,671	(7,468)	11,203
Housing Revenue Account		40,762	(67,518)	(26,756)	3,899	(70,299)	(66,400)
Cost of Services		**153,383**	**(146,611)**	**6,772**	**115,865**	**(151,634)**	**(35,769)**
Other Operating Expenditure	**11**			(2,406)			(3,290)
Financing and Investment Income and Expenditure	**12**			11,376			8,965
Taxation and Non-Specific Grant Income	**13**			(21,517)			(28,421)
(Surplus) / Deficit on Provision of Services				**(5,775)**			**(58,515)**
(Surplus) / deficit on revaluation of non-current assets	**14, 15 & 24**			(2,267)			(14,699)
(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	**18**			569			-
Actuarial (gains) / losses on pension assets / liabilities	**45**			14,386			(12,762)
Other Comprehensive (Income) and Expenditure				**12,688**			**(27,461)**
Total Comprehensive (Income) and Expenditure				**6,913**			**(85,976)**

The amounts disclosed above relating to the Housing Account do not match those in the Housing Revenue Account Income and Expenditure Account as the figures above are before corporate recharges and those in the Housing Revenue Account Income and Expenditure Account are after these recharges.

Movement in Reserves Statement

	General Fund Balance £'000	Earmarked General Fund Balance Reserves £'000	Housing Revenue Account £'000	Earmarked H.R.A. Balance Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2018	**13,156**	**7,860**	**30,488**	**500**	**33,997**	**7,000**	**8,079**	**101,080**	**577,083**	**678,163**
Adjustments for the restatement of financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(501)**	**(501)**
Balance at 1 April 2018	**13,156**	**7,860**	**30,488**	**500**	**33,997**	**7,000**	**8,079**	**101,080**	**576,582**	**677,662**
Movement in reserves during 2018/19										
Surplus/ (deficit) on provision of services	(11,186)	-	16,961	-	-	-	-	5,775	-	5,775
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(12,688)	(12,688)
Total Comprehensive Income & Expenditure	**(11,186)**	**-**	**16,961**	**-**	**-**	**-**	**-**	**5,775**	**(12,688)**	**(6,913)**
Adjustments between accounting basis & funding basis under regulations (note 9)	12,224	-	(15,359)	-	9,079	2,969	(2,938)	5,975	(5,975)	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**1,038**	**-**	**1,602**	**-**	**9,079**	**2,969**	**(2,938)**	**11,750**	**(18,663)**	**(6,913)**
Transfers to/from Earmarked Reserves (note 10)	(2,543)	2,695	(1,152)	1,000	-	-	-	-	-	-
Transfers between reserves	-	-	(34)	-	152	-	-	118	(118)	-
Other Adjustments	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in 2018/19	**(1,505)**	**2,695**	**416**	**1,000**	**9,231**	**2,969**	**(2,938)**	**11,868**	**(18,781)**	**(6,913)**
Balance at 31 March 2019 carried forward	**11,651**	**10,555**	**30,904**	**1,500**	**43,228**	**9,969**	**5,141**	**112,948**	**557,801**	**670,749**

	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
Balance at 31 March 2017 carried forward	**14,344**	**3,699**	**30,383**	**3**	**26,554**	**-**	**4,879**	**79,862**	**512,334**	**592,196**
Movement in reserves during 2017/18										
Surplus/ (deficit) on provision of services	59	-	58,456	-	-	-	-	58,515	-	58,515
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	27,461	27,461
Total Comprehensive Income & Expenditure	**59**	**-**	**58,456**	**-**	**-**	**-**	**-**	**58,515**	**27,461**	**85,976**
Adjustments between accounting basis & funding basis under regulations (note 9)	2,724	-	(57,555)	-	7,171	7,000	3,200	(37,460)	37,460	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**2,783**	**-**	**902**	**-**	**7,171**	**7,000**	**3,200**	**21,055**	**64,921**	**85,976**
Transfers to/from Earmarked Reserves (note 10)	(3,971)	4,165	(691)	497	-	-	-	-	-	-
Transfers between reserves	-	-	(107)	-	279	-	-	172	(172)	-
Increase/(Decrease) in 2017/18	**(1,188)**	**4,161**	**105**	**497**	**7,443**	**7,000**	**3,200**	**21,217**	**64,749**	**85,966**
Balance at 31 March 2018 carried forward	**13,156**	**7,860**	**30,488**	**500**	**33,997**	**7,000**	**8,079**	**101,080**	**577,083**	**678,163**

Balance Sheet

	Notes	31-Mar-19	31-Mar-18
		£'000	£'000
Property, Plant & Equipment	14	931,169	921,445
Heritage Assets	15	25,545	25,545
Investment Properties	16	65,931	56,729
Intangible Assets	17	573	603
Long term Investments	19	4,478	3,024
Long Term Debtors	20	18,186	20,913
Long Term Assets		**1,045,882**	**1,028,259**
Short Term Investments	21	26,000	23,000
Assets Held for Sale	24	380	199
Short term Debtors	22	12,840	13,497
Inventories		28	28
Cash and Cash Equivalents	23	24,199	28,356
Current Assets		**63,447**	**65,080**
Short Term Borrowing	18	(806)	(2,866)
Short Term Creditors	25	(30,290)	(26,052)
Capital Grants Receipts in Advance Short Term	39	(704)	(678)
Current Liabilities		**(31,800)**	**(29,596)**
Long Term Creditors	26	(2,688)	(2,842)
Long term Borrowing	18	(199,900)	(199,902)
Other Long Term Liabilities	44	(198,894)	(178,004)
Provisions	27	(3,517)	(2,561)
Capital Grants Receipts in Advance Long Term	39	(1,781)	(2,271)
Long Term Liabilities		**(406,780)**	**(385,580)**
Net Assets		**670,749**	**678,163**
Usable Reserves	28	112,948	101,080
Unusable Reserves	29	557,801	577,083
Total Reserves		**670,749**	**678,163**

Cash Flow Statement

The Cash Flow Statement 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 or 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 by the Council).

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours demand without material penalty. Cash equivalents are highly liquid investments that mature in no more than months and that are readily convertible to known amounts of cash with low risk of change in value.

	Notes	2018/19	2017/18
		£'000	£'000
Net surplus or (deficit) on provision of services		5,775	58,515
Adjustments to net surplus or deficit on provision of services for non-cash movements	30	39,281	(22,719)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	(17,622)	(17,300)
Net cash flows from Operating Activities		**27,434**	**18,496**
Investing Activities	31	(33,472)	(198)
Financing Activities	32	1,881	(8,776)
Net Increase or (decrease) in cash and cash equivalents		**(4,157)**	**9,522**
Cash and cash equivalents at the beginning of the reporting period	23	28,356	18,834
Cash and cash equivalents at the end of the reporting period	23	**24,199**	**28,356**

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at 31 March 2019. 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 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

The statement of accounts has been prepared on a going concern basis.

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.
- 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.

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 £5,000. 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.

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.

There are no changes in the accounting policies in the year.

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.

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.

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. 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 with the exception of properties with a brought forward value in excess of £500,000 as these are valued every year. Based on consultation with the valuers, any other assets which may have significant volatility in fair value are also included in the assessment. Carrying values are reviewed annually to ascertain if materially different from market values for those assets not valued in year.

Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via 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

Rental income is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement on a straight-line basis.

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 and concluded Group Accounts are required in 2018/19. Further detail on the Group boundary judgement is included in note 3 and the Group Financial statements.

Leases

The Council as Lessee

<u>Finance Leases</u>

Leases are classified as finance leases where the terms of the agreement transfer substantially all the risks and rewards of ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, present value of the minimum lease payments in relation to the asset's fair value and whether the Council obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the land and building elements are considered separately for classification.

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.

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 interest element of finance leases is charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement. The amount of the finance lease payment to write down the liability is included within the Minimum Revenue Provision in line with statutory guidance.

<u>Operating Leases</u>

All other leases are treated as 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 and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

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 recognised in the Comprehensive Income and Expenditure Statement 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).

Overheads & Support Services

From 2016/17 the Code of Practice on Local Authority Accounting in the United Kingdom introduced the requirement for local authorities to report their service segments based on the way in which they operate and manage services, thereby allowing the reporting on the face of the Comprehensive Income and Expenditure Statement to align with how a local authority reports its performance internally to its management.

Corporate overhead allocations are made at the year-end and shared between users in proportion to the benefits received. However, during the year the authority reports to budget holders and members the financial performance without the impact of the corporate recharges. In deference to the intentions of CIPFA's review, the 2018/19 accounts have been reported without support cost recharges, showing support and overhead costs within their respective portfolio lines.

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:

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

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

When measuring the fair value of a non-financial asset, the 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.

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

The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates. The Council, as a billing authority, is statutorily required to maintain a separate agency Collection Fund account, into which all transactions relating to collection of business rate and council tax income from taxpayers and distribution to local government bodies and central government are made. The Collection Fund account is accounted for separately from the General Fund.

The Council's share of council tax and business rates income is reflected in the Comprehensive Income and Expenditure Statement on an accruals basis in line with the Code. However the amount to be reflected in the General Fund is determined by regulation. Therefore there is an adjustment for the difference between the accrued income and the statutory credit made through the Movement in Reserves Statement and the Collection Fund Adjustment Account.

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

There are a number of Business Rates reliefs available to rate payers which are mandatory, the government funds these reliefs in full (except for Small Business Rate relief which it funds in part) via s31 grant to each authority. The s31 grant included in the CIES for the year that which is equal to the original NNDR1 estimate. Any excess over this amount is transferred to a S31 earmarked reserve and distributed in subsequent years against any deficit amounts.

Under the Business Rate Retention Scheme 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.

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

The Council is required to disclose information relating to the impact of the accounting changes on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council. The Council is required to make disclosure of the estimated effect of the new standard in these financial statements.

At the balance sheet date, the following new standards have been published but not yet adopted by the Code of Practice on Local Government Accounting in the United Kingdom:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities. CIPFA LASAAC have deferred implementation for local government to 1 April 2020.

- **IAS 40 Investment Property: Transfers of Investment Property** provides further explanation of the instances in which property can be reclassified as investment property. This will have no impact on the Council as it already complies.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

- **IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This is not expected to have any impact on the single entity or group accounts.

- **IFRS 9 Financial Instruments: prepayment features with negative compensation** amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

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 levels are maintained on advice from the council’s insurance manager

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 45.

Group Boundaries

The Code of Practice requires local authorities with interests in subsidiaries, associated and joint ventures to prepare group accounts in addition to their own single entity financial statements, unless the interest is not material.

The group boundaries have been estimated using criteria associated with the Code of Practice and the following relationships determined:

Norwich Regeneration Limited	Subsidiary	Consolidated
NPS Norwich Ltd	Associate	Consolidated
Norwich Norse (Environmental) Limited	Associate	Consolidated
Norwich Norse (Building) Limited	Associate	Consolidated
Three Score Open Space Management Limited	Subsidiary	Not Material
Norwich City New Co Ltd	Subsidiary	Not Material

Due to the material levels of transactions going through Norwich Regeneration Ltd (NRL) in 2018-19, consolidated group accounts have been prepared. As a subsidiary, the accounts of NRL have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated in full.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from 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:

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Business Rates	Since the introduction of the Business Rates retention Scheme in April 2013, Local Authorities are liable for successful appeals against business rates charged to business in 2018/19 and earlier financial years in their proportionate share. As at the 31 March 2019 117 appeals remain outstanding relating to the 2005 and 2010 rating lists. A provision has been recognised for the best estimate of the amount that businesses have been overcharged for the period totalling £2.6m. Following the 2017 revaluation, a new check, challenge and appeal process has been introduced by the Valuation Office Agency; the impact of which is highly uncertain with only 25 challenges lodged to date (of which 11 are outstanding at 31 March 2019). A provision has been made for the estimated success of future appeals from the 2017 list of £4.2m which equates to 5.2%of annual net rates payable. A 1% increase in the coverage for the 2017 list would increase the provision by £0.8m.	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 (excluding Housing Stock) £155.0m	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 assets would increase by £0.315m for every year that useful lives had to be reduced.

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Property, Plant and Equipment (excluding Housing Stock) £155.0m	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. Of the balance £31.441m (20%) of assets are held at depreciated replacement cost (DRC). This method is used where there is no established property market which would enable a reliable valuation by any other method.	Property values are affected by a number of factors and a 1% change in the assumed valuation of other land and buildings and surplus assets totalling £131.295m would equate to £1.312m.
Pensions Liability £198.8m	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 45
Arrears	At 31 March 2019, the Council had a balance of sundry debtors for £3.3m. A review of significant balances suggested that an impairment of doubtful debts ranging from 10% to 100% 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 £776.0m	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 Property values are affected by a number of factors - a 1% change in the assumed valuation would equate to £7.760m.
Housing Stock £776.0m	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 The depreciation charge is £14.060m. It is estimated that the annual depreciation charge for assets would increase by £0.243m for every year that useful lives had to be reduced.

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Fair value measurement of investment property	The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed further in Note 16.	The total value of investment properties is £65.932m. Of this £51.150m (78%) is a Level 2 valuation and £14.782m (22%) Level 3 valuation. Level 3 valuations use significant unobservable inputs to determine the fair value measurements. 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 A 1% change in the assumed valuation of investment property would equate to £0.659m
Britain leaving the European Union: asset values and pension liabilities	There is a high level of uncertainty about the implications of Britain leaving the European Union. It is not possible at this time to predict the impact on asset values and discount rates. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

5. Material Items of Income and Expense

During 2018/19 the Council advanced a £0.900m loan to its wholly-owned subsidiary Norwich Regeneration Ltd. This brings the total loan outstanding to £12.400m (2017/18 £11.500m). The Council has also invested an additional £0.524m in the form of cash equity into NRL during 2018/19.

The Council has made three material purchases of commercial investment properties during the 2018/19 financial year. The total acquisition costs for the three purchases totalled £16.3m. During the period the Council has begun an extension to one of its commercial properties, the cost to date included with Investment Property is £2.5m.

6. Expenditure and Income by Nature

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

	2018/19	2017/18
Income	**£000**	**£000**
Fees, charges and other service income	(91,543)	(91,888)
Interest and investment income	(5,077)	(3,048)
Authority’s share of income from Council Tax and Non-Domestic Rates	(40,332)	(38,033)
Government grants and contributions	(7,405)	(15,415)
Gain on disposal of non-current assets	(3,365)	(4,276)
Housing Benefit contributions and allowances	(56,798)	(59,419)
Total	**(204,521)**	**(212,077)**
Expenditure		
Employee benefits expenses	27,119	25,827
Pension Interest cost and expected retuirn on assets	4,949	4,634
Other service expenses	55,001	59,358
Depreciation, amortisation, revaluation and impairment	19,453	(30,471)
Interest payments	8,161	8,791
Payments to Housing Capital Receipts Pool	1,097	1,114
Housing Benefit expenditure	56,745	59,281
Non-Domestic rates levy	26,221	25,027
Total	**198,746**	**153,563**
(Surplus) or deficit on the Provision of services	**(5,775)**	**(58,515)**

7. Segmental Income

Income received on a segmental basis is analysed below:

	2018/19	2017/18
	£000	**£000**
Revenue from External customers	(95,384)	(94,390)
Other Income	(109,137)	(117,687)
Total Income	**(204,521)**	**(212,077)**

8. Events after the Reporting Date

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

9. 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.

2018/19	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
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(3,076)	(17,496)	-	-	-	(20,572)	20,577
Excess dep'n over HRA MRA	-	-	-	-	-	-	-
Revaluation gains / (Losses) on Property, Plant and Equipment	(252)	5,267	-	-	-	5,015	(5,015)
Movement in Market Value of Investment Properties	(2,697)	-	-	-	-	(2,697)	2,697
Capital Grants and Contributions Applied	1,657					1,657	(1,657)
Movement in Donated Assets Account	66					66	(66)
Revenue expenditure funded from capital under statute	(5,828)					(5,828)	5,828
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	(4,356)	(7,972)				(12,328)	12,323
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement							
Statutory provision for the financing of capital investment	316	96				412	(412)
Capital expenditure charged against the General Fund and HRA balances	840	11,144				11,984	(11,984)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	835	87			(922)	-	
Application of grants to capital financing transferred to the Capital Adjustment Account					3,860	3,860	(3,860)
Adjustments involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,027	10,938	(15,965)			-	
Use of Capital Receipts Reserve to finance new capital expenditure			5,533			5,533	(5,533)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(67)	(189)	256			-	
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,097)		1,097			-	

2018/19	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
Adjustments involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(77)		77			-	
Transfer to the Capital receipts Reserve upon receipt of cash			(78)			(78)	78
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA		14,601		(14,601)		-	
Use of Major Repairs Reserve to finance new capital expenditure				11,633		11,633	(11,633)
Adjustments involving the Financial Instruments Adjustment Account							
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	93					93	(93)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(11,238)	(2,624)				(13,862)	13,862
Employer's pension contributions and direct payments to pensioners payable in the year	5,860	1,507				7,367	(7,367)
Adjustments involving the Collection Fund Adjustment Account							
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	1,770					1,770	(1,770)
Total Adjustments	(12,224)	15,359	(9,080)	(2,968)	2,938	(5,975)	5,975

2017/18 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
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(3,938)	(15,607)	-	-	-	(19,545)	19,545
Revaluation gains / (Losses) on Property, Plant and Equipment	5,565	43,013	-	-	-	48,578	(48,578)
Movement in Market Value of Investment Properties	1,755	-	-	-	-	1,755	(1,755)
Capital Grants and Contributions Applied	1,424	4	-	-	-	1,428	(1,428)
Movement in Donated Assets Account	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(8,768)	-	-	-	-	(8,768)	8,768
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	(734)	(10,714)	-	-	-	(11,448)	11,448
HRA Self Financing Debt						-	-
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement							
Statutory provision for the financing of capital investment	262	90	-	-	-	352	(352)
Capital expenditure charged against the General Fund and HRA balances	550	12,527	-	-	-	13,077	(13,077)
Adjustments involving the Capital Grants Unapplied Account	-	-	-	-	-	-	-
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,926	1,159	-	-	(8,085)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	4,885	4,885	(4,885)
Adjustments involving the Capital Receipts Reserve:	-	-	-	-	-	-	-
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,100	14,772	(15,872)	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	7,284	-	-	7,284	(7,284)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(26)	(277)	303	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,114)	-	1,114	-	-	-	-

2017/18 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**
Adjustments involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	(1)	-	-	(1)	1
Adjustments involving the Major Repairs Reserve	-	-	-	-	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	14,001	-	(14,001)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	7,001	-	7,001	(7,001)
Adjustments involving the Financial Instruments Adjustment Account	-	-	-	-	-	-	-
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	(277)	-	-	-	-	(277)	277
Adjustments involving the Pensions Reserve	-	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,584)	(2,969)	-	-	-	(12,553)	12,553
Employer's pension contributions and direct payments to pensioners payable in the year	5,168	1,557	-	-	-	6,725	(6,725)
Adjustments involving the Collection Fund Adjustment Account	-	-	-	-	-	-	-
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	(1,034)	-	-	-	-	(1,034)	1,034
Total Adjustments	**(2,725)**	**57,556**	**(7,172)**	**(7,000)**	**(3,200)**	**37,459**	**(37,459)**

10. 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 2018/19 and 2017/18.

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.

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 2019 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.

S31 Earmarked Reserve

Central government compensates local authorities for changes to business rates reliefs. This compensation is made outside of the rate retention scheme by means of a Section 31 (S31) grant directly to the general fund. The S31 Earmarked Reserve holds the unused balance of the S31 grant monies received in 2017/18 and 2018/19. These monies will be transferred to the General Fund Reserves in future years to mitigate the delayed impact of deficits 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.

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. 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.

Invest to Save Reserves

The Invest to Save Reserves for both the General Fund and Housing Revenue Account were set up to support the delivery of savings and efficiencies through the Fit for the Future Transformation Programme. The reserve is expected to be utilised to support the implementation of a new operating model and IT investment over the next 2-3 years.

Commercial Property Reserve

The Council has a significant and increasing investment property portfolio. The Commercial Property Reserve has been created using a proportion of the net income generated from the investment properties during the year and will be used to provide funding for any future void and rent free periods as well as any repairs/upgrades required to the property. The reserve will help to safeguard the future value of the investment properties and the rental income stream, thereby minimising the risk of holding these assets and of fluctuations in the income return. It is planned that the reserve will continue to be built up as the investment portfolio grows.

Norwich Regeneration Ltd Reserve

The Council has made a commercial loan of £12.4m (2017/18 £11.5m) to its wholly-owned subsidiary Norwich Regeneration Ltd (NRL). The company is using the loan to finance its house building at the Threescore and Mile Cross sites and the Council receives an income stream through the loan interest payments. The MTFS includes plans for significant future lending to the company.

An earmarked reserve has been set up to smooth any fluctuations in net income received by the Council from the lending to NRL. It will provide a buffer in case the income is lower than anticipated due to the company not borrowing as much or as early from the council as planned (e.g. due to delays in construction).

Elections Reserve

This is to provide future funding for council election costs which vary each year according to the differing local and national elections cycles.

	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Insurance Reserve	407	(133)	407	681	(56)	310	935
S31 Earmarked Reserve	1,053	(713)	1,825	2,165	(120)	-	2,045
Mousehold Conservators Reserve	5	-	3	8	-	1	9
General Fund Invest to Save Reserve	86	(75)	2,637	2,648	-	1,614	4,262
Revenue Grants Unapplied Reserve GF	2,142	(208)	138	2,072	(245)	14	1,841
Revenue Grants Unapplied Reserve HRA	4	(4)	-	-	-	-	-
Commercial Property Earmarked Reserve	-	-	123	123	-	935	1,058
Norwich Regeneration Ltd Earmarked Reserve	-	-	50	50	-	243	293
Elections Earmarked Reserve	-	-	113	113	-	-	113
HRA Invest to Save Reserve	-	-	500	500	-	1,000	1,500
Total	**3,697**	**(1,133)**	**5,796**	**8,360**	**(421)**	**4,117**	**12,056**

Transfers between other reserves of £151,620 (2017/18 £279,500) in the Movement in Reserves Statement comprise Decent Home Loan & Home Improvement Loan repayments of £117,672 (2017/18 £172,314) and repayment of Right-to-Buy discounts of £33,948 (2017/18 £107,236).

11. Other Operating Expenditure

	2018/19	2017/18
	£'000	£'000
Payments to the Government Housing Capital Receipts Pool	1,097	1,114
(Gains)/Losses on the disposal of non-current assets	(3,365)	(4,276)
Provision Market	(145)	(163)
Livestock Market	7	35
Total	**(2,406)**	**(3,290)**

The surplus of £0.138m (2017/18 surplus £0.128m) from Market trading (Provision and Livestock) is not allocated back to services but included in other operating expenditure above

12. Financing and Investment Income and Expenditure

	2018/19	2017/18
	£'000	£'000
Interest payable and similar charges	8,161	8,791
(Gains)/Losses on the disposal of investment property	(361)	(265)
Pension interest cost and expected return on pension assets	4,949	4,634
Interest Receivable and similar income	(1,237)	(545)
Income and expenditure in relation to investment properties and changes in their fair value	44	(3,683)
Other investment income	(300)	(12)
Impairment of Soft Loans	120	45
Total	**11,376**	**8,965**

13. Taxation and Non-Specific Grant Income

	2018/19	2017/18
	£'000	£'000
Council tax income	(9,401)	(8,964)
Non domestic rates income and expenditure	(30,931)	(29,069)
Non-ring fenced government grants	(4,760)	(5,902)
Capital grants and contributions	(2,646)	(9,513)
Business Rates - Tariff & Levy	26,221	25,027
Total	**(21,517)**	**(28,421)**

14. Property Plant and Equipment

Accounting Policy

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.

The de minimis level for accounting for expenditure as capital is £5,000.

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.

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 2018/19 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:
  i) Is significant in relation to the overall total cost of the asset and
  ii) 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 1st April 2012 depreciation is calculated based on the useful life of the individual components of the dwelling (30-50 years)
- Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (30-100 years)
- Vehicles – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (25% carrying amount)
- Infrastructure – straight-line allocation of between 25-40 years.
- Plant, furniture & equipment – straight line allocation over the useful life of asset (3-25 years)

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.

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.

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.

Movements in 2018/19	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
Cost or Valuation								
At 1 April 2018	**762,348**	**141,255**	**27,357**	**2,777**	**11,708**	**270**	**17,760**	**963,475**
Additions	24,044	1,551	1,000	35	101	-	513	**27,244**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,987	(8,241)	-	-	-	24	-	**(4,230)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(14,480)	(3,398)	-	-	-	-	-	**(17,878)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	7,888	1,189	-	-	-	-	-	**9,077**
Derecognition – Disposals	(7,430)	-	(196)	-	-	-	-	**(7,626)**
Derecognition - Other	(168)	-	-	-	-	-	-	**(168)**
Demolition	-	(161)	-	-	-	-	-	**(161)**
Assets Reclassified (to) / from Held for Sale	(745)	-	-	-	-	-	-	**(745)**
Other Movements in Cost or Valuation	6,709	8,695	(15)	-	-	-	(11,518)	**3,871**
At 31 March 2019	**782,153**	**140,890**	**28,146**	**2,812**	**11,809**	**294**	**6,755**	**972,859**
Accumulated Depreciation & Impairment								
At 1 April 2018	(5,025)	(11,754)	(23,992)	(1,142)	(109)	(8)	-	**(42,030)**
Depreciation charge	(14,060)	(2,555)	(645)	(79)	-	(7)	-	**(17,346)**
Depreciation written out to the Surplus/Deficit on Provision of Services	12,308	979	-	-	-	-	-	**13,287**
Depreciation write-back on revaluation to Revaluation Reserve	1,754	4,888	-	-	-	8	-	**6,650**
Impairment losses / (reversals) recognised in CIES	(1,176)	(1,373)	-	-	-	-	-	**(2,549)**
Impairment losses / (reversals) recognised in RR	58	(65)	-	-	-	-	-	**(7)**
Derecognition – Disposals	-	-	196	-	-	-	-	**196**
Derecognition - Other	-	-	-	-	109	-	-	**109**
At 31 March 2019	(6,141)	(9,880)	(24,441)	(1,221)	-	(7)	-	**(41,690)**
Net Book Value								
At 31 March 2019	**776,012**	**131,010**	**3,705**	**1,591**	**11,809**	**287**	**6,755**	**931,169**
At 31 March 2018	757,322	129,500	3,365	1,636	11,600	262	17,760	921,445

Comparative Movements in 2017/18	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
Cost or Valuation								
At 1 April 2017	721,442	132,520	27,200	2,772	11,577	270	11,987	**907,768**
Additions	13,995	1,881	185	5	131	-	8,781	**24,978**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,216	6,423	-	-	-	-	-	**10,639**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(2,074)	(4,028)	-	-	-	-	-	**(6,102)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	32,069	4,710	-	-	-	-	-	**36,779**
Derecognition – Disposals	(9,481)	-	(28)	-	-	-	-	**(9,509)**
Derecognition - Other	(278)	-	-	-	-	-	-	**(278)**
Demolition	-	(16)	-	-	-	-	-	**(16)**
Assets Reclassified (to) / from Held for Sale	(710)	(74)	-	-	-	-	-	**(784)**
Other Movements in Cost or Valuation	3,169	(161)	-	-	-	-	(3,008)	**-**
At 31 March 2018	**762,348**	**141,255**	**27,357**	**2,777**	**11,708**	**270**	**17,760**	**963,475**
Accumulated Depreciation & Impairment								
At 1 April 2017	(4,831)	(15,238)	(23,247)	(1,063)	(100)	(8)	-	**(44,487)**
Depreciation charge	(13,473)	(2,567)	(773)	(78)	(8)	(8)	-	**(16,907)**
Depreciation written out to the Surplus/Deficit on Provision of Services	12,507	2,605	-	-	-	-	-	**15,112**
Depreciation write-back on revaluation to Revaluation Reserve	965	2,369	-	-	-	8	-	**3,342**
Impairment losses / (reversals) recognised in CIES	(193)	601	-	-	-	-	-	**408**
Impairment losses / (reversals) recognised in RR	1	473	-	-	-	-	-	**474**
Derecognition – Disposals	-	-	28	-	-	-	-	**28**
Derecognition - Other	(2)	2	-	-	-	-	-	**-**
At 31 March 2018	**(5,026)**	**(11,755)**	**(23,992)**	**(1,141)**	**(108)**	**(8)**	**-**	**(42,030)**
Net Book Value								
At 31 March 2018	**757,322**	**129,500**	**3,365**	**1,636**	**11,600**	**262**	**17,760**	**921,445**
At 31 March 2017	716,610	117,281	3,954	1,708	11,477	261	11,988	**863,279**

Valuations

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 Property Consultants Ltd.

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 2019.

The valuers undertook a full revaluation at 31 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 62% (2017/18 62%), 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 title 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 2019.

The valuers undertook a full revaluation at 31 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.

In accordance with changes brought about by the HRA item 8 post- transition outcomes, Impairment and valuation losses not covered by revaluation reserve in relation to HRA non-dwellings can now be reversed in the same way as losses for dwellings. This is a change, as under transition any such losses for non-dwellings could not be reversed and therefore impacted on the HRA balance in full.

As with dwellings, valuation gains for non-dwellings, where taken to the HRA income and expenditure statement, can also be reversed under the new Determination, again by a transfer to the CAA via the movement in reserves statement. Note that this change has been applied prospectively from 1 April 2017 only.

General Fund Assets

The date of valuation is 1 April 2018.

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 Property Consultants 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			11,809	1,592	3,705	6,755		**23,861**
Valued at current value								**-**
2018-19	776,011	75,928					287	**852,226**
2017-18		48,152						**48,152**
2016-17		1,997						**1,997**
2015-16		1,015						**1,015**
2014-15		3,917						**3,917**
Total	**776,011**	**131,009**	**11,809**	**1,592**	**3,705**	**6,755**	**287**	**931,168**

15. 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.

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.

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. 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 19th 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. 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.

Sculptures and Bronzes

The Council owns 25 sculptures and bronzes which are situated in external locations around the city. The Sculptures and Bronzes are reported in the Balance Sheet at insurance value 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. The assets are reported in the Balance Sheet at insurance value 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

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

	Civic Plate & Regalia	**Paintings**	**Sculptures & Bronzes**	**Statues, Fountain etc**	**Buildings**	**Total Heritage Assets**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Valuation						
1st April 2017	8,078	4,675	6,930	2,437	3,405	**25,525**
Additions	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	**-**
Revaluations	-	-	-	20	-	**20**
31st March 2018	**8,078**	**4,675**	**6,930**	**2,457**	**3,405**	**25,545**
Valuation						
1st April 2018	8,078	4,675	6,930	2,457	3,405	25,545
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
31st March 2019	**8,078**	**4,675**	**6,930**	**2,457**	**3,405**	**25,545**

Valuations

The Council's external valuer (Christopher Hartop and Juliet Nusser) 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. . A review of these valuations was completed as at 31 January 2019 to ensure that they remain current, in accordance with the code requirements. No changes to the valuations were required.

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 percent of the collection of regalia and civic plate are on display in Shirehall museum, 34 percent in the Castle Museum and 15 percent 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.

In accordance with the accounting code a full valuation every five years is not required as there is no prescribed minimum period between valuations however, the code includes a requirement that authorities review the carrying amounts of these heritage assets carried at valuation with sufficient regularity to ensure they remain current.

In 2016-17 a review of the valuations was carried out by Bonhams who advised that the only piece that would need updating at this stage would be the Barbara Hepworth which was last valued at £1.3m. The Modern British Art specialists have provided an up-to-date auction estimate of £3.0m - £5.0m and for insurance suggested £6.0m.

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

The Heritage buildings valuations were also reviewed by NPS in 2016 -17 who advised that no revaluations were required

In 2017/18 a review of the specialist valuation for the Gurney Clock was completed by Michlmayr Clock and Watchmakers Ltd. As a result of this the valuation is now £490k.

16. 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

	2018/19	**2017/18**
	£000	**£000**
Rental income from investment property	(3,841)	(2,503)
Direct operating expenses arising from investment property	1,187	575
Net (gains)/losses from fair value adjustments	2,697	(1,755)
Total	**43**	**(3,683)**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

	2018/19	2017/18
	£000	£000
Balance at start of the year	56,729	41,773
Additions:		
Subsequent expenditure	19,722	13,615
Disposals	(4,061)	(414)
Net gains / (losses) from fair value adjustments	(2,697)	1,755
Transfers (to) / from Property, Plant & Equipment	(3,871)	-
Transfers (to) / from Long Term Debtors	109	-
Balance at end of year	**65,931**	**56,729**

The Additions figure in the table above includes expenditure of £2.529m for an extension to Barnet House, Corby. This is expected to be completed in 2019/20.

The revaluation gains are reversed out in the movement in Reserve Statement so as to have no impact on Council Tax requirement.

The introduction of IFRS 13 fair value measurement from 1 April 2015 resulted in a change in the classification of properties into different 'levels' which are based on the relevant fair value hierarchy.

Investment Property Fair Value Hierarchy
Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2019

Recurring fair value measurements using:	**Other significant observable inputs (level 2)**	**Significant unobservable inputs (level 3)**	**Fair value as at 31 March 2019**
	£000	**£000**	**£000**
Industrial	7,568	10,186	17,754
Offices	6,285	920	7,205
Other	21,863	3,610	25,473
Residential	1,131	-	1,131
Retail	14,302	66	14,368
Total	51,149	14,782	65,931

Investment Property Fair Value Hierarchy
Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2018

Recurring fair value measurements using:	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2018
	£000	£000	£000
Industrial	7,231	13,040	20,271
Offices	7,580	446	8,026
Other	6,512	4,875	11,387
Residential	1,131	2,940	4,071
Retail	12,908	66	12,974
Total	35,362	21,367	56,729

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
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

	2018/19					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 2	£000	£000	£000	£000	£000	£000
Opening balance	7,231	7,580	6,512	1,131	12,908	35,362
Reclassification to OLB	-	-	-	-	20	20
Transfer between disclosure category	(4,079)	(392)	13,375	-	(7,467)	1,437
Transfers into Level 2	-	-	774	-	-	774
Transfers out of Level 2	(1,392)	(515)	(741)	2,940	-	292
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	(474)	(29)	(616)	-	(711)	(1,830)
Additions	6,389	-	2,559	-	9,926	18,874
Disposals	(107)	(359)	-	(2,940)	(374)	(3,780)
Balance at end of year	7,568	6,285	21,863	1,131	14,302	51,149

	2017/18					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 2	£000	£000	£000	£000	£000	£000
Opening balance	3,010	7,680	4,352	898	5,832	21,772
Transfer between disclosure category	-	-	-	69	(69)	-
Transfers into Level 2	-	-	-	-	-	-
Transfers out of Level 2	-	-	(62)	-	-	(62)
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	142	(36)	(123)	164	-	147
Additions	4,079	-	2,345	-	7,186	13,610
Disposals	-	(64)	-	-	(41)	(105)
Balance at end of year	7,231	7,580	6,512	1,131	12,908	35,362

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.
The transfers out of level 2 were due to new lettings being agreed.

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

	2018/19					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 3	£000	£000	£000	£000	£000	£000
Opening balance	13,039	446	4,875	2,940	66	21,365
Reclassification to OLB	-	-	(3,891)	-	-	(3,891)
Transfer between disclosure category	(3,959)	312	2,210	-	-	(1,437)
Transfers into Level 3	1,392	515	741	(2,940)	-	(292)
Transfers out of Level 3	-	-	(774)	-	-	(774)
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	(34)	(353)	(370)	-	-	(757)
Additions	29	-	819	-	-	848
Disposals	(281)	-	-	-	-	(281)
Balance at end of year	10,186	920	3,610	-	66	14,781

	2017/18					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 3	£000	£000	£000	£000	£000	£000
Opening balance	12,553	544	3,900	2,940	66	20,003
Transfer between disclosure category	-	-	-	-	-	-
Transfers into Level 3	-	-	62	-	-	62
Transfers out of Level 3	-	-	-	-	-	-
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	483	-	1,124	-	-	1,607
Additions	4	-	-	-	-	4
Disposals	-	(98)	(211)	-	-	(309)
Balance at end of year	13,040	446	4,875	2,940	66	21,367

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.
The transfers into level 3 followed reassessment by the valuers.

Valuation process for Investment Properties

The fair value of the council's investment property is valued in a five year rolling programme; except for the year ended 31 March 2016 the whole portfolio was valued as at 1 April 2015 following the introduction of IFRS13.
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)

17. 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 £256,628 charged to revenue in 2018/19, £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 £166,858, £152,440 related to software and all charges were made to the General Fund.
The movement on Intangible Asset balances during the year is as follows:

	2018/19	**2017/18**
	£000	**£000**
Balance at the start of the year		
· Net carrying amount	603	553
· Additions	227	305
· Disposals	-	(77)
Amortisation for the period	(257)	(255)
Disposals	-	77
Net Carrying amounts at the end of the year	**573**	**603**
Comprising:		
· Gross carrying amount	1,934	1,707
· Accumulated amortisation	(1,361)	(1,104)
	573	**603**

18. Financial Instruments

Accounting Policy

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

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

Financial Assets

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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

Expected Credit Loss Model

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

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

The authority has a portfolio of a significant number of Decent Homes Loans and Home Improvement Loans to local residents. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

Financial Assets Measured at Fair Value through Other Comprehensive Income

At initial recognition, an authority may make an irrevocable election to present in Other Comprehensive Income and Expenditure subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. These equity instruments shall be described as being designated to fair value through other comprehensive income.

Movements in amortised cost are debited/credited to the Surplus or Deficit on the Provision of Services, but movements in fair value debited/credited to Other Comprehensive Income and Expenditure. Cumulative gains/losses on fair value are transferred to the General Fund Balance on derecognition.

Financial Assets 2018-19

	Non-Current		Current		Total
	Investments	Debtors	Investments	Debtors	
	£000	£000	£000	£000	£000
Fair value through profit and loss					
Amortised Cost	-	16,790	49,710	8,259	74,759
Fair value through other comprehensive income –designated equity instruments	1,754	-	-	-	1,754
Total financial assets	**1,754**	**16,790**	**49,710**	**8,259**	**76,513**
Non-financial assets	2,724	1,395	489	4,581	9,189
Total	**4,478**	**18,185**	**50,199**	**12,840**	**85,702**

Financial Liabilities 2018-19

	Non-Current		Current		Total
	Borrowings	Creditors	Borrowings	Creditors	
	£000	£000	£000	£000	£000
Fair value through profit and loss					
Amortised Cost	199,900	902	806	17,438	219,046
Total financial liabilities	**199,900**	**902**	**806**	**17,438**	**219,046**
Non-financial liabilities	-	1,787	-	12,852	14,639
Total	**199,900**	**2,689**	**806**	**30,290**	**233,685**

Financial Assets 2017-18*

	Non-Current		Current		Total
	Investments	Debtors	Investments	Debtors	
	£000	£000	£000	£000	£000
Fair value through profit and loss					
Amortised Cost	-	16,149	50,670	7,825	74,644
Fair value through other comprehensive income –designated equity instruments	2,323	-	-	-	2,323
Total financial assets	**2,323**	**16,149**	**50,670**	**7,825**	**76,967**
Non-financial assets	2,200	2,764	686	5,672	11,322
Total	**4,523**	**18,913**	**51,356**	**13,497**	**88,289**

Financial Liabilities 2017-18

	Non-Current		Current		
	Borrowings	Creditors	Borrowings	Creditors	Total
	£000	£000	£000	£000	£000
Fair value through profit and loss					
Amortised Cost	199,902	1,003	2,866	16,289	220,060
Total financial liabilities	**199,902**	**1,003**	**2,866**	**16,289**	**220,060**
Non-financial liabilities	-	1,839	-	9,763	11,602
Total	**199,902**	**2,842**	**2,866**	**26,052**	**231,662**

* The Financial Assets 2017-18 table above includes the impact of the reclassifications and re-measurements following the implementation of IFRS 9. The balances are reconciled to the 2017/18 closing balance in the tables below.

Reclassification and remeasurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

		New Classifications at 1 April 2018		
	Carrying amount brought forward at 1 April	Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss
	£000	£000	£000	£000
Previous classifications				
Loans and receivables	75,568	74,644	924	-
Available for Sale	-	-	-	-
Fair value through profit and loss	-	-	-	-
Reclassified amounts at 1 April 2018	-	**74,644**	**924**	-
Remeasurements at 1 April 2018	-	-	1,399	-
Remeasured carrying amounts at 1 April 2018	-	**74,644**	**2,323**	-
Impact on General Fund Balance	-			
Impact on Financial Instruments Revaluation Reserve	1,399			

Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

	New Classifications at 1 April 2018				
	Amortised Cost	Fair Value through Other Comprehensive Income	Fair value through profit and Loss	Non-financial instrument balances	Total Balance Sheet carrying amount
	£000	£000	£000	£000	£000
Remeasured carrying amounts at 1 April 2018	74,644	2,323	-	11,322	88,289
Non-current investments		2,323			
Long-term debtors	16,149				
Current investments	50,670				
Current debtors	7,825				

Application of classification requirements at 1 April 2018

The following judgements were made in reclassifying financial instruments at 1 April 2018:

- Shares in Norwich Airport Ltd with a carrying amount of £823,000 were reclassified from available for sale to fair value through other comprehensive income and subsequently revalued.
- Shares in Legislator 1656 and 1657 with a carrying amount of £0 were reclassified from available for sale to fair value through other comprehensive income and subsequently revalued.
- Shares in the Municipal Bonds Agency with a carrying amount of £100,000 were reclassified from available for sale to fair value through other comprehensive income, cost is being used as a proxy for fair value.

The Council applied its discretion to designate the equity instruments as fair value through other comprehensive income rather than fair value through profit and loss. This was on the basis that these investments are all being held for a long period for strategic purposes rather than trading or income generation. There has been no impact on the General Fund and the net gain from revaluation has been taken to a newly created unusable reserve; the Financial Instrument Revaluation Reserve.

Reclassification and remeasurement of impairment losses at 1 April 2018

This note shows the adjustments made to impairment loss allowances as a result of the reclassification of financial assets and the change from an incurred losses model to an expected losses model for calculations.

	Loss allowances for new classifications at 1 April 2018		
	Impairment allowance brought forward at 1 April	Amortised cost	Fair value through other comprehensive income
	£000	£000	£000
Previous classifications			
Loans and receivables	4,789	4,789	-
Available for sale	-	-	-
Reclassified amounts at 1 April 2018	-	-	-
Remeasurement from incurred losses to expected losses basis at 1 April 2018	1,500	1,500	-
Impairment loss allowance at 1 April 2018	**6,289**	**6,289**	-

Soft Loans

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 £2.838m.

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:

Decent Homes Loans

	31-Mar-19	31-Mar-18
	£000	**£000**
Opening Balance	2,240	2,768
Remeasured carrying amounts at 1 April 2018 under IFRS !	(1,500)	-
Fair value Adjustments	20	(356)
Loans Repaid	(118)	(172)
Balance Carried Forward	**642**	**2,240**
Nominal Value caried forward	**2,592**	**2,710**

The re-measurement reflects an increase in the collective assessment impairment allowance for Decent Home Loans following the application of the expected credit loss model.

Valuation Assumptions

The interest rate at which fair the fair value of this soft loan had been made is arrived at by taking the authority's prevailing cost of borrowing (5%). A review of the assets has identified a collective impairment required on the loans. These are shown within the Amounts Arising from Expected Credit Losses section of the Note.

Investments in equity instruments designated at fair value through other comprehensive income

The Council holds shares in Norwich Airport Limited and in two other companies associated with the Airport (Legislator 1656 and Legislator 1657) which originated through a policy initiative with other authorities to promote economic generation and tourism. As the asset is not held for trading or income generation, rather a longer term policy initiative the equity has been designated as fair value through comprehensive income.

The Authority has a shareholding in the Municipal Bonds Agency. The shares were subscribed to in order to fund the mobilisation and implementation phase of the Agency. As the asset is not held for trading or income generation, rather a longer term policy initiative the equity has been designated as fair value through comprehensive income. The shares are carried at cost of £100k as a proxy for fair value given the immaterial nature of the investment.

No financial assets measured at fair value through other comprehensive income have been impaired by a loss allowance.

The Council's investment in Norwich Regeneration Ltd, its wholly-owned subsidiary, remains at amortised costs as the company is included in the Council's group accounts.

	Nominal	Fair Value	Change in fair value during 2018/19	Dividends
	£000	**£000**	**£000**	**£000**
Norwich Airport Ltd shares	824	260	-	-
Legislator 1656 Ltd shares	-	1,394	(569)	567
Legislator 1657 Ltd shares	-	-	-	-
Municipal Bonds Agency shares	100	100	-	-
	924	**1,754**	**(569)**	**567**

The dividend has been treated as a capital receipt as relates to the sale of the Council's shares in Norwich Airport in 2004.

Items of income, expense, gains or losses

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

	2018/19		2017/18	
	Surplus or Deficit on the Provision of Services	**Other Comprehensive Income and Expenditure**	**Surplus or Deficit on the Provision of Services**	**Other Comprehensive Income and Expenditure**
	£000	£000	£000	£000
Net gains/losses on:				
financial assets measured at amortised cost	(1,237)	-	(545)	-
investments in equity instruments designated at fair value through other comprehensive income		569		-
financial liabilities measured at amortised cost	8,161	-	8,791	-
Total net gains/losses	**6,924**	**569**	**8,246**	-
Interest revenue:				
financial assets measured at amortised cost	(1,237)	-	(545)	-
Total interest revenue	**(1,237)**	-	**(545)**	-
Interest expense:				
financial liabilities measured at amortised cost	8,161	-	8,791	-
Total interest expense	**8,161**	-	**8,791**	-

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31-Mar-19	31-Mar-18
Fair Value through Other Comprehensive Income				
Norwich Airport Ltd shares	Level 3	Market approach – earnings based	260	260
Legislator 1656 Ltd shares*	Level 3	Market approach – adjusted net assets	1,394	1,963
Legislator 1657 Ltd shares	Level 3	Market approach – adjusted net assets	-	-
Total			1,654	2,223

* The reduction in the fair value of the Legislator shareholding is due to the declaration of a dividend of £567,000. The dividend has been treated as a capital receipt as relates to the sale of the Council's shares in Norwich Airport in 2004.

The Council's shareholding in Norwich Airport and legislator companies are not traded in an active market. The fair value of £1.654m has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made by an independent third party based on an analysis of the assets and liabilities in the companies' latest audited accounts.

There have been no transfers between levels of the Fair Value Hierarchy and no changes in valuation techniques used during the year.

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. 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 payable, PWLB premature repayment rates/prevailing market rates (choose which one is being used) have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment/borrowing rates (the alternative to the above), highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, PWLB premature repayment rates/prevailing market rates (choose which one is being used) 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 calculated are as follows:

Financial assets measured at amortised cost

Finacial Liabilities	31-Mar-19		31-Mar-18	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Long term PWLB debt	194,107	226,625	194,107	225,720
Long term non-PWLB debt	5,793	8,903	5,795	8,736
Short term Borrowing	806	806	2,866	3,002
Short term creditors	17,337	17,337	16,193	16,193
Short term finance lease liability	101	101	96	96
Long term creditors	-	-	-	-
Long term finance lease liability	902	902	1,003	1,003
Total Liabilities	**219,046**	**254,674**	**220,060**	**254,750**

The fair value of the liabilities is greater than the carrying amount because the Council's 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.

Financial Assets	31-Mar-19		31-Mar-18	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Short term investments	49,710	49,774	50,670	50,779
Long term investments	1,754	1,754	2,323	2,323
Short term debtors	8,259	8,259	7,825	7,825
Long term debtors	16,790	16,790	16,149	16,149
Total Assets	**76,513**	**76,577**	**76,967**	**77,076**

As at 31st March 2018 the Council held £15m in Money Market Funds (shown within the comparative short term investments). At the inception of the investments, the purpose was solely to collect the repayment of interest and principle. The business model for the Money Market Funds is therefore not based on any other objective of generating profit. The investments have therefore been held at amortised cost.

The fair value of the assets is greater than the carrying amount because the Council's 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.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks. The key risks are:

- **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 or 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.

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.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 20 February 2018. The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £291.6m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £271.6m. 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.

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 requires that deposits are not made with financial institutions unless they meet minimum credit ratings from the three major credit ratings agencies. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each rating category and country. The Annual Investment Strategy is contained within the Council's approved Treasury Management Strategy.

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

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-Mar-19		31-Mar-19	31-Mar-18
Customers	3,322	12%	399	386

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 £3.322m of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31-Mar-19	31-Mar-18
	£000	£000
Less than three months	1,828	1,430
Three to six months	285	508
Six months to one year	166	199
More than one year	1,043	1,081
Total	**3,322**	**3,218**

The current provision of £1.141m for sundry debt covers 34% of the balance.

Amounts Arising from Expected Credit Losses

The changes in loss allowance during the year are as follows:

	12mth Expected Credit losses	Lifetime Expected Credit Losses – simplified approach	Total
	£000	£000	£000
Opening balance as at 1 April 2018	**-**	**(4,789)**	**(4,789)**
Remeasured carrying amounts 1 April 2018	**-**	**(6,290)**	**(6,290)**
Movement in loss allowance	-	(95)	(95)
Other changes	-	-	-
As at 31 March 2019	-	(6,385)	(6,385)
Opening balance as at 1 April 2017	**-**	**(3,789)**	**(3,789)**
Movement in loss allowance	**-**	(1,001)	(1,001)
Other changes	-	-	-
As at 31 March 2018	**-**	**(4,789)**	**(4,789)**

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has immediate access to liquid investments as well as ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

	2018/19	2017/18
	£000	£000
Repayable between:		
less than one year	49,710	50,670
Between 1 & 2 years	-	-
	49,710	**50,670**

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.

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 Maximum Limit	Approved Maximum Limit	Actual	Actual
			31-Mar-19	31-Mar-18
			£000	£000
Less than 1 year	0%	10%	806	2,866
Between 1 & 2 years	0%	10%	-	-
Between 2 & 5 years	0%	40%	57,459	53,459
Between 5 & 10 years	0%	70%	117,700	119,700
10 years and above	0%	5%	24,231	26,233
			200,196	**202,258**
Perpetually irredeemable loan stock	0%	10%	510	510
			200,706	**202,768**

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.

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

	£000
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	764
Impact on Surplus or Deficit on Provision of Services	764
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	(15,652)

The impact of a 1% fall in interest rates on interest receivable would be £ (296)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.

Price risk - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However it does have shareholdings at a cost of £0.824m 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.

19. Long Term Investments

		2018/19	2017/18
		£000	£000
Norwich Regeneration Ltd		2,724	2,200
Norwich Airport Ltd		260	824
Municipal Bonds Agency		100	-
Legislator 1656		1,394	-
		4,478	**3,024**

Equity Shareholding in Subsidiary

In October 2016 the council disposed of land at Bowthorpe to its wholly owned subsidiary Norwich Regeneration Limited in exchange for 22,000 £100 shares in the company. During 2018/19 the Council invested an additional £0.524m in the form of cash equity into the company.

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 and the investment value shown in the Balance Sheet represents the Council's 6% direct holding in the company.

Norwich City Council has an interest in Legislator Companies 1656 and 1657 which has been assessed as out of scope for the purposes of Group Accounts.

Under IFRS 9 the shareholdings in Norwich Airport Ltd, Legislator 1656 and Legislator 1657 have been subject to an independent professional valuation. In 2018/19 these are therefore held at fair value.

The shareholding in the Municipal bonds Agency has been reclassified from Long Term Debtors where it was disclosed in 2017/18.

20. Long Term Debtors

	2018/19			2017/18
	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	731	-	**731**	865
Deferred Capital Receipt Sale of Airport Shares	-	-	**-**	400
Deferred Capital Receipt – Livestock Market	-	-	**-**	-
Decent Home Loans	642	-	**642**	2,240
Finance Lease > 1 year	1,183	-	**1,183**	1,267
Home Improvement Loans	203	-	**203**	203
Local Authority Mortgage Scheme	-	-	**-**	1,000
Housing Benefit Overpayments	6,547	(4,473)	**2,074**	2,336
Shared Equity Dwellings	237	-	**237**	282
SALIX	330	-	**330**	334
Debts with legal charge over property	42	-	**42**	43
Wholly owned subsidiary	12,400	-	**12,400**	11,500
Other Long Term Debtors	341	-	**341**	440
Total	**22,659**	**(4,473)**	**18,186**	**20,913**

Long Term Debtors include:

- 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.

- 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. The period of indemnity finished in January 2019 and the advance was returned to the Council.

- Wholly Owned Subsidiary Loan – the Council has advanced a loan to its wholly owned subsidiary Norwich Regeneration Ltd of £12.4m. The company is using the loan to finance its house building at the Threescore and Mile cross sites.

21. Short Term Investments

The amounts invested at 31 March were as follows:

		2018/19	2017/18
		£000	£000
Banks		11,000	8,000
Building Societies		3,000	12,000
Local Authority		12,000	3,000
Total Short Term Investments		**26,000**	**23,000**

22. Short Term Debtors

		2018/19	2017/18
		£000	£000
Central Government Bodies		4,360	3,689
Other entities & individuals		5,825	7,134
Other Local Authorities		2,655	2,674
Total Short Term Debtors		**12,840**	**13,497**

23. Cash & Cash Equivalents

Cash equivalent short term deposits are those for a period of 3 months or less at inception and represent the lending of surplus monies to other local authorities and major financial institutions

		2018/19	2017/18
		£000	£000
Cash held by Council		14	11
Bank current accounts		6,185	3,855
Short term deposits with banks		8,000	3,590
Short term deposits with building societies		-	1,650
Short term deposits with Debt Management Office		6,000	-
Short term deposits with local authorities		4,000	4,250
Money Markets		-	15,000
Total Cash & Cash Equivalents		**24,199**	**28,356**

24. Assets Held for Sale

		Current	
		2018/19	2017/18
		£000	£000
Balance outstanding at 1 April		**199**	**424**
Assets newly classified as held for sale:			
Property, Plant & Equipment		745	784
Assets declassified as held for sale:			
Property, Plant & Equipment		-	-
Asset disposals		(575)	(1,231)
Other movements		11	222
Balance outstanding at 31 March		**380**	**199**

25. Short Term Creditors

	2018/19	2017/18
	£000	£000
Central Government Bodies	5,119	2,153
Other Local Authorities	10,955	10,242
National Health Bodies	9	27
Trade Creditors	9,542	7,722
Receipts in Advance	1,661	2,737
Other entities & individuals	3,004	3,171
Total Short Term Creditors	**30,290**	**26,052**

26. Long Term Creditors

	2018/19	2017/18
	£000	£000
Developer Contributions	1,507	1,618
Lease Liability	1,000	1,003
Rent Prepayments	100	150
SALIX	81	71
Total Long Term Creditors	**2,688**	**2,842**

27. Provisions

Accounting Policy

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.

	2018/19	**2017/18**
	£000	**£000**
Balance at 1 April	2,561	2,553
Movement in provisions	956	8
Balance at 31 March	**3,517**	**2,561**

Business Rates Appeals

The provision includes £2.718m (2017/18: £2.521m) in respect of Non-Domestic Rates appeals following the introduction of Business Rates Retention on 1 April 2013.

Norwich Livestock Market

Within the 2018/19 provision balance is £0.8m. This is a capital receipt that was paid to the Council in March 2017 following the surrender of the lease on the Norwich Livestock Market. A judicial review concluded that Norwich City Council must have a property interest in a livestock market in order to fulfil its statutory obligations under the Norwich City Council Act 1984. As a result of the judicial review findings the Council's lease with Norwich Livestock Market was re-established. Following the re-establishment of the lease and the difficulties in identifying alternative sites, provision has been made for the repayment of the capital receipt.

28. Usable Reserves

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

29. Unusable Reserves

		2018/19	**2017/18**
		£000	**£000**
Revaluation Reserve		74,600	73,434
Financial Instruments Revaluation Reserve		830	-
Capital Adjustment Account		679,510	681,293
Financial Instruments Adjustments Account		(826)	(919)
Deferred Capital Receipts		956	1,434
Pensions Reserve		(198,776)	(177,895)
Collection Fund Adjustment Account		1,507	(264)
Total Unusable Reserves		**557,801**	**577,083**

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.

	2018/19		**2017/18**
	£000	**£000**	**£000**
Balance at 1 April		73,434	**60,296**
Upward revaluation of assets	15,444		16,635
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(13,178)		(1,936)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**2,266**	**14,699**
Difference between fair value depreciation & historical cost depreciation	(749)		(703)
Accumulated gains on assets sold or scrapped	(351)		(857)
Amount written off to the Capital Adjustment Account		**(1,100)**	**(1,560)**
Other movements		-	-
Balance at 31 March		**74,600**	**73,435**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2018/19		**2017/18**
Financial Instruments Revaluation Reserve	**£000**	**£000**	**£000**
Balance at 1 April	1,399	-	
Upward revaluation of investments	-		
Downward revaluation of investments	(569)		
Change in impairment loss allowances			
		830	**-**
Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-		
Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balances for financial assets designated to fair value through other comprehensive income	-		
		0	
Balance at 31 March		**830**	**-**

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.

Note 9 provides detail of the source of all the transactions posted to the Account, apart from those involving the Revaluation reserve.

Capital Adjustment Account	2018/19		2017/18
	£000	£000	£000
Balance at 1 April		**681,293**	**635,305**
IFRS9 adjustment	**(1,500)**		**-**
Revised Balance at 1 April		**679,793**	**635,305**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(20,572)	-	(19,545)
Revaluation gains / (losses) on Property, Plant & Equipment	5,015		48,578
Revenue expenditure funded from capital under statute	(5,828)		(8,768)
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	(12,329)		(11,447)
Difference between historic cost & carrying value depreciation	749		703
Net written out amount of the cost of non-current assets consumed in the year		**(32,965)**	**9,521**
Adjusting amounts written out of the Revaluation Reserve		351	857
Net written out amount of the cost of non-current assets consumed in the year		**(32,614)**	**10,378**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital Expenditure	5,533		7,284
Use of the Major Repairs Reserve to finance new capital expenditure	11,633		7,001
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,657		1,428
Application of grants to capital financing from the Capital Grants Unapplied Account	3,860		4,885
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	412		352
Capital expenditure charged against the General Fund & HRA balances	11,984		13,077
		35,079	**34,027**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(2,697)	1,755
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		67	-
HRA Self Financing Debt		-	-
Other		(118)	(172)
Balance at 31 March		**679,510**	**681,293**

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 2018 will be charged to the General Fund over the next 15 years.

	2018/19	2017/18
	£000	£000
Financial Instruments Adjustment Account		
Balance at 1 April	**919**	**642**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(81)	289
	838	**931**
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)
Balance at 31 March	**826**	**919**

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.

	2018/19	2017/18
	£000	£000
Deferred Capital Receipts Reserve		
Balance at 1 April	**1,433**	**1,434**
IFRS9 Adjustment	(399)	-
Balance at 1 April	**1,034**	**1,434**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(78)	(1)
Balance at 31 March	**956**	**1,433**

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.

	2018/19	2017/18
	£000	£000
Pensions Reserve		
Balance at 1 April	**(177,895)**	**(184,829)**
Actuarial gains or (losses) on pensions assets & liabilities	(14,386)	12,762
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	(13,862)	(12,553)
Employer's pensions contributions & direct payments to pensioners payable in the year	6,738	6,074
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	628	651
Balance at 31 March	**(198,776)**	**(177,895)**

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.

	2018/19	2017/18
Collection Fund Adjustment Account	£000	£000
Balance at 1 April	**(263)**	**771**
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	(15)	(65)
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	1,785	(969)
Balance at 31 March	**1,507**	**(263)**

30. 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:

	2018/19	2017/18
	£000	£000
Interest received	(1,125)	(1,163)
Interest paid	8,220	8,919
	7,095	**7,756**

	2018/19	2017/18
	£000	£000
Depreciation	17,346	16,906
Amortisation	257	256
Impairment and revaluations	4,667	(40,857)
Reductions in the fair value of soft loans (non Subsidiary) made in the year	91	45
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	(121)	290
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	(447)	661
Increase/(Decrease) in Interest Creditors	(62)	(128)
Increase/(Decrease) in Creditors	353	(4,973)
(Increase)/Decrease in Interest Debtors	-	315
(Increase)/Decrease in Debtors	1,367	(5,187)
(Increase)/Decrease in Inventories	-	-
(Decrease)/Increase in Pension Liability	-	-
Contributions to Provisions	956	288
Carrying amount of non-current assets sold	12,286	11,420
Movement in Investment Property values	2,588	(1,755)
	39,281	**(22,719)**

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

	2018/19	2017/18
	£000	£000
Capital grants credited to surplus or deficit on the provision of services	(1,657)	(1,428)
Proceeds from the sale of property, plant and equipment and investment properties	(15,965)	(15,872)
	(17,622)	**(17,300)**

31. Cash Flow Statement – Investing Activities

	2018/19	2017/18
	£000	£000
Purchase of property, plant & equipment, investment property & intangible assets	(47,508)	(39,700)
Other Capital Payments	(24)	(16)
Purchase of short term & long-term investments	(110,524)	(46,400)
Other payments for investing activities	(921)	(11,288)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	15,965	15,871
Other Capital Cash Receipts	1,313	279
Capital grants received	1,227	2,238
Proceeds from short term & long-term investments	107,000	78,818
Net cash flows from investing activities	**(33,472)**	**(198)**

32. Cash Flow Statement – Financing Activities

	2018/19	2017/18
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(96)	(90)
Repayments of short- & long-term borrowing	(2,000)	(7,000)
Other receipts /(payments) for financing activities	3,977	(1,686)
Net cash flows from financing activities	**1,881**	**(8,776)**

33. 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:

	2018/19			2017/18
	Expenditure	Income	(Surplus) / Deficit	(Surplus) / Deficit
	£000	£000	£000	£000
Car Parks	2,748	(6,146)	(3,398)	(9,318)
Industrial Estates	(299)	(626)	(925)	(240)
Corporate Estates	4,200	(3,889)	311	(2,458)
Civic Halls	1,031	(226)	805	228
Markets	1,479	(771)	708	(110)
Net (Surplus) / Deficit	**9,159**	**(11,658)**	**(2,499)**	**(11,898)**

Other than for Markets, the income and expenditure of the remaining Trading Operations for 2018/19 and 2017/18 have been consolidated within the Net Cost of Services. Income and expenditure of the Markets are within Other Operating Expenditure.

The higher surplus on car parks in 2017/18 is due to property revaluations undertaken. The revaluation impact is reversed out in the Movement in Reserves Statement and has no impact on the General Fund Balance and Council Tax requirement.

In 2018/19 there was an increase in interest payments made on Corporate Estates which was more than offset by a higher rental income. The overall reduction in the surplus is due to downward property revaluations. The revaluation impact is reversed out in the Movement in Reserves Statement and has no impact on the General Fund Balance and Council Tax requirement.

The deficit in 2018/19 on Markets is as a result of the provision detailed in note 27.

34. 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 47. In line with the service level agreements, Norwich City Council is entitled to an amount equivalent to 50% of any pre-tax profits as a discount on charges. An estimate of the pre-tax discounts has been accrued in the accounts. There is no other entitlement to the Council in terms of dividends or rights to retained earnings. The draft unaudited performance of the associates is shown below.

		NPS (Norwich) Ltd		Norwich/Norse Environmental Ltd		Norwich Norse Building Ltd	
		2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
		£000	£000	£000	£000	£000	£000
Profit & Loss Account							Restated*
Operating Profit		89	184	113	136	123	119
Interest (Payable) /Receivable		-	(7)	-	(30)	-	-
Profit on Ordinary Activities before Corporation Tax		**89**	**177**	**113**	**106**	**123**	**119**
Corporation Tax		(17)	(35)	(15)	(24)	(34)	(17)
Retained Profit for the financial year		**72**	**142**	**98**	**82**	**89**	**102**
Balance Sheet							
Profit & Loss b/f		**813**	**671**	**410**	**328**	**301**	**199**
Profit & Loss for the financial year		72	142	98	82	89	102
Profit & Loss reserve c/f		**885**	**813**	**508**	**410**	**390**	**301**

35. 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.

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 2018/19 and 2017/18 are as follows:-

Highways	**2018/19**	**2017/18**
	£000	**£000**
Expenditure	2,426	2,595
Income	(2,384)	(2,392)
(Surplus) / Deficit	**42**	**203**
On-Street Car parking	**2018/19**	**2017/18**
	£000	**£000**
Expenditure	1,101	1,272
Income	(1,448)	(1,315)
(Surplus) paid over to Norfolk County Council	**(347)**	**(43)**

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 and the Norfolk Joint Records Committee are not material.

On 1st November 2012 the 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.

On 1st November 2017 a new five year BID agreement was launched, covering an expanded geographic area.

The council acts as agent for Norwich BID by billing and collecting the additional tax.

Business Improvement District	**2018/19**	**2017/18**
	£000	**£000**
Billed	913	950
Collected	(938)	(915)
Paid over to Norwich BID	**876**	**1,060**

36. Members' Allowances

The total of members' allowances paid in the year was £368,445 (2017/18 £359,985) in accordance with the Members' Allowance Scheme as set out in Appendix 16 of the Council's Constitution.

37. 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 2018/19 [1,2]	117,306	-	-	117,306	16,966	134,272
Chief Executive Officer 2017/18 [1,2]	120,895	-	-	120,895	16,691	137,586
Director of Regeneration & Development 2018/19	83,391	-	-	83,391	12,055	95,446
Director of Regeneration & Development 2017/18	82,050	-	-	82,050	11,819	93,869
Director of Customer & Culture 2018/19	91,455	-	-	91,455	13,261	104,716
Director of Customer & Culture 2017/18	89,655	-	-	89,655	13,000	102,655
Director of Neighbourhoods 2018/19	83,339	-	-	83,339	12,055	95,394
Director of Neighbourhoods 2017/18	78,377	-	-	78,377	11,327	89,704
Director of Business Services 2018/19 [1]	84,171	-	-	84,171	12,055	96,226
Director of Business Services 2017/18 [1]	83,306	-	-	83,306	11,819	95,125
S151 officer 18/19 [3]	79,669	-	-	79,669	-	79,669
S151 officer 17/18 [3]	71,801	-	-	4,980	1,080	6,060
S151 officer 17/18 [4]	4,980	-	-	57,416	12,454	69,870
TOTAL 2018/19	**539,331**	**-**	**-**	**539,331**	**66,392**	**605,723**
TOTAL 2017/18	**531,064**	**-**	**-**	**516,679**	**65,736**	**594,869**

[1] Remuneration includes payments made in respect of election duties for the Chief Executive and the Director of Business Services.

[2] Chief Executive Officer works 4 days

[3] S151 officer started May 2017, and is employed by LGSS shared services

[4] S151 officer finished April 2017, and was employed by LGSS shared services

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:

Remuneration Band		**2018/19**	**2017/18**
£50,000 to £54,999		5	6
£55,000 to £59,999		1	3
£60,000 to £64,999		1	-
£65,000 to £69,999		5	6
£70,000 to £74,999		-	-
£75,000 to £79,999		-	1
£80,000 to £84,999		3	2
£85,000 to £89,999		-	1
£90,000 to £94,999		1	-
£95,000 to £99,999		-	-
£100,000 to £104,999		-	-
£105,000 to £109,999		-	-
£110,000 to £114,999		-	-
£115,000 to £119,999		1	-
£120,000 to £124,999		-	1
		17	**20**

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:-

2018/19					
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	9	10	59,116
£20,001 - £40,000		-	-	-	-
£40,001 - £60,000		-	-	-	-
£60,001 - £80,000		-	-	-	-
£80,001 - £100,000		-	-	-	-
Total		**1**	**9**	**10**	**59,116**

2017/18					
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	13	19	198,101
£20,001 - £40,000		7	7	14	372,565
£40,001 - £60,000		1	2	3	149,776
£60,001 - £80,000		0	2	2	140877
£80,001 - £100,000		0	1	1	86,132
£100,001 - £150,000					
Total		**14**	**25**	**39**	**947,451**

The table above represents redundancies during 2017/18. The 2017/18 accounts included an estimate of £56,757 based on probable redundancy costs for a number of officers as part of the restructure of several service areas during 2017/18. As there were redeployment opportunities some of these officers may not have been made redundant whilst others left during 2018/19. The actual cost of these redundancies in 2018/19 was £45,249. Any variance between the accrual in 2017/18 and the final exit package costs is disclosed as part of the 2018/19 accounts.

38. 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 2018/19 and 2017/18 the following fees were payable by the Council to our external auditors.

	2018/19		2017/18
	£000		£000
			Restated
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year	66		88
Fees payable to external auditors for the certification of grant claims and returns for the year	27		36
Fees payable in respect of any other services provided by external auditors during the year	-		12
Total	**93**		**136**

The fees for 'other services' payable in 2017/18 relate to the Right to Buy retained receipts audit and for the auditor's consideration of the council's Minimum Revenue Provision calculation.

39. Grants Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19	2017/18
	£000	£000
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	(982)	(1,671)
Local Strategic Partnership - Second Homes	(61)	(45)
New Homes Bonus	(837)	(1,667)
NNDR Administration Grant	(268)	(271)
Small Business Rate Relief Grant	(2,253)	(1,902)
Other Grants (Non Capital)	(359)	(346)
Sub-Total inc NNDR	**(4,760)**	**(5,902)**
Capital Grants & Contributions		
DfT Cycle Ambition Grant	-	(3,399)
DfT Cycle Safety Grant	-	(1,725)
Community Infrastructure Levy (Funding from developers)	(417)	(1,530)
Community Infrastructure Levy (Funding from GNGB Strategic Pool)	(98)	(43)
Disabled Facilities Grant	(1,203)	(1,101)
Capital Grant Income (Government bodies)	(385)	(69)
Capital Grants & contribution income (non Government)	(472)	(1,559)
Sub Total	**(2,575)**	**(9,426)**
Capital Grants & Contributions(REFCUS expenditure)		
Capital Grants & contribution income (from Non Government Bodies)	(5)	(87)
Sub Total	**(5)**	**(87)**
Total	**(7,340)**	**(15,415)**
Credited to Services		
Rent Allowance Subsidy	(25,615)	(26,404)
Rent Rebate Subsidy	(29,472)	(30,236)
Discretionary Housing Payments	(470)	(499)
Housing Benefit Administration Grant	(752)	(769)
Supporting People	-	(253)
Other Revenue Grants & Contributions (from Government)	(1,604)	(837)
Other Non Govt revenue grants and contributions	(255)	(52)
Sub Total	**(58,168)**	**(59,050)**

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:

CURRENT LIABILITIES		2018/19	2017/18
		£000	£000
Grants Receipts in Advance (Capital Grants)			
Home and Communities Agency Capital Grant		(12)	(12)
DECC Green Deal Community Fund		(6)	(6)
Developers Contributions (S.106)		(686)	(660)
Total		**(704)**	**(678)**
Grants Receipts in Advance (Revenue Grants)			
Other Government Grants & Contributions		(617)	(412)
Other Non Government Grants & Contributions		(398)	(711)
LEGI Re Guildhall		(50)	(50)
Developers Contributions (S.106)		(326)	(296)
Total		**(1,391)**	**(1,469)**
LONG TERM LIABILITIES			
		£000	£000
Grants Receipts in Advance (Capital Grants)			
Disabled Facilities Grant		-	(18)
Land Release Fund Grant		(627)	(980)
Other Government Grants & Contributions		(28)	(28)
Developers Contributions (S.106)		(1,029)	(1,150)
Other Non-Government Grants & Contributions		(97)	(95)
Total		**(1,781)**	**(2,271)**
Grants Receipts in Advance (Revenue Grants)			
Local Enterprise Growth Initiative re Guildhall		(100)	(150)
Other Non Government Grants & Contributions.		(99)	-
SALIX		(80)	(70)
Developers Contributions (S.106)		(1,508)	(1,618)
Total		**(1,787)**	**(1,838)**

The council continues to collect a Community Infrastructure Levy in accordance with a charging schedule adopted on the 25th 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.

40. 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.

	Notes	2018/19 £000	2017/18 £000
Opening Capital Financing Requirement 1st April		264,635	240,390
Correction of prior years error		-	-
Adjusted Opening Capital Financing Requirement		**264,635**	**240,390**
Property, Plant & Equipment	14	26,731	16,199
Assets under Construction	14	513	8,781
Investment Property	16	19,722	13,615
Heritage Assets	15	-	-
Intangible Assets	17	227	305
Decent Home Loans granted net of repaid		(118)	(172)
Transferred debt net of repaid		(92)	(56)
Norwich Regeneration Ltd loan net of repaid		900	10,706
Norwich Preservation Trust loan net of repaid		(13)	126
Revenue Expenditure Funded from Capital Under Statute		5,828	8,768
		317,333	**298,662**
Sources of Finance			
Capital Receipts		(5,533)	(7,284)
Government Grants & Other Contributions		(5,517)	(6,313)
Housing Revenue Account Major Repairs Allowance		(11,633)	(7,001)
Revenue Contributions & Minimum Revenue Provision *		(12,396)	(13,429)
		282,254	**264,635**
Closing Capital Financing Requirement 31 March		**282,254**	**264,635**
Increase (decrease) in underlying need to borrow (unsupported by government financial assistance)		18,143	24,245
Increase (decrease) in Capital financing Requirement		**18,143**	**24,245**

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.

* The Minimum Revenue Provision 2018/19 is £0.316m (2017/18 £0.261m) and this represents a provision against the Council's underlying debt that has been acquired to finance capital expenditure.

41. 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-19		31-Mar-18	
	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings
	£000	£000	£000	£000
Future Rental Liabilities				
Not later than one year	117	1,281	128	1,396
Later than one year & not later than five years *	303	1,495	412	1,888
Total	**420**	**2776**	**540**	**3,284**

* based on Pool Car contract extension to March 2021

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 £1.894m (2017/18 £1.874m)

	2018/19	2017/18
	£000	£000
Sublease payments receivable	1,837	1,888
Total	**1,837**	**1,888**

Finance Leases
The council has acquired communal aerials 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 £0.742m (2017/18 £0.835m)

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.

	2018/19	2017/18
Finance Lease Liabilities	£000	£000
Current	101	96
Non-Current	902	1,003
Financing Costs payable in future years	288	354
Minimum Lease Payments	**1,291**	**1,453**

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

	2018/19	2017/18
	£000	£000
Future Rental Liabilities		
No later than one year	161	161
Later than one year & not later than 5 years	646	646
Over 5 years	484	646
Total	**1,291**	**1,453**

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:

	2018/19	2017/18
	£000	£000
Tenants Future Rental Liabilities		
Not later than one year	4,404	3,539
Later than one year & not later than five years	17,108	13,919
Over five years	60,511	61,477
Total	**82,023**	**78,935**

In addition to the above, there are 85 properties (90 in 2017/18) where the rent is in perpetuity that amounts annually to £0.310m per annum (2017/18 £0.314m).
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 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

	2018/19	2017/18
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	15	18
Non-current	1,184	1,268
Unearned finance income	1,875	2,068
Unguaranteed residual value of property	-	-
Gross investment in the leases	**3,074**	**3,354**

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-19	31-Mar-18	31-Mar-19	31-Mar-18
	£000	£000	£000	£000
Future Rental Liabilities				
Not later then one year	17	24	24	24
Later than one year & not later than five years	69	95	95	95
Later than five years	2,987	3,236	3,236	3,236
Total	**3,073**	**3,355**	**3,355**	**3,355**

42. Impairment Losses

During the year the Council carried out adaptations at a cost of £588,050 (2017/18 £522,587) to a number of council dwellings under Disabled Facilities legislation. As advised by our valuer, these adaptations added no value to the dwellings; therefore this expenditure was impaired as shown in note 14 (combined with the impairments detailed below).

The Council also impaired the cost of works to flats within blocks for which the lease has been sold £585,002, of which structural work constituted £311,357, door access controls £119,805, work to tower blocks £84,116, roofing £54,086, and thermal comfort £15,638. Other impairments include the cost of works to district heating boiler house £918,193.

The Council also impaired the cost of works to HRA shops £327,445 and enhancement of HRA estates £181,990 as it was deemed not to add value.

Remedial works were carried out on City Hall £343,000. The Valuer advised this expenditure would not increase the valuation therefore it was impaired immediately.
Demolition costs incurred at Mile Cross Development site £819,314 were capitalised however these were subsequently written off as the site had already been valued at highest and best use during 2018-19.

43. Termination Benefits

The Council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £59,116 (2017/18 £947,451). These were payable to 10 (39 in 2017/18) 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.

44. Other Long Term Liabilities

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

	2018/19	2017/18
	£000	£000
Pension Fund Liability	198,776	177,895
Other	117	110
	198,894	178,004

45. 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.

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.

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:

Discretionary Benefits

The Council provides discretionary post-employment benefits which arise from additional service and are awarded on a discretionary basis. These benefits are unfunded with costs met directly from the Council's revenue account.

	2018/19		2017/18
	£000		£000
Comprehensive Income & Expenditure Statement			
Cost of Services			
Current service cost	7,413		7,819
(Gain)/loss from settlements			100
Past service cost - effect of business combinations	1,500		-
Financing and Investment Income and expenditure			
Net Interest expense	4,949		4,634
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**13,862**		**12,553**
Other post-employment Benefits charged to the Comprehensive Income and Expenditure Statement			
Return on plan assets (excluding the amount included in the net interest expense)	(11,737)		(4,492)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	-		-
Actuarial (Gains) and Losses arising on changes in financial assumptions	24,956		(7,768)
Other experience	1,167		(502)
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**28,248**		**(209)**
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	(13,862)		(12,553)
Total Remeasurements recognised in Other Comprehensive Income	**14,386**		**(12,762)**

The current service cost is an estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

The past service costs arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

Interest cost is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

The expected return on assets is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

Actuarial gains and losses arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2019 is a loss of £160.741m (31 March 2018 loss of 146.355m)

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:

	2018/19		2017/18
	£000		£000
Present Value of funded liabilities	(475,549)		(438,820)
Present Value of unfunded liabilities	(20,741)		(19,924)
Fair Value of plan assets	297,526		280,861
Net Liability arising from defined benefit obligation	**(198,764)**		**(177,883)**

	2018/19		2017/18
Reconciliation of present value of the scheme liabilities:	£000		£000
At 1 April	(458,744)		(461,488)
Total service Cost	(7,413)		(7,819)
Interest Cost	(12,157)		(11,456)
Contributions by Members	(1,240)		(1,270)
Effect of business combinations	(6,232)		-
Remeasurement (gains)/Losses			
- actuarial gains/losses arising from changes in demographic assumptions	-		-
- actuarial gains/losses arising from changes infinancial assumptions	(24,956)		7,768
- other	(1,167)		502
Benefits Paid	15,619		15,119
Losses/(Gains) on curtailments	-		(100)
At 31 March	**(496,290)**		**(458,744)**

	2018/19		2017/18
Reconciliation of fair value of the scheme assets	**£000**		**£000**
At 1 April	280,861		276,581
Interest Income	7,208		6,822
Remeasurement Gain/(loss) the return on plan assets excluding amount included in net interest expense	11,737		4,492
Employer Contributions	6,182		5,686
Contributions by Members	1,240		1,270
Contributions in respect of unfunded benefits	1,185		1,129
Effect of business combinations	4,732		-
Benefits Paid	(14,434)		(13,990)
Unfunded benefits paid	(1,185)		(1,129)
At 31 March	**297,526**		**280,861**

Local Government Pension Scheme assets comprised:

		2018/19				2017/18			
		Quoted Prices in active markets	Quoted prices not in active markets	Total	% of total assets	Quoted Prices in active markets	Quoted prices not in active markets	Total	% of total assets
		£000	£000	£000		£000	£000	£000	
Cash & Cash Equivalents			9,079	9,079	3.1%		15,142	15,142	5.4%
Equity Instruments									
by industry type									
Consumer		22,106		22,106	7.4%	19,873		19,873	7.1%
Manufacturing		18,263		18,263	6.1%	16,949		16,949	6.0%
Energy and Utilities		7,984		7,984	2.7%	5,393		5,393	1.9%
Financial institutions		19,336		19,336	6.5%	16,862		16,862	6.0%
Health and care		8,582		8,582	2.9%	5,539		5,539	2.0%
Information Technology		17,451		17,451	5.9%	9,478		9,478	3.4%
Other		12		12	0.0%	-		-	0.0%
Sub-total Equity Instruments		**93,734**		**93,734**		**74,094**		**74,094**	
Private equity			22,017	22,017	7.4%		16,699	16,699	5.9%
Bonds									
by sector									
Corporate									
Other		3,436		3,436	1.2%	3,584		3,584	1.3%
Sub-total Bonds		**3,436**		**3,436**		**3,584**		**3,584**	
Property									
by geographical location									
UK property			22,593	22,593	7.6%		20,885	20,885	7.4%
Overseas property			4,361	4,361	1.5%		3,424	3,424	1.2%
Sub-total Property			26,954	26,954			24,309	24,309	
Investment Funds & Unit Trusts									
Equities		61,365		61,365	20.6%	80,922		80,922	28.8%
Bonds		81,004		81,004	27.2%	65,880		65,880	23.5%
Sub-total Investment Funds & Unit Trusts		**142,369**		**142,369**		**146,802**		**146,802**	
Derivatives		(63)		(63)	0.0%	232		232	0.1%
Other									
Total Assets		**239,476**	**58,050**	**297,526**		**224,712**	**56,150**	**280,862**	

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 2016.

The principle assumptions used in their calculations have been:

Mortality Assumptions:		**2018/19**	**2017/18**
Longevity at 65 for current pensioners			
Men		22.1yrs	22.1yrs
Women		24.4yrs	24.4yrs
Longevity at 65 for future pensioners			
Men		24.1yrs	24.1yrs
Women		26.4yrs	26.4yrs
Rate of inflation		2.50%	2.40%
Rate of increase in salaries		2.80%	2.70%
Rate of increase in pensions		2.50%	2.40%
Rate for discounting scheme liabilities		2.40%	2.50%
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
Rate of increase in salaries (increase by 0.5%)	4,522
Rate of increase in pensions (increase by 0.5%)	40,118
Rate for discounting scheme liabilities (decrease by 0.5%)	45,258

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 2019.

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 2020 is £6.2m

The weighted average duration of the defined benefit obligation for scheme members is 16.2 years, (2017/18 16.2 years)

46. Contingent Assets and Liabilities

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.

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.

Dispute

The Council was in dispute with one of its contractors over some construction costs. The case was referred for adjudication and on 1 May 2018 the Adjudicator ruled in favour of the Council, finding it not to be liable for additional payments to the contractor. Whilst the decision could be referred to the High Court, the Council does not believe there is any liability for these costs.

Planning

In March 2019 the Secretary of State decided to call in the planning application for the redevelopment of Anglia Square for his own determination. As a result, the Planning Inspectorate will appoint an Inspector to hold a public inquiry into the proposals and make a recommendation to the Secretary of State about how to determine the application. The Sec of State will then either accept or reject these recommendations and issue an approval or refusal as he sees fit.

Owing to the scope of the call-in the inquiry may be lengthy and complex. The Council will be a participant in the inquiry and is likely to face significant additional costs. The Council is not required to meet the costs of other parties as a matter of routine, although if it is found to have acted unreasonably at any point during the inquiry process it may have to pay a proportion or all of the costs incurred by others. At this early stage, the Council does not consider itself liable for any third party costs, but given the potential risk a contingent liability is disclosed.

Pensions

Guaranteed Minimum Pension (GMP)

Defined benefit pensions schemes that were Contracted-out Salary Related schemes before contracting-out ended on 6 April 2016 need to provide a Guaranteed Minimum Pension (GMP) to members for contracted-out service between 6 April 1978 and 5 April 1997. The GMP is payable at age 60 for a woman and at age 65 for a man. Under the requirements, where the contracted out pensions benefits are less than the pensioner would have received if the contracting out had not applied; the pension scheme would be required to increase the pension paid to reach the GMP.

Until it is known how GMP equalisation will be carried out, the impact of allowing for it in the pension liabilities is uncertain. At this stage therefore an estimate of the financial impact on the Council is not possible.

Transition Arrangements Age Discrimination

A legal ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements, where changes have been made to the benefit structure. Court of Appeal judgements were made in cases affecting judges pensions (e.g. McCloud) and firefighter pensions (e.g. Sergeant), which had previously been considered by employment tribunals. The rulings have implications for the Local Government Pension Scheme since similar changes and transitional arrangements were implemented.

The final situation in terms of employer pension liabilities and financial impact is not clear since the government may appeal, and any remediation process may affect the resolution and financial impact for entities. Timescales for the resolution of this matter may be lengthy and at this stage an estimate of the financial impact on the Council is not available.

47. 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 Note 39 on reporting for resources allocation decisions. Grant receipts in advance outstanding at 31 March 2019 are also shown in Note 39; debtors are shown in Note 22 and creditors in Note 25.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 and 2017/18 is shown in Note 36. During 2018/19, no works and services (2017/18 £nil) were commissioned from organisations in which any members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition members approved £268,000 (2017/18 £256,000) and officer working parties a further £5,781 (2017/18 £2,400) as grants to voluntary organisations in which six 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 2018/19, no grants were made to any organisations (2017/18 £5,000 capital grant to one organisation) in which members of senior management had interests.

During 2018/19, there were no works and services commissioned (2017/18 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.
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.
VI. Norwich City New Co Ltd – a wholly owned subsidiary company set up to manage all private rental sector properties built by Norwich Regeneration Ltd (NRL) or those that the new company may purchase itself as a business opportunity.
VII. Three Score Open Space Management Ltd – a company set up to manage the open spaces around the Three Score development.

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.

The 2018/19 accounts include an accrual for a dividend declared by Legislator 1656 of £567,000. The payment was received in April 2019. The dividend was declared by Legislator 1656 following the receipt of deferred sale proceeds on the sale of Norwich Airport in 2004. No amounts were paid to or from Legislator 1656 in 2017/18.

No amounts of money have been paid to or from Legislator 1657 during 2018/19 (2017/18 £0).

£6,419,045 (2017/18 £6,306,964) has been spent with Norwich Norse Environmental Ltd, and £10,939,818 (2017/18 £12,856,869) with Norwich Norse Building Ltd during 2018/19 and £3,753,150 (2017/18 £4,011,212) has been spent with NPS Norwich Ltd. Amounts due to Norwich Norse Environmental Ltd are £709,066, Norwich Norse Building Ltd are £1,800,060 and NPS Norwich Ltd are £72,811. Amounts due from Norwich Norse Environmental Ltd are £251,800, Norwich Norse Building Ltd are £122,658 and NPS Norwich Ltd are £266,574.

Norwich Regeneration Ltd issued £2,200,000 of shares to the Council in 2016-17 in exchange for land (at the full market value) upon which the Threescore development has taken place. During 2018-19 the Council has invested an additional £524,000 in the form of cash equity into NRL.

During 2018-19 the council loaned NRL £900,000 (2017/18 £10,706,408) bringing the total amount loaned to £12,400,000 (2017/18 £11,500,000).

The Council entered into a development agreement with Norwich Regeneration Ltd (NRL) in 2016 for the development of social housing at Threescore in Norwich. Under the terms of the development agreement the council's Housing Revenue Account has made payments during the year of £1,607,062 (2017/18 £1,223,267 of which £583,587 was a payment in advance). The Council's Housing Revenue Account has made a further payment of £300,000 during the year to NRL for the redevelopment of a site in Bullard Road into social housing (2017/18 £0).

During the year the Council received income from the company of £779,153 relating to the interest on the loan and services provided by the Council to the company under a service level agreement (2017/18 481,082). The Council recharged an additional £70,386 to the company for salary costs paid out on the company's behalf.

As at 31 March 2019 amounts due to NRL are £1,250 (2017/18 £1,296,617) and amounts due from NRL are short term £199,010 (2017/18 £773,720) and long term £12,400,000 (2017/18 £11,500,000).

The Council's Housing Revenue Account made a payment of £2,099 (2017/18 £0) to Threescore Open Space Management Ltd for management fees on the properties purchased at the Threescore development. During the year the Council received income of £4,419 from the company for vegetation planning and management services.

No amounts of money have been paid to or from Norwich City New Co Ltd during 2018/19 (2017/18 £0).

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 £503,348 (2017/18 £484,001). There have also been a number of transactions on behalf of the strategic partnerships with the Highways Agency, disclosed in Note 35. These partnership activities are integrated into the council's usual budget setting and management processes.

Housing Revenue Account Income & Expenditure Statement

	Notes	2018/19	2017/18
		£000	£000
Expenditure			
Repairs & Maintenance		11,159	11,922
Supervision & Management		15,676	16,641
Rents, Rates, Taxes & Other Charges		5,588	5,751
Depreciation & Impairment of Non-current Assets	HRA 10&11	17,496	15,611
Local Authority Housing - Revaluation loss (gain) on Dwellings		(5,267)	(42,997)
Debt Management Costs		173	124
Movement in Allowance for Bad Debts		200	456
Total Expenditure		45,025	7,508
Income			
Dwelling Rents		(56,862)	(58,037)
Non-dwelling Rents		(2,277)	(2,190)
Charges for Services & Facilities		(2,480)	(2,701)
Contributions towards expenditure		(6,346)	(7,354)
Total Income		(67,965)	(70,282)
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		**(22,940)**	**(62,774)**
HRA services share of Corporate & Democratic Core		735	726
Net (Income)/Cost of HRA Services		**(22,205)**	**(62,048)**
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Expenditure		(2,999)	(4,186)
Financing & Investment Income & expenditure		8,330	8,940
Taxation & Non-Specific Grant Income		(87)	(1,163)
(Surplus)/deficit for the year on HRA services		**(16,961)**	**(58,457)**

The amounts disclosed above do not match those in the Comprehensive Income and Expenditure Statement disclosure relating to the Housing Revenue Account as the figures above are after corporate recharges and those in the Comprehensive Account Income and Expenditure Statement are before these recharges.

Movement in Reserves Statement (Housing Revenue Account)

	2018/19	2017/18
	£000	£000
Balance at 1 April	30,488	30,387
Movement in reserves during Year		
Surplus/ (deficit) on provision of services	16,961	58,457
Other Comprehensive Income & Expenditure	-	
Total Comprehensive Income & Expenditure	**16,961**	**58,457**
Adjustments between accounting basis & funding basis under regulations (note 9 main accounts)	(15,359)	(57,555)
Net Increase/ Decrease before Transfers to Earmarked Reserves	1,602	902
Transfers to/from Earmarked Reserves (note 10 main accounts)	(1,152)	(691)
Transfers between reserves	(34)	(107)
Increase/Decrease in Year	416	101
Balance at 31 March carried forward	**30,904**	**30,488**

Notes to Housing Revenue Account Income & Expenditure Statement

1. Other Operating (Income) / Expenditure

	2018/19	2017/18
	£000	£000
(Gains)/Losses on the disposal of non-current assets	(2,999)	(4,186)
Total	**(2,999)**	**(4,186)**

2. Financing and Investment Income and Expenditure

	2018/19	2017/18
	£000	£000
Interest payable and similar charges	7,618	8,035
Pension interest cost and expected return on pension assets	1,107	1,142
Interest receivable and similar income	(221)	(238)
Total	**8,504**	**8,939**

3. Taxation and Non-Specific Grant Income

	2018/19	2017/18
	£000	£000
Capital Grants and contributions	(87)	(1,163)
Total	**(87)**	**(1,163)**

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 £7.553m being charged to the HRA in 2018/19 (2017/18 £7.965m).

5. HRA Council Dwellings

At 31 March 2019 there were 14,729 HRA Council dwellings, of which 923 were sheltered housing units.

	31-Mar-19	31-Mar-18
	Total Stock	**Total Stock**
Parlour houses	299	303
Non-parlour houses	5,028	5,099
Non-traditional houses	630	632
Bungalows	336	336
Cottage properties	196	201
Flats	6,359	6,415
Maisonettes	490	491
Flats in tower blocks	407	407
Sheltered/Good Neighbour housing units	923	923
Passivhaus flats	21	-
Passivhaus houses	40	-
	14,729	**14,807**
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	**14,807**	**14,987**
Right to Buy sales	(138)	(187)
Other Dwelling Sales	(3)	(7)
Conversions	2	4
New Build Housing	61	10
Stock as at 31 March	**14,729**	**14,807**

6. Housing Valuation

	31-Mar-19	31-Mar-18
	£000	**£000**
Operational Assets:		
Council Dwellings (HRA)	776,011	757,322
Other Land & Buildings	22,924	24,618
Vehicle, Plant & Equipment	747	842
Infrastructure & Community Assets	2,197	2,197
Assets Under Construction	6,443	12,915
Surplus assets	58	-
Sub Total	**808,380**	**797,894**
Assets held for Sale - Current	380	10
Sub Total	**380**	**10**
Intangible Assets	-	-
Sub Total	**-**	**-**
Total	**808,760**	**797,904**

The above figure for HRA Council dwellings equates to the value for Council dwellings shown in note 14 to the Core Financial Statements.

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 62% (2017/18 62%). 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 2019 was £2,001.79m (31 March 2018 £1,953.59m).

7. Major Repairs Reserve

	2018/19	2017/18
	£000	**£000**
Balance brought forward at 1 April	(7,000)	-
Depreciation charge for the year	(14,601)	(14,001)
Financing of capital expenditure for the year	11,633	7,001
Balance for the year	**(2,968)**	**(7,000)**
Balance Carried forward	**(9,968)**	**(7,000)**

8. HRA Capital Expenditure

	2018/19	2017/18
	£000	**£000**
Capital Investment		
Opening Capital Financing Requirement 1st April	205,716	205,717
Operational Assets	24,629	14,543
Other Land & Buildings	327	145
Assets under Construction	381	8,405
Revenue Expenditure Financed as Capital	804	4,225
Appropriation to General Fund	-	-
	231,857	**233,035**
Sources of Finance		
Capital Receipts	(3,277)	(6,628)
Government Grants & Other Contributions	(87)	(1,163)
Major Repairs Allowance	(11,633)	(7,001)
Revenue Contributions	(11,144)	(12,527)
	205,716	**205,716**
HRA Non Dwellings depreciation, revaluation & impairments	-	-
Closing Capital Financing Requirement 31 March	**205,716**	**205,716**

9. HRA Capital Receipts

In 2018/19 total capital receipts from the disposal of HRA assets were:

	2018/19	2017/18
	£000	£000
Land	93	163
Council dwellings	10,961	14,711
Total	**11,054**	**14,874**

10. Depreciation

From 1st April 2012 depreciation of the Council's housing stock is calculated by reference to the value at the previous 31st 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 £14.699m (2017/18 £14.149m)

	2018/19	2017/18
	£000	£000
Operational Assets		
Council dwellings	14,060	13,472
Other land & buildings	545	533
Vehicles, Plant & Equipment	94	94
Intangible Assets	-	51
Total	**14,699**	**14,150**

11. Impairment Costs

During the year there were £2.800m of impairment costs (2017/18 £1.461m) relating to HRA assets, which are detailed in the table below.

	2018/19	2017/18
	£000	£000
Council Dwellings	(2,304)	(1,317)
Other Property	(496)	(144)
Total	**(2,800)**	**(1,461)**
Disabled Facilities adaptations not adding value	(588)	(523)
Lift installations not adding value	-	-
Upgrades to District Heating schemes not adding value	(918)	(62)
Enhancement of HRA estates not adding value	(195)	(130)
Construction of Bin Stores not adding value	-	-
Structural work to flats where lease has been sold not adding value	(312)	(566)
Other work to flats where lease has been sold not adding value	(291)	(36)
Other	(496)	(144)
Total	**(2,800)**	**(1,461)**

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 account arrears at 31 March 2019 were £5.03 m (2017/18 £4.97m). The provision for doubtful debts at 31 March 2019 was £3.08m (2017/18 £2.85m). Amounts written off during the year amounted to £0.58m (2017/18 £0.35m (Restated)).

The Collection Fund Revenue Account

The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

	31-Mar-19			31-Mar-18
	Business Rates	Council Tax	Total	Total Restated
	£000	£000	£000	£000
INCOME				
Council Tax receivable		80,664	80,664	75,459
Business rates receivable	79,890		79,890	75,608
Council Tax Reduction Scheme		(13,965)	(13,965)	(13,239)
Interest	(2)		(2)	
	79,888	**66,699**	**146,587**	**137,828**
EXPENDITURE				
Precepts & Demands:				
Central Government	37,680		37,680	37,712
Norfolk County Council	7,536	46,937	54,473	51,304
Norfolk Police Authority		8,131	8,131	7,615
Norwich City Council	30,144	9,101	39,245	38,902
Distribution of Estimated Surplus / (Deficit) for Previous Years:				
Central Government	(1,248)		(1,248)	(165)
Norfolk County Council	(250)	1,581	1,331	1,417
Norfolk Police Authority		275	275	259
Norwich City Council	(998)	315	(683)	165
Charges to Collection Fund				
Transitional Protection Payment	668		668	1,570
Costs of Collection	268		268	271
Increase/decrease in Bad Debt Provision	(124)	(354)	(478)	(505)
Increase/decrease in Provision for Appeals	492		492	897
Write Offs of uncollectable amounts	1,257	773	2,030	1,132
	75,425	**66,759**	**142,184**	**140,574**
Collection Fund Balance b/fwd at 1 April	(2,546)	5,324	2,778	5,524
Surplus / (Deficit) for the year	4,463	(60)	4,403	(2,746)
Collection Fund Balance c/fwd at 31 March	**1,917**	**5,264**	**7,181**	**2,779**

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 2019 was £200,208,594 (31 March 2018 £200,521,031). The national non-domestic rate multiplier for 2018/19 was 49.3p in the £ (2017/18 47.9p in the £). The small business multiplier for eligible businesses in 2018/19 was 48.0p in the £ (2017/18 46.6p 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	2018/19	2017/18
		Calculated Number of Properties in Band	**Calculated Number of Properties in Band**
Up to £40,000	A	10,013.96	10,160.14
£40,001 to £52,000	B	12,642.31	12,483.29
£52,001 to £68,000	C	6,085.91	5,919.51
£68,001 to £88,000	D	3,058.75	2,999.15
£88,001 to £120,000	E	2,391.77	2,375.33
£120,001 to £160,000	F	1,160.83	1,169.64
£160,001 to £320,000	G	941.83	949.5
Over £320,000	H	99.50	95.00
		36,394.86	**36,151.56**
Collection Rate		0.975	0.97
Tax Base		**35,485.00**	**35,067.00**

The tax rate per Band D property was £1808.33 (2017/18 £1,714.12).

3. Council Tax Contribution to Collection Fund Surpluses & Deficits

The Council Tax surplus/deficit 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.

	2018/19	2017/18
	£000	**£000**
Norfolk County Council	3,815	3,894
Norfolk Police Authority	709	675
Norwich City Council	740	755
Surplus Carried Forward	**5,264**	**5,324**

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.

	2018/19	2017/18
	£000	**£000**
Central Government	958	(1,273)
Norwich City Council	767	(1,018)
Norfolk County Council	192	(255)
Surplus /(deficit) Carried Forward	**1,917**	**(2,546)**

Group Financial Statements

1. Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Norwich Regeneration Ltd.

The following pages include:
Group Movement in Reserves Statement
Group Comprehensive Income and Expenditure Statement
Group Balance Sheet
Group Cash Flow Statement
Notes to the Group Accounts

These statements are set out on the following pages, together with accompanying disclosure notes.

2. Basis of Identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with the entities that fall into the following categories:

Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
Associates – where the Council exercises a significant influence and has a participating interest. These entities are included in the group.
Jointly Controlled Entities - where the Council exercises joint control with one or more organisations. No entities identified to be included in the group.
No Group Relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Norwich Regeneration Limited (NRL)	Subsidiary	Consolidated
NPS Norwich Ltd	Associate	Consolidated
Norwich Norse (Environmental) Limited	Associate	Consolidated
Norwich Norse (Building) Limited	Associate	Consolidated
Three Score Open Space Management Ltd	Subsidiary	Not material
Norwich City New Co Ltd	Subsidiary	Not material

3. Norwich Regeneration Limited (NRL)

Norwich Regeneration Limited (NRL) was incorporated on 13 November 2015. It is wholly owned by Norwich City Council. It was set up to develop more housing for affordable rent (to be purchased by the HRA upon completion from NRL) and also to develop housing for private sale and market rent.

During the year ended 31 March 2018 there was been significantly more activity on the Three Score development site and accordingly group accounts were prepared for the first time in 2017-18. The company accounts are subject to audit by Aston Shaw. Copies of the accounts may be obtained from Companies House or by request to the Council.

As a subsidiary, the accounts of NRL have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated in full. NRL expenditure and income, adjusted for transactions with the council, is shown within the Norwich Regeneration Limited line in the Comprehensive Income and Expenditure Statement. As the NRL performance is not reported alongside the Council's to management, the figures have been shown as a separate service line. Balance sheet values are incorporated into the relevant heading of the Balance Sheet, removing balances owed between the two parties.

NRL has prepared 2018/19 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.

4. NPS Norwich Ltd

This is a company owned by NPS Property Consultants Limited (a subsidiary of Norfolk County Council) and Norwich City Council. The principle activity of the company is the provision of property management services for NCC, which is managed under a service agreement.

NPS Property Consultants hold eight A shares and NCC hold two B shares in NPS Norwich Ltd. Two senior officers of NCC are Directors of NPS Norwich Ltd whilst NPS Property Consultants have three representatives on the board. In line with the Service Level Agreement, Norwich City Council is entitled to an amount equivalent to 50% of any pre-tax profits as a discount on charges, with NPS Property Consultants Limited retaining the remaining 50%.

NPS Norwich Ltd has been included within the Group due to the nature and extent of activities carried out by the associate for the council.

An estimate of the pre-tax discount is accrued at the year-end within the Council's accounts. The company results are disclosed in Note 34 of the Council's single entity accounts.

Apart from the discount on charges, there is no other entitlement to NCC e.g. dividends or rights to retained profits and therefore no financial equity asset to be disclosed in the Group Accounts.

5. Norwich Norse (Environmental) Limited

This is a company owned by Norse Commercial Services (NCS) Limited (a subsidiary of Norse group, itself a subsidiary of Norfolk County Council) and Norwich City Council. The principle activities of the company are provision of streets, buildings and other cleaning, grounds maintenance, arboriculture and associated services for NCC, which is managed under a service agreement.

NCS hold eight A shares and NCC hold two B shares in Norwich Norse (Environmental) Limited. A senior officer of NCC and the portfolio holder are Directors of Norwich Norse (Environmental) Limited whilst NCS have three representatives on the board. In line with the Service Level Agreement, Norwich City Council is entitled to an amount equivalent to 50% of any pre-tax profits as a discount on charges, with Norse Commercial Services Limited retaining the remaining 50%.

Norwich Norse (Environmental) Ltd has been included within the Group due to the nature and extent of activities carried out by the associate for the council.

An estimate of the pre-tax discount is accrued at the year-end within the Council's accounts. The company results are disclosed in Note 34 of the Council's single entity accounts.

Apart from the discount on charges, there is no other entitlement to NCC e.g. dividends or rights to retained profits and therefore no financial equity asset to be disclosed in the Group Accounts.

6. Norwich Norse (Building) Limited

This is a company owned by NPS Norwich Limited (NPSN) and Norwich City Council. The principle activities of the company are provision of reactive and proactive maintenance and refurbishments, repairs and upgrades for both housing revenue and general fund non-housing buildings.

NPSN hold eight A shares and NCC hold two B shares in Norwich Norse (Building) Limited. A senior officer of NCC and the portfolio holder are Directors of Norwich Norse (Building) Limited, whilst Norfolk County Council appoints two Directors to the board, the fifth Director is the company Managing Director whom is jointly appointed by NPSN & NCC. In line with the Service Level Agreement, Norwich City Council is entitled to an amount equivalent to 50% of any pre-tax profits as a discount on charges, with NPS Norwich Ltd retaining the remaining 50%.

Norwich Norse (Building) Ltd has been included within the Group due to the nature and extent of activities carried out by the associate for the council.

An estimate of the pre-tax discount is accrued at the year-end within the Council's accounts. The company results are disclosed in Note 34 of the Council's single entity accounts.

Apart from the discount on charges, there is no other entitlement to NCC e.g. dividends or rights to retained profits and therefore no financial equity asset to be disclosed in the Group Accounts.

7. Three Score Open Space Management Ltd

This company has been set up to manage the open spaces around the Three Score development. The principle activity will be to maintain the open spaces on the Three Score site. Income to do this will be generated through homeowners paying over of an annual service charge to the company for the maintenance. This is incorporated within the contract to purchase any properties on the site.

The company has been set up initially as a subsidiary of NRL and NCC are registered as subscribers and have guarantee limit of £1 each should the company be wound up. NRL has been registered as being the Relevant Legal Entity with 75% ownership of the voting rights. NCC is named as an 'Other Registrable Person' again with 75% ownership of the voting rights (as it indirectly holds the voting rights as parent company of NRL). In the long term it is intended to hand the company over to the residents/stakeholders to manage at which point the ownership of the voting rights will be amended accordingly.

There are no material transactions in 2018/19 therefore it is not included in the Group Accounts..

8. Norwich City New Co Ltd

Norwich City New Co Ltd was incorporated on 4 March 2019. The company has been set up to manage all private rental sector properties built by Norwich Regeneration Ltd (NRL) or those that the new company may purchase itself as a business opportunity.

Norwich City New Co Ltd is a limited liability company using the Council's powers to set up such a company under S1 and S4 of the Localism Act 2011 and S95 of the Local Government Act 2003. The company is limited by shares all of which are wholly owned by the Council, and the council will have full control of its activities via the approval of an annual Business Plan.

No transactions have occurred in the company in 2018/19, therefore the company will not be consolidated into the 19/20 Consolidated Group Statements.

9. Basis of Consolidation

The financial statements of Norwich Regeneration Limited have been consolidated with those of Norwich City Council on a line by line basis which has eliminated balances, transactions, income and expenditure between the Council and the subsidiary.

Group Movement in Reserves Statement

	Council's usable Reserves	Subsidiary usable Reserves	Total Group usable Reserves	Council's unusable Reserves	Subsidiary unusable Reserves	Total Group unusable Reserves	Total Group Reserves
Balance at 31 March 2018	**101,080**	**(690)**	**100,390**	**577,083**	**-**	**577,083**	**677,473**
Adjustments for the restatement of financial instruments under IFRS 9	**-**	**-**	**-**	**(501)**	**-**	**(501)**	**(501)**
Balance at 1 April 2018	**101,080**	**(690)**	**100,390**	**576,582**	**-**	**576,582**	**676,972**
Movement in reserves during 2018/19	-	-	-	-	-	-	-
Surplus/ (deficit) on provision of services	4,925	51	4,976	-	-	-	5,074
Other Comprehensive Income & Expenditure	-	-	-	(12,688)	-	(12,688)	(12,688)
Total Comprehensive Income & Expenditure	**4,925**	**51**	**4,976**	**(12,688)**	**-**	**(12,688)**	**(7,614)**
Adjustments between group accounts and authority accounts	850	(752)	98	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (note 9)	5,975	-	5,975	(5,975)	-	(5,975)	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**11,750**	**(701)**	**11,049**	**(18,663)**	**-**	**(18,663)**	**(6,913)**
Transfers to/from Earmarked Reserves (note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between reserves	118	-	118	(118)	-	(118)	-
Other Adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase/(Decrease) in 2018/19	**11,868**	**(701)**	**11,167**	**(18,781)**	**-**	**(18,781)**	**(6,913)**
Balance at 31 March 2019 carried forward	**112,948**	**(1,391)**	**111,557**	**557,801**	**-**	**557,801**	**670,059**

	Council's usable Reserves	Subsidiary usable Reserves	Total Group usable Reserves	Council's unusable Reserves	Subsidiary unusable Reserves	Total Group unusable Reserves	Total Group Reserves
Balance at 31 March 2017 carried forward	**79,862**	**-4**	**79,858**	**512,334**	**-**	**512,334**	**592,192**
Movement in reserves during 2017/18	-	-	-	-	-	-	-
Surplus/ (deficit) on provision of services	58,035	(206)	57,829	-	-	-	57,829
Other Comprehensive Income & Expenditure	-	-	-	27,461	-	27,461	27,461
Total Comprehensive Income & Expenditure	**58,515**	**(206)**	**58,309**	**27,461**	**-**	**27,461**	**85,770**
Adjustments between group accounts and authority accounts	480	(480)	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (note 9)	(37,460)	-	(37,460)	37,460	-	37,460	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**21,055**	**(686)**	**20,369**	**64,921**	**-**	**64,921**	**85,290**
Transfers to/from Earmarked Reserves (note 10)	-	-	-	-	-	-	-
Transfers between reserves	172	-	172	(172)	-	(172)	-
Other Adjustments	(10)	-	(10)	-	-	-	(10)
Increase/(Decrease) in 2017/18	**21,217**	**(686)**	**20,531**	**64,749**	**-**	**64,749**	**85,280**
Balance at 31 March 2018 carried forward	**101,080**	**(690)**	**100,390**	**577,083**	**-**	**577,083**	**677,473**

Group Comprehensive Income and Expenditure Statement

		2018/19			2017/18		
	Group Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Business Services		70,861	(58,374)	12,487	71,723	(61,326)	10,397
Chief Executive		877	(7)	870	733	(18)	715
Communications & Culture		6,139	(1,172)	4,967	5,877	(1,132)	4,745
Regeneration & Growth		17,443	(12,578)	4,865	14,962	(11,156)	3,806
Neighbourhoods		17,301	(6,684)	10,617	18,671	(7,468)	11,203
Housing Revenue Account		40,762	(67,518)	(26,756)	3,899	(70,299)	(66,400)
Norwich Regeneration Ltd		1,874	(1,919)	(45)	212	(4)	208
Cost of Services		**155,257**	**(148,252)**	**7,005**	**116,077**	**(151,403)**	**(35,326)**
Other Operating Expenditure				(2,406)			(3,290)
Financing and Investment Income and Expenditure	1			11,941			9,208
Taxation and Non-Specific Grant Income				(21,517)			(28,421)
(Surplus) / Deficit on Provision of Services				**(4,977)**			**(57,829)**
(Surplus) / deficit on revaluation of non-current assets				(2,267)			(14,699)
(Surplus)/deficit from investments in equity instruments designated at fair value from other comprehensive income				569			
Actuarial (gains) / losses on pension assets / liabilities				14,386			(12,762)
Other Comprehensive (Income) and Expenditure				**12,688**			**(27,461)**
Total Comprehensive (Income) and Expenditure				**7,711**			**(85,290)**

Group Balance Sheet

	Group Notes	31-Mar-19	31-Mar-18
		£'000	**£'000**
Property, Plant & Equipment	2	932,214	922,490
Heritage Assets		25,545	25,545
Investment Properties	3	71,331	59,625
Intangible Assets		573	603
Long term Investments	4	1,754	824
Long Term Debtors	5	5,786	9,413
Long Term Assets		**1,037,203**	**1,018,500**
Short Term Investments		26,000	23,000
Assets Held for Sale		380	199
Short term Debtors	6	12,668	12,849
Inventories	7	7,332	5,864
Cash and Cash Equivalents	8	24,826	32,377
Current Assets		**71,206**	**74,289**
Short Term Borrowing		(806)	(2,866)
Short Term Creditors	9	(30,761)	(26,193)
Capital Grants Receipts in Advance Short Term		(704)	(678)
Current Liabilities		**(32,271)**	**(29,737)**
Long Term Creditors		(2,688)	(2,842)
Long term Borrowing		(199,900)	(199,902)
Other Long Term Liabilities		(198,894)	(178,004)
Provisions		(3,517)	(2,561)
Capital Grants Receipts in Advance Long Term		(1,781)	(2,271)
Long Term Liabilities		**(406,780)**	**(385,580)**
Net Assets		**669,358**	**677,472**
Usable Reserves		111,557	100,389
Unusable Reserves		557,801	577,083
Total Reserves		**669,358**	**677,472**

Group Cash Flow Statement

	Group Notes	2018/19 £'000	2017/18 £'000
Net (surplus) or deficit on provision of services		4,977	57,829
Adjustments to net surplus or deficit on provision of services for non-cash movements		37,668	(24,778)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(17,622)	(17,300)
Net cash flows from Operating Activities		**25,023**	**15,751**
Investing Activities		(34,455)	6,567
Financing Activities		1,881	(8,776)
Net Increase or (decrease) in cash and cash equivalents		**(7,550)**	**13,542**
Cash and cash equivalents at the beginning of the reporting period	8	32,376	18,834
Cash and cash equivalents at the end of the reporting period	8	**24,826**	**32,376**

Notes to the Group Accounts

Group Boundary

Norwich Regeneration Limited was incorporated on 13 November 2015. On 7 October 2016, the Council transferred 3.35 hectares of land at Bowthorpe at full market value to its wholly owned subsidiary Norwich Regeneration Limited in exchange for 22,000 £100 shares in the company. It is a subsidiary for accounting purposes, and has been consolidated into the Council's group accounts.

The Council has determined its associate relationships as follows:

NPS Norwich Ltd	Associate	Consolidated
Norwich Norse (Environmental) Limited	Associate	Consolidated
Norwich Norse (Building) Limited	Associate	Consolidated

Accounting Policies

NRL has prepared 2018/19 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies.

There is only one addition to the stated accounting policies for the Council which needs to be included for NRL. This is the accounting policy for Inventories. There is no stated policy on Inventories within the council's accounting policies as these are immaterial for the Council. However Inventories are material for NRL.

The accounting policy is that Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula. The policy is consistent for both the Council and NRL.

Both entities have a financial year end of 31 March. Disclosure notes have only been restated in the group accounts section where they are materially different from those of the Council's single entity accounts.

1. Financing and investment Income and Expenditure

	2018/19	2017/18
	£'000	£'000
Interest payable and similar charges	8,161	8,791
(Gains)/Losses on the disposal of investment property	(361)	(265)
Pension interest cost and expected return on pension assets	4,949	4,634
Interest Receivable and similar income	(672)	(302)
Income and expenditure in relation to investment properties and changes in their fair value	44	(3,683)
Other investment income	(300)	(12)
Impairment of Soft Loans	120	45
Total	**11,941**	**9,208**

2. Property Plant and Equipment

Movements in 2018/19	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
Cost or Valuation								
At 1 April 2018	**762,348**	**142,300**	**27,357**	**2,777**	**11,708**	**270**	**17,760**	**964,520**
Additions	24,044	1,551	1,000	35	101	-	513	**27,244**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,987	(8,241)	-	-	-	24	-	**(4,230)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(14,480)	(3,398)	-	-	-	-	-	**(17,878)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	7,888	1,189	-	-	-	-	-	**9,077**
Derecognition – Disposals	(7,430)	-	(196)	-	-	-	-	**(7,626)**
Derecognition - Other	(168)	-	-	-	-	-	-	**(168)**
Demolition	-	(161)	-	-	-	-	-	**(161)**
Assets Reclassified (to) / from Held for Sale	(745)	-	-	-	-	-	-	**(745)**
Other Movements in Cost or Valuation	6,709	8,695	(15)	-	-	-	(11,518)	**3,871**
Other reclassifications	-	-	-	-	-	-	-	**-**
At 31 March 2019	**782,153**	**141,935**	**28,146**	**2,812**	**11,809**	**294**	**6,755**	**973,904**
Accumulated Depreciation & Impairment								
At 1 April 2017	**(5,025)**	**(11,754)**	**(23,992)**	**(1,142)**	**(109)**	**(8)**	**-**	**(42,030)**
Depreciation charge	(14,060)	(2,555)	(645)	(79)	-	(7)	-	**(17,346)**
Depreciation written out to the Surplus/Deficit on Provision of Services	12,308	979	-	-	-	-	-	**13,287**
Depreciation write-back on revaluation to Revaluation Reserve	1,754	4,888	-	-	-	8	-	**6,650**
Impairment losses / (reversals) recognised in CIES	(1,176)	(1,373)	-	-	-	-	-	**(2,549)**
Impairment losses / (reversals) recognised in RR	58	(65)	-	-	-	-	-	**(7)**
Derecognition – Disposals	-	-	196	-	-	-	-	**196**
Derecognition - Other	-	-	-	-	109	-	-	**109**
At 31 March 2019	(6,141)	(9,880)	(24,441)	(1,221)	-	(7)	-	**(41,690)**
Net Book Value								
At 31 March 2019	**776,012**	**132,055**	**3,705**	**1,591**	**11,809**	**287**	**6,755**	**932,214**
At 31 March 2018	757,322	129,500	3,365	1,636	11,600	262	17,760	921,445

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 only non-current asset included in NRL's Balance Sheet at the 31 March 2019 is land held by the NRL which is as yet undeveloped. It has been valued at cost £1.045m. Property, plant and equipment for the single entity is measured at current value and revalued at least every five years, by the Council's external valuers NPS. The valuation cycle is shown in the table below and more details on the valuations can be found at note 14 to the single entity accounts.

VALUATION CYCLE '000s	Council dwellings	Other Land & Buildings	Community assets	Infrastructure	Vehicles, Plant, & Equipment	AUC	Surplus properties	Total PPE
Valued at historical cost	-	1,045	11,809	1,592	3,705	6,755	-	**24,906**
Valued at current value	-	-	-	-	-	-	-	**-**
2018-19	776,011	75,928	-	-	-	-	287	**852,226**
2017-18	-	48,152	-	-	-	-	-	**48,152**
2016-17	-	1,997	-	-	-	-	-	**1,997**
2015-16	-	1,015	-	-	-	-	-	**1,015**
2014-15	-	3,917	-	-	-	-	-	**3,917**
Total	**776,011**	**132,054**	**11,809**	**1,592**	**3,705**	**6,755**	**287**	**932,213**

3. Investment Properties

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

	2018/19	2017/18
	£000	£000
Balance at 1 April	59,625	41,773
Additions:	2,504	2,896
Purchases	19,722	13,615
Transfers	-	-
Disposals	(4,061)	(414)
Net gains / (losses) from fair value adjustments	(2,697)	1,755
Transfers (to) / from Property, Plant & Equipment	(3,871)	-
Transfers (to) / from Long Term Debtors	109	
Balance at 31 March	**71,331**	**59,625**

The table above includes the investment properties which are held on NRL's Balance Sheet. These are houses being built which will be held by the company when complete for rental to the private sector. This will generate an income stream for the company. The assets are included at cost.

4. Long Term Investments

		2018/19	2017/18
		£000	£000
Equity Shareholding in Subsidiary		-	-
Norwich Airport Ltd		260	824
Municipal Bonds Agency		100	-
Legislator 1656		1,394	-
Total Long Term Investments		**1,754**	**824**

5. Long Term Debtors

	2018/19			2017/18
	Debtors	Provision for Bad Debt	Net Debtors	Net Debtors
	£000	£000	£000	£000
Advances for House Purchase: Council Houses Sold	3	-	**3**	3
Housing Act Advances	-	-	**-**	-
Norfolk County Council Transferred Debt	731	-	**731**	865
Deferred Capital Receipt Sale of Airport Shares	-	-	**-**	400
Deferred Capital Receipt – Livestock Market	-	-	**-**	-
Decent Home Loans	642	-	**642**	2,240
Finance Lease > 1 year	1,183	-	**1,183**	1,267
Home Improvement Loans	203	-	**203**	203
Local Authority Mortgage Scheme	-	-	**-**	1,000
Housing Benefit Overpayments	6,547	(4,473)	**2,074**	2,336
Shared Equity Dwellings	237	-	**237**	282
SALIX	330	-	**330**	334
Debts with legal charge over property	42	-	**42**	43
Wholly owned subsidiary	-	-	**-**	-
Other Long Term Debtors	341	-	**341**	440
Total	**10,259**	**(4,473)**	**5,786**	**9,413**

6. Short Term Debtors

	2018/19	2017/18
	£000	£000
Central Government Bodies	4,385	3,816
Other entities & individuals	5,833	7,134
Other Local Authorities	2,456	1,900
Total Short Term Debtors	**12,674**	**12,850**

7. Inventories

	Property Acquired or Constructed for Sale	Property Acquired or Constructed for Sale
	2018/19	2017/18
	£000	£000
Balance at start of year	**5,864**	**2,228**
Purchases	5,619	5,053
Recognised as an expense in year		
Transfers	(4,151)	(1,417)
Balance at end of year	**7,332**	**5,864**

The stock held on the balance sheet, relating to NRL, is the houses under construction that once complete will be sold on the open market.

8. Cash and Cash Equivalents

	2018/19	2017/18
	£000	£000
Cash held by Council	14	11
Bank current accounts	6,812	7,876
Short term deposits with banks	8,000	3,590
Short term deposits with building societies	-	1,650
Short term deposits with Debt Management Office	6,000	-
Short term deposits with local authorities	4,000	4,250
Money Markets	-	15,000
Total Cash & Cash Equivalents	**24,826**	**32,377**

9. Short Term Creditors

	2018/19	2017/18
	£000	£000
Central Government Bodies	5,119	2,153
Other Local Authorities	10,954	10,226
National Health Bodies	9	27
Trade Creditors	10,013	7,879
Receipts in Advance	1,661	2,737
Other entities & individuals	3,004	3,171
Total Short Term Creditors	**30,760**	**26,193**

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 council's, 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 council's 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 council's, known as "upper tier" authorities and city, borough or district council's, known as "lower tier" authorities.

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