Audit committee

Date: Tuesday, 12 June 2018
Time: 16:30
Venue: Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH

Committee members:

Councillors:
Price (chair)
Driver
Coleshill
Fullman
Hampton
Lubbock
Smith
Stutely

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Informal session for members of the committee: 16:00 to 16:30
There will be an informal session on the Statement of Accounts for members of the committee in the Mancroft room

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Agenda

internal audit. The report and the audit opinion within it, form part of the evidence to support the council's Annual Governance Statement 2017-18.

Purpose- This report presents the Annual Governance Statement (AGS) for 2017-18 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 chief finance officer on 31 May 2018.

Purpose - To comment on the draft Annual audit committee report 2017-18

Date of publication**: Monday, 04 June 2018**

NORWICH
City Council

Minutes

Audit committee

16:30 to 17:30 **13 March 2018**

Present: Councillors Price (chair), Driver (vice chair), Bradford, Coleshill, Jones (B) (to part of item 5 below), Lubbock, Maxwell and Schmierer

Also present: Councillor Kendrick (cabinet member for resources)

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

There were no declarations of interest.

3. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 14 November 2017.

4. Certification of Claims and Returns Annual Report 2016-17

The strategic finance business partner (deputy S151 officer) (LGSS) introduced the report and paid tribute to the hard work of the revenues and benefits team.

The external auditor (Ernst & Young) presented the report. He confirmed that the fees were as predicted. Members were advised that no materiality was allowed in relation to benefits.

The chair referred to the additional checks set out in section 1 of the external auditors' report and also commended the officers for their diligence in ensuring that transactions were correct. The vice chair said that it was important that people needing benefits received their full entitlements.

RESOLVED to review and note the attached report from the council's external auditor.

5. External Audit Plan 2017-18

The external auditor introduced Sappho Powell, who had succeeded David Riglar as the external audit manager, and presented the report.

During discussion the chair pointed out that as a result of the council's commercial activity it would need to prepare group accounts for Norwich Regeneration Limited (NRL) because its level of activity in 2017-18 was now considered material and therefore would be included in the external audit plan as a new area of focus. The strategic finance partner and the external auditor confirmed that the processes for the preparation of these group accounts were in place. The company had appointed an independent firm of auditors to audit its accounts.

During discussion members sought assurance that the level of materiality at 2 per cent was correct. The external auditor said that lowering the threshold would mean that it would be necessary to test more transactions. The deputy head of internal audit (LGSS) and the strategic finance partner advised members to take the advice of the external auditor. The external audit plan looked at the key areas where judgement was applied. Further testing would delay the preparation of the accounts and make it more difficult to meet the timetable. The external auditor said that 2 per cent was standard and that if material errors were found they would drop it to 1 per cent. He explained that an audit was only as good as the risk analysis and that this was based on professional judgement and what they expected to be in the council's accounts at the year end. There was flexibility to update the external audit plan when the external auditors received the set of accounts from the council on 31 May. If any new risk was identified it would be reported to the committee when the accounts were signed off in July.

The chair referred to the council's acquisition policy for commercial property for income generation and asked for details of how the risk would be analysed. The external auditor said that the rate of return from the investment would be assessed to ensure that it was within industry norms and that the level of bad debt was not outside the range.

During discussion on the level of fees, members were advised that the fees reflected the historic level of risk but that the difference this year was the addition of the group accounts and the increased level of income generation activity. The external auditor said that it would be possible to provide extra work if it was necessary to obtain an assurance. In reply to a question, he pointed out that an increase in homelessness was not an audit risk but would manifest itself in service provision. Investment in capital programmes, such as a car park or new buildings shown as a budget line in the accounts, was an audit risk. The strategic finance business partner confirmed that the fees were considered to be in line with expectation.

(Councillor Jones left the meeting at this point.)

The chair asked whether the external auditors could provide more detailed information in their report. The external auditor said that the annual audit letter would include data, where the whole population was tested, eg bad debts, and display information as graphs. He confirmed that the Public Sector Audit Appointments reviewed the external audit process.

RESOLVED, having reviewed the report, to agree the approach and scope of the external audit as proposed in the audit plan.

6. Internal Audit Update November 17 to February Plan for Norwich City Council 2018-19

The deputy head of internal audit presented the report and introduced Magen Powell, principal auditor, who had been appointed to her post following Jonathan Tully's promotion.

During discussion members noted the completion of the debt recovery audit assignment. A member commented that cabinet would be considering a report "Write off of irrecoverable national non domestic rate debt" at its meeting on 14 March 2018, and said that everything should be done to avoid having to write off bad debt. Councillor Kendrick, cabinet member for resources, referred to this report and said that although debts could be written off, it was also possible for the council to recover debts if there was a change in circumstances. The implementation of recommendations from this audit should be in place by 31 July 2018.

In reply to a question, the principal auditor referred to the report and explained how the council participated in the National Fraud Initiative (NFI). Data sets were processed and matched. Discrepancies which could indicate potential fraud, such as more one adult living in a dwelling and where single person council tax discount had been applied would require further investigation by the Anglia Revenues Partnership (ARP). Members were advised that the city council did not attempt to recover the difference or prosecute for fraud in such incidences. The NFI was carried out on an annual basis but in more depth in alternate years. A member commented that the council should make people more aware of who was eligible for single person council tax discount as students and people with some mental health conditions should not be counted for council tax purposes. The deputy head of internal audit said that the most common reason given to ARP for the application of single person council tax discount, when there was more than one adult living in the dwelling, was that they had not informed the council.

The committee noted the changes to the internal audit plan as set out in Appendix A and that the audits that would not be completed in this financial year would be picked up in quarter 1 of 2018-19 plan.

RESOLVED to note the contents of the report.

7. Draft Internal Audit Plan for Norwich City Council 2018-19

The deputy head of internal audit presented the report. The chair, vice chair and the corporate leadership team had been consulted on the draft plan.

During discussion, the deputy head of internal audit referred to the report and answered members' questions on the plan. He explained that the internal audit team were not ICT specialists but assurance on compliance with legislative and policy requirements could be obtained through accreditation from external bodies. The allocation of five days for fraud investigation could easily be used up if there was a significant fraud. Internal audit would then liaise with the corporate leadership team to review the allocation. Fees and charges were listed twice on the plan. The city council needed to introduce a fees and charges policy. It would then be audited to ensure compliance in quarter 4 of the plan.

A member said that he considered procurement compliance important and asked how the council could ensure that council leaseholders received value for money. The deputy head of internal audit explained how this could be audited, including checking invoices and visiting the contractors. A member pointed out that case law supported the council's approach of sharing the costs of communal repairs with all units in a block. The deputy head of internal audit said that the practice of contractors putting up prices and the length of time it took to carry out work was also monitored.

(Councillor Kendrick left the meeting at this point.)

In reply to a question from the chair, the external audit manager confirmed that he was satisfied with what was included in the internal audit plan.

RESOLVED to endorse the Internal Audit Plan 2018-2019.

CHAIR

Report to	Audit Committee	**Item**
	12 June 2018	6
Report of	Chief Internal Auditor, LGSS	
Subject	Annual audit report on internal audit and fraud 2017-18	

Purpose

To inform members of the Chief Internal Auditor's annual audit opinion for 2017-18, 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 2017-18.

Recommendation

To consider the annual Internal Audit report and opinion, noting the work of Internal Audit team for 2017-18.

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. 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, appendix 1, provides members of the Audit Committee with:
    - the Chief Internal Auditor's opinion for 2017-18;
    - a review of the system of internal control;
    - a summary of the work undertaken by internal audit in 2017-18; and
    - an overview of the performance of internal audit.

LGSS

NORWICH City Council

INTERNAL AUDIT SERVICE

INTERNAL AUDIT ANNUAL REPORT 2017/18

DUNCAN WILKINSON, CHIEF INTERNAL AUDITOR 1st May 2018

	Officer contact:
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LGSS Internal Audit & Risk Management
Annual Report 2017/18

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 2017/18

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 2017/18 financial year, an opinion of **good** assurance is awarded. The internal control environment (including the key financial systems, 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 2016/17.

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.

3.1.8 Specifically for the compliance reviews undertaken, the following definitions will be used to assess the level of compliance in each individual reviewed:

Opinion for Compliance Audits – Levels of Compliance	
Level	**Definitions**
High	There was significant compliance with agreed policy and/or procedure with only minor errors identified.
Medium	There was general compliance with the agreed policy and/or procedure. Although errors have been identified there are not considered to be material.
Low	There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.

3.2 The Basis of Assurance

3.2.1 The findings and assurance levels provided by the reviews undertaken throughout 2017/18 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.

3.2.2 In 2017/18, 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, safeguarding and making every penny count.

Section 4

4. *INTERNAL AUDIT IN 2017/18*

4.1 *Overview and Key Findings*

4.1.1 This section provides information on the audit reviews carried out in 2017-18, by assurance block.

4.1.2 For the reviews undertaken during 2017/18, 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 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 2017/18 is summarised in Table 1 below:

Table 1: Essential and important recommendations

Audit title	Essential priority recommendations	Important priority recommendations
Housing rent and arrears		4
Housing benefits and council tax reduction scheme		2
Council Tax		1
NNDR		1
Debt recovery (sundry debtors)		11
Business continuity policy and management		10
Total	**0**	**29**

4.2 Financial and Other Key Systems

4.2.1 This is the 2017/18 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 2017/18 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 all key financial systems reviews was good overall. Table 2 below details the assurance levels of all key systems audits undertaken in 2017/18, compared to assurance levels in 2016/17.

Table 2 – Key Financial Systems Audits 2017/18

Key Financial Systems:	Audit Opinion 2017-18		Audit Opinion 2016-17	
	Environment	Compliance	Environment	Compliance
Accounts Receivable	Substantial	Substantial	Substantial	Substantial
Purchase to Pay	Substantial	Substantial	Substantial	Substantial
Payroll	Substantial	Substantial	Substantial	Substantial
Housing Rents &	Good	Good	Good	Good

Arrears				
Housing Benefits	Good	Satisfactory	Substantial	Good
Council Tax	Substantial	Good	Substantial	Substantial
NNDR	Substantial	Good	Substantial	Substantial
Treasury Management	Substantial	Substantial	Substantial	Substantial
Debt Recovery	Satisfactory	Satisfactory	Good	Satisfactory

4.2.3 The housing rents and arrears review concluded that the control environment and compliance assurance was good. A recommendation was made to periodically review instalment payment arrangements for recovery of debts to ensure that a realistic amount is being recovered. In addition a recommendation was also made that procedures are put in place for debts to be progressed to small claims court when internal recovery attempts have failed.

4.2.4 The review of housing benefits concluded that there was good assurance over the control environment and satisfactory assurance for compliance. The service has acknowledged that due to resourcing issues there are backlogs in work required to recover overpayments. Recovery work is being carried out for new cases of overpayments, but older debt is not being regularly reviewed.

4.2.5 The debt recovery review concluded that control environment and compliance assurance was satisfactory. Since the last audit there has been a re-organisation of financial services and new staff within the exchequer team. The transactional finance and systems manager is currently seconded full-time as the implementation lead for the new financial and HR system, for which the planned commencement date for the finance system is April 2019. Existing strategies, policies and procedures will need to be reviewed and updated alongside the new financial system.

4.3 Making every penny count

4.3.1 This assurance block incorporates the on-going work on initiatives to promote the value of making every penny count across the organisation.

4.3.2 A review of invoices over £500 identified that authorisations on the financial system (Oracle) are not always completed by the budget holder, or in line with the delegation forms for authorisation of payments. From the invoices tested, it was considered that the various payments had been authorised by an appropriate manager, however the delegation forms were not always set up in line with these requirements. It was recommended that as part of the project for installation of the new finance system, the council should seek opportunities to improve the system hierarchies / authorisations of payments. As management were already aware of this, and the project is now in progress, there were no actions reported.

4.4 Anti-fraud and corruption

4.4.1 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.

4.4.2 Internal audit was not involved in any major investigations during the year. There were a small number of low-level data breaches which were reviewed by the data breach response group which involved the principal audit manager/principal auditor, in accordance with the council's incident response plan. Actions were put in place to reduce the risk of recurrence.

4.4.3 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 2017-18 Council Tax Single Person Discount exercise were made available in February 2018. The results will be analysed in 2018/19.

4.5 Policies and procedures

4.5.1 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.

4.5.2 This provided assurance that policies, such as Business Continuity Policy and Information Governance policies are regularly and updated. This helps ensure they are effective and fit for purpose.

4.5.3 The review of the business continuity policy concluded that the control environment and compliance assurance was satisfactory. Whilst the corporate business continuity policy is a detailed and usable plan for incident management, it is incomplete and has not yet been widely published.

4.5.4 The review of information governance policies concluded that the control environment and compliance assurance was good. Overall the systems are operating as intended, there is good assurance, and there were no significant recommendations.

4.6 Compliance

4.6.1 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.

4.6.2 The Plan for 2017/18 included coverage of compliance in the following areas:

- Compliance with grants to voluntary organisations
- Compliance with procurement cards

4.6.3 The sample testing undertaken for these reviews did not identified any significant non-compliance issues and in both cases no recommendations were made.

4.7 ICT Audit

4.7.1 Reviews undertaken this year include a review of financial system (IT general controls) and information security.

4.7.2 The review of information security identified that the systems are operating as intended, there is good assurance on both the adequacy of the system and compliance and no significant recommendations were made.

4.7.3 The review of financial system (IT general controls) concluded that there was good assurance over the control environment and compliance and no significant recommendations were made.

4.8 Other Work

4.8.1 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.

4.8.2 Internal audit also leads on maintaining the council's assurance framework and co-ordinating risk management work across the organisation. Internal audit maintained the corporate risk register in conjunction with Heads of Service, and reported updates to the Corporate Leadership Team, Audit Committee and Cabinet. Two risks are above the Councils risk appetite score, and these have been reported to Cabinet who approved that all reasonable mitigation had been taken.

4.8.3 In addition to audit reviews, the Principal Audit Manager/Principal Auditor sat on the Corporate Information Assurance Group, which reviews network issues, data protection, information risk and assurance, security breaches and information management. This included information security resilience exercises which helps to ensure that the Council can react promptly to incidents, and identify opportunities to improve controls which could reduce the risk of future incidents.

4.8.4 There were a small number of low-level data incidents which were reviewed by key employees, including the Principal Audit Manager/Principal Auditor, in accordance with the Council's incident response plan. Actions were put in place to reduce the risk of recurrence.

4.8.5 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.

4.8.6 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.

4.9 Summary of Completed Reviews

4.9.1 A summary of all audit reports issued in 2017/18 is attached at Appendix 1.

Section 5

5. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

5.1 Delivery of the 2017/18 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 450 days of audit activity and quarterly updates are provided to CLT and the Audit Committee every quarter.

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 6 questionnaires were returned following audit reports issued in 2017/18, all responses received either good or excellent 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 2017/18:

The table below summarises the Internal Audit reviews that were completed during the 2017/18 financial year.

Audit title	Control assurance	Compliance assurance	Organisational impact
Making Every Penny Count			
Invoices over £500	Good	Good	Minor
Transformation projects	*Embedded assurance		
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	In progress	Minor
Housing Rents & Arrears	Good	Good	Minor
Housing Benefits	Good	Satisfactory	Minor
Council Tax	Substantial	Good	Minor
NNDR	Substantial	Good	Minor
Treasury Management	Substantial	Substantial	Minor
Procurement Governance	In progress	In progress	Minor
Debt Recovery	Satisfactory	Satisfactory	Moderate
Compliance			
Business Continuity Policy	Satisfactory	Satisfactory	Moderate
Information Governance Policies	Good	Good	Minor
Policies & Procedures			
Grants to Voluntary Organisations	Substantial	Good	Minor
Use of Government Procurement Cards	Substantial	Substantial	Minor
ICT and Information Governance			
Information Security	Good	Good	Minor
Financial Systems IT & General Computer Controls	Good	Good	Minor
Governance			

Audit title	Control assurance	Compliance assurance	Organisational impact
Attend Information Governance Group	*Embedded assurance		
Attend Data Breach Response	*Embedded assurance		
Attend Corporate Governance Group	*Embedded assurance		
Risk Management			
Risk Management	*Embedded assurance		
Risk Management Policy	*Embedded assurance		
Grant assurance			
Disabled Facility Grant	*Embedded assurance		
Cycle highways grant	*Embedded assurance		

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

Report to	Audit Committee 12 June 2018	**Item** 7
Report of	Chief Internal Auditor, LGSS	
Subject	Draft Annual Governance Statement 2017-18	

Purpose

This report presents the Annual Governance Statement (AGS) for 2017/18 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

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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 12th June 2018.

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 2017-18

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.

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 2018 and up to the date of the approval of this statement.

3. The governance framework

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

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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, including the members' code of conduct, was adopted by council on 19 June 2012.
- 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 are in accordance with the policy and budget framework.
- In relation to an executive function, the monitoring officer and chief finance officer has 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.
- In addition key partners of the council, who manage council budgets, are also asked to complete external assurance statements. 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 2015-2020 was approved by council on 17 February 2015. The Corporate Plan 2015-2020 was refreshed during 2017-18 with a supplemental document which is available on the internet.
- The corporate plan was developed through a number of methods including:
    - Analysing information on levels of need in the city such as looking at demographics, strengths, opportunities, inequalities and challenges.
    - Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.
    - Looking at the potential future factors that may impact on Norwich and the council e.g. economic, social, environmental etc.
    - Discussions with councillors including an all councillor workshop.
    - Specific discussions with partner organisations
    - Assessing the future resourcing likely to be available to deliver a new corporate plan.
    - Formal review by scrutiny and cabinet.
- In line with the approach used previously a consultation was carried out on the draft corporate plan framework for 2015-2020 with citizens and organisations.
- The medium term financial strategy (MTFS) is presented to council on an annual basis to support the budget papers and the corporate plan. The MTFS sets out the level of savings that need to be achieved in the coming and each of the following four years. Savings plans and income generation targets are developed to achieve the budget requirement set out in the MTFS. 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 five priorities are to make Norwich a safe, clean and low carbon city; a prosperous and vibrant city; a fair city; a healthy city with good housing; and to provide value for money services.
- 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 reviewed every year in line with the changes to the corporate plan priorities and in accordance with the development of the budget to ensure the necessary resources are in place for their delivery.
- The corporate plan 2015-2020 also links closely to the council's risk management strategy and corporate risk register. The council has a comprehensive approach to risk management which ensures all strategic risks are appropriately identified, managed and mitigated against.

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 executive head of business relationship management and democracy, 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.
- Decision making arrangements in partnerships are guided by the council's comprehensive corporate governance framework and toolkit for partnership working which ensures that effective governance and risk management arrangements are in place. In line with this, all key partnerships have been identified and are included in the council's partnership register. The governance arrangements for key partnerships are kept under regular review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships.

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 service and team planning process is designed to explicitly reflect these priorities. The corporate plan is underpinned by service 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. Portfolio holders have been brought into the service planning process, and are required to sign off service plans with the relevant service managers.
- 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 2015-2020 corporate plan and supporting plans (service plans). Each service has a high level dashboard charting progress against their service plan priorities. Dashboards showing performance for each cabinet portfolio are also produced for portfolio holders. This approach is used to strengthen performance reporting processes to the cabinet, scrutiny, corporate leadership team and all managers. 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 2017-18 is included in the narrative report to the statement of accounts for the year ending 31 March 2018.
- 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.

- 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's and the deputy monitoring officer's roles rest with nominated officers at nplaw, the council's shared legal service. 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 it is vital therefore, that members and officers work with the monitoring officer to enable them to discharge their statutory responsibilities and other duties (as set out in article 12 of the council's 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.

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
    - supporting and encouraging councillors in maintaining the charter for member development, including personal development planning.
- 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 council's risk management policy was updated, approved by Cabinet in January 2017.
- 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 implemented a performance management system which includes risk management, which enables corporate and service risks to be recorded and monitored by management.
- 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 2017-18 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.
- 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 2017-18 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, three officers of the council and an independent board member from Homes England. The board combines a broad range of experience including commercial development, finance, business case development, procurement, risk management as well as general management. 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. There has been a comprehensive review of the financial model supporting NRL's work. The updated model

provides a sophisticated tool to support the board in its decision making. This includes considering different options and risk factors. 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.

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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 2017-18, reflecting the changing landscape of local government finance and emerging opportunities and challenges for Norwich.
- The cabinet approves the medium term financial strategy which provides the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.
- During 2017-18 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council's savings requirements.
- Council approved financial documents including the Four Year Sustainability Plan, the Council Tax Resolution Scheme, the General Fund Revenue budget, the Housing Rents and Budgets, and the Treasury Management Strategy.
- 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 2017-18 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 April 2015 to June 2016 and was presented to the Standards Committee on 8 July 2016. 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 2017-18 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 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 2015-16.

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 in June 2018. This report will outline the key findings of the audit work undertaken during 2017/18, including areas of significant weakness in the internal control environment.
- From the audit reviews undertaken during 2017/18, 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 2017/18, and this remains at a similar level from 2016/17. 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 local 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 2016-17 was presented to audit committee on 5 September 2017. The annual audit letter 2016-17 was presented to audit committee on 14 November 2017. The annual report on the certification of claims and returns 2016-17 was presented to audit committee on 13 March 2018.
- For 2016-17 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.

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

6. Governance issues and actions

6.1. 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.

6.2. 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 2016-17

- EY's annual audit letter was presented to audit committee on 14 November 2017. 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:

DRAFT

Report to	Audit committee	**Item**
	12 June 2018	8
Report of	Chief finance officer (Section 151 Officer)	
Subject	Statement of Accounts 2017-18	

Purpose

This report presents the formal unaudited draft Statement of Accounts, authorised by the chief finance officer on 31 May 2018.

Recommendation

To review the draft Statement of Accounts 2017-18.

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 Chief Finance Officer (CFO) on 31 May 2018. 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. For 2017/18 the Accounts and Audit Regulations 2015 required the CFO to authorise and publish the draft unaudited statement of accounts by 31 May. The earlier deadline has been met and the 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 (CoP) on Local Authority Accounting in the United Kingdom (supported by International Financial Reporting Standards (IFRS)), and includes a full balance sheet and statement of cash flow movements. There have been no significant changes to the accounting requirements in 2017-18.

4. Group Accounts have been prepared for the first time in 2017-18. These 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 format of the report has been significantly updated this year to ensure compliance with additional Code requirements as well as provide a clearer explanation of the key statements and financial context in which the Council operates. 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 2017/18 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.

Statement of accounts

for the year ending
31 March 2018

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 2017/18", 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 2017/18 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 2017/18 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 city district council. It delivers services to the heart of the city, approximately 60% of the urban area, covering a population of some 139,900 (Source: 2016 midyear estimates, Office of National Statistics, March 2018). 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 2017/18 financial year was as follows:

- Labour 26 seats,
- Green Party 10, and
- Liberal Democrats 3.

Labour had a majority of the seats and therefore had overall control. The Cabinet for the 2017/18 financial 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 city environment	Councillor Kevin Maguire
Social inclusion	Councillor Karen Davis
Safer, stronger neighbourhoods	Councillor Chris Herries
Resources	Councillor Paul Kendrick
Sustainable and inclusive growth	Councillor Mike Stonard
Health and wellbeing	Councillor Matthew Packer

The Council employs 549.82 full time equivalent (FTE) employees (as at 31 March 2018). The actual number of individuals is 672 of whom 395 are full time and 277 are part-time employees.

The Council delivers some of it 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).

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 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.

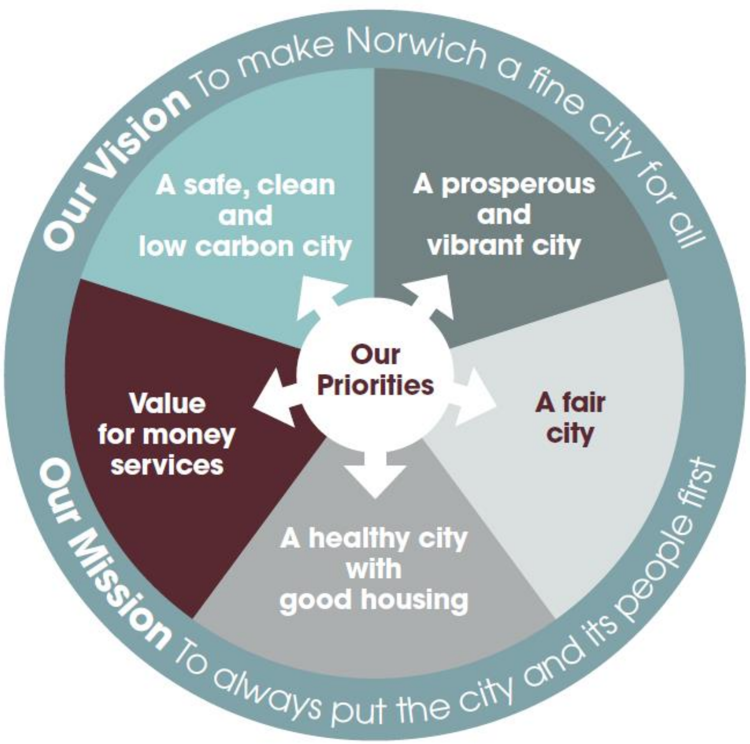
Our core values: these drive how we will all work and act as teams and employees of the council. Taken together, these summarise what we promise to do and be as a council for the city and its residents. Everything we ever do as an organisation, whether in teams or as individuals, will be done with our 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/download/downloads/id/4172/state_of_norwich_2017.pdf

To build on the successes and address the challenges, Norwich needs a long term vison for the city – what do we want the city to be like in 2040 and what do we need to do to make it happen? As civic leader, Norwich City Council is steering the development of this vison.

During 2017/18 the City engaged with residents, businesses, organisations and groups from across the city. This included focus groups with staff and residents, a 2040 Norwich City Vision conference, Councillor focus groups, and a youth city vison event. The City Council, along with key strategic partners, aims to publish the 2040 Norwich City Vision in autumn 2018.

Running alongside this city vision project, 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 review will reach preliminary conclusions during the early part of the

2018/19 financial year and will result in a new corporate plan for the Council for 2019/20 and onwards.

5. National Context

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

Since 2010, successive governments have reduced funding for local government in England as part of their efforts to reduce the national fiscal deficit.

The National Audit office's report ("*Financial sustainability of local authorities 2018*" published 5 March 2018) concludes that:

- Government funding for local authorities has fallen by an estimated 49.1% in real terms from 2010/11 to 2017/18.
- Alongside reductions in funding, local authorities have had to deal with growth in demand for key services (particularly homelessness and adult & children's social care) as well as absorbing other cost pressures (such as higher national insurance contributions, the apprenticeship levy, and the National Living Wage).
- Local authorities have changed their approach to managing reductions in income, shifting away from reducing spending on front-line services, to looking for other savings and alternative income sources, such as income from commercial activities.

To illustrate the severity of the challenges facing the sector, the statutory financial officer for Northamptonshire County Council issued a section 114 notice in February 2018, indicating that it was at risk of spending more in the financial year than the resources it has available, which would be unlawful.

6. Medium Term Financial Strategy (MTFS), Future Outlook, and Risks

The latest MTFS, HRA Business Plan, and 2018/19 budgets were approved by Council in February 2018 and can be found at here.

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.

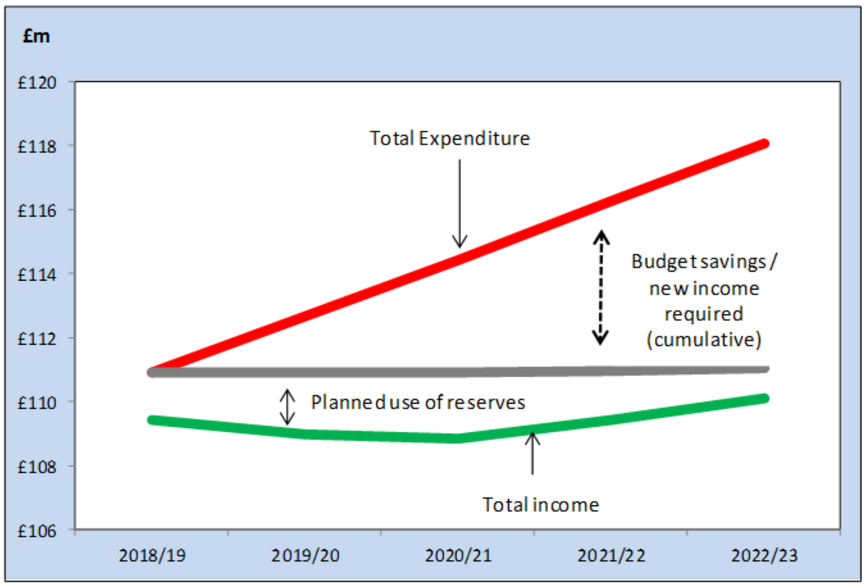
This is a result of cost pressures, such as inflation and Pension Fund deficit contributions, growth in demand for services and for funding the capital budget from revenue contributions, and reducing grants from central government (in particular Revenue Support Grant (RSG) and New Homes Bonus).

The Council's agreed approach to meeting this financial challenge is to:

- Undertake strategic and planned cost reductions by using the General Fund reserve over the next four years to part fund the budget. At the end of year five reserves will reach the prudent minimum balance (the minimum amount of reserve the Chief Finance Officer recommends is necessary to hold given the size and the potential risks of the organisation).

- Identify £10m of savings or new income (after assuming demand-led expenditure growth of £0.75m per annum) over the four years 2019/20 to 2022/23.

MTFS – Planned savings and use of GF reserves



The Council has a successful track record of increasing and diversifying its income from fees, charges, and from other sources instead of placing total reliance on the funding obtained from Council Tax, Business Rates, and central government grants.

General Fund MTFS 2018/19 to 2022/23

Figures in £000s	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Employees	20,557	21,512	22,321	23,151	24,007
Premises	10,398	10,627	10,861	11,100	11,344
Transport	283	289	295	302	309
Supplies & Services	16,091	16,293	16,641	16,996	17,359
Capital Charges and funding of capital budget	2,573	2,841	3,110	3,379	3,649
Housing Benefit Payments	56,580	56,580	56,580	56,580	56,580
Third Party Payments	4,434	4,532	4,632	4,734	4,838
TOTAL EXPENDITURE	**110,916**	**112,674**	**114,440**	**116,242**	**118,086**
Net Recharge Income	-8,603	-8,603	-8,603	-8,603	-8,603
Fees, charges, rentals	-25,596	-26,245	-26,603	-26,967	-27,361
Government Grants:					
New Homes Bonus	-837	-520	-119	-32	0
Benefit Subsidy	-56,876	-56,877	-56,877	-56,877	-56,877
Other Grants	-1,804	-1,346	-1,288	-1,249	-1,212
Formula Funding (RSG)	-982	-213	0	0	0
Business Rates	-5,298	-5,767	-5,704	-5,824	-5,947
Council Tax	-9,416	-9,404	-9,638	-9,853	-10,099
TOTAL INCOME	**-109,412**	**-108,975**	**-108,832**	**-109,405**	**-110,099**
Difference between forecast spend & income	1,504	3,699	5,608	6,837	7,987
To be funded by:					
Net Savings (cumulative)	0	-1,760	-3,520	-5,280	-7,040
Planned use of reserves	-1,504	-1,939	-2,088	-1,557	-947
Estimated reserves at year end	**11,652**	**9,712**	**7,624**	**6,068**	**5,120**

Recent initiatives have included purchasing new commercial property to add to our existing investment property portfolio and thereby increase the rental income returns. It is planned to continue to purchase new commercial property in 2018/19 and onwards as a means of helping fund key council services as well as to contribute to regeneration, growth and long-term sustainability objectives within the city.

In addition we are increasingly investing in the Council's wholly owned company, Norwich Regeneration Ltd, by lending money at commercial rates to the company. This provides the Council with a new and increasing income source and also enables the company to construct much needed new housing in the city.

The council is currently reviewing its operating model, working practices, and its use of IT technology to ensure it is "Fit for the Future". It is anticipated that some efficiency savings can be made over the medium term arising from this review although these have not as yet been quantified.

Whilst it is the Council's preference to find further income generation opportunities and efficiency savings to balance the MTFS budget going forwards, we cannot rule out cuts or reductions in front line services given the scale of the financial challenges faced by the Council.

Housing Revenue Account (HRA)

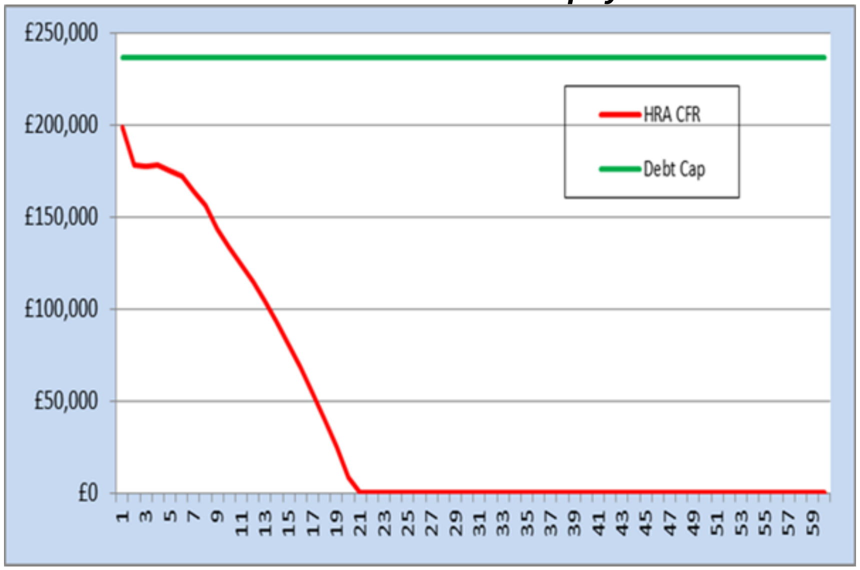
The Housing Revenue Account (HRA) is a ring-fenced account, containing the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other HRA income.

The gross expenditure budget for the HRA in 2018/19 is £70.8m with the income budget being £68.25m. This creates a budget deficit position of £2.55m which will be funded through planned use of HRA reserves.

The Welfare Reform and Work Act 2016 made specific and significant provision for changes to the law affecting social housing providers. These changes included the statutory reduction of rents by 1% each year for four years beginning in 2016/17. Government will allow social housing rents to increase by inflation (as measured by the Consumer Price Index (CPI)) plus 1% from 2020/21 onwards.

The HRA budget is the product of a long term Business Plan for Council housing which forecasts planned capital and revenue expenditure against income and the need to repay long term borrowing costs. The HRA Business Plan provides for the building of 200 new council homes by 2021 and the completion of works to meet the Norwich standard in each property. The Plan shows that existing borrowing can currently be repaid within 21 years.

Current HRA Business Plan – debt repayment



Historically the Business Plan has forecast the repayment of borrowing over a 30 year period, however the model has recently been updated to extend projections over 60 years which will enable further investment opportunities to be explored, such as additional new build schemes and the consideration of renewing rather than upgrading some existing housing stock.

Capital Programme

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 General Fund capital budget for 2018/19 is £42.8m with the largest individual budget being for the acquisition of new commercial property at £40m. Other large capital projects may be included in the programme later in the year once a Business Case has been submitted and approved to cabinet and full Council.

The HRA capital budget is £31.6m of which the largest element is £22.8m for council house upgrades.

Future Outlook

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.

- **Fairer Funding Review:** The review will develop a new needs assessment which will form the basis of distribution of funding to local government. Government published an initial consultation earlier this year focused on the potential statistical approaches that could be used to measure the relative needs of local authorities and the identification of common cost drivers. It is understood that a further consultation will be launched in December 2018 and very indicative funding allocations published in spring 2019.

- **75% retention of Business Rates:** Since 2013-14, councils in England have in theory kept 50% of business rates although the exact sum retained depends on a system of tariffs and top ups based on local need. From April 2020 councils will be able to keep 75% of the Business Rates they raise above a government established baseline figure. However, many questions remain about the scheme including how growth in Business Rates income should be divided up in areas where there is more than one tier of local government and whether some Business Rates income should be retained by government and redistributed nationally (as under the current system).

Another medium term uncertainty is the future performance of the national economy arising from Brexit. The financial impact of Brexit is as yet uncertain. It could be positive or negative, but is likely to affect interest and inflation rates, labour costs and property and rental values. In addition, any economic downturn decreases the amount of tax receipts and income collected by both national and local government and this has consequential impacts on the amount of money available for local government services.

Financial Risks

Financially the Council faces a large number of challenges in the coming years. The 2018/19 Budget Report identified five key financial risks facing the Council, as follows:

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

- **Scale of budget savings required over the medium term**: £10m of gross savings and/or increased income needs to be identified and delivered over the 4 year period 2019/20 to 2022/23 which represents some 13% of the 2018/19 gross expenditure budget (excluding housing benefit payments).

- **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 national and local economy can cause reductions in Business Rates income. The Business Rates Retention scheme will increase this risk from 50% to 75% for local authorities from 2020/21.

- **Achieving the 2018/19 budget savings**: Planned savings and/or increased income of £2.4m will need to be delivered during 2018/19.

- **Increasing reliance on commercial income**: The Council's General Fund revenue budget comprises £26m of fees, charges, rental and interest income arising from commercial or quasi-commercial activities, including net income arising from lending to the Council's company, Norwich Regeneration Limited. This income funds 47% of expenditure on GF services (excluding housing benefits payments which is funded through government subsidy) and is planned to grow over the medium term. A recession or other unexpected/uncontrollable event could leave the Council exposed to under-funding or large losses in income. The Council is also exposed in some areas to competitive forces, for example the private sector housing market..

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 here for the Citizen's Portal which highlights the Council's performance for each performance indicator. The performance for the financial year 2017/18 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.
- In 2017 we have achieved a 54.1 per cent reduction in carbon emissions against our target of 40 per cent by 2019. Fuel poverty levels in Norwich have fallen so that they are now below the national averages. We will keep to our commitment to support people through our successful affordable warmth initiatives such as Cosy City and Big Switch & Save. Our residents continue to express high levels of satisfaction with the quality of our parks.

Measure	Actual	Target	RAG
SCL13 % change in the number of cyclists counted at automatic count sites	tbc	5.0	tbc
SCL08 % of adults cycling at least 3x per week for utility purposes	12.0	14.0	
SCL03 % of people feeling safe	60.2	78.0	
SCL12 Percentage of people satisfied with their local environment	67.9	80.0	
SCL11 % of people satisfied with parks & open spaces (Q)	78.7	85.0	
SCL01 % of streets found clean on inspection	87.3	89.5	
SCL04 Residual household waste per household (Kg)	397.4	380.3	
SCL06 % of residential homes on a 20mph street	44.4	45.0	
SCL02 % of people satisfied with waste collection	82.7	85.0	
SCL05 % of food businesses achieving safety compliance	95.9	90.0	
SCL07 Number of accident casualties on Norwich roads	365.0	400.0	
SCL09 % CO2 emissions for the local area	4.4	2.4	
SCL10 % CO2 emissions from local authority operations	14.6	2.2	

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.

- The council is working with partners to support the development of major infrastructure which will help to support the growth of the city. This includes the Northern Distributor Road, now part opened and due for completion in April 2018, and the development of the Airport Industrial Estate to retain existing businesses and attract new ones.
- Following a successful ballot of businesses, the Norwich Business Improvement District now has a remit to invest in the vitality of the whole of the city centre. 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.
- A number of city centre development sites continue to progress, including St Anne's Quarter.

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

- We have adopted a new social value framework for procurement of goods and services, which builds on Living Wage and other social and environmental benefits.
- 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.
- Our approach to working in neighbourhoods and cross agency includes locality working in Lakenham to join up local services and build capacity to identify and address local issues of inequality. The next phase of this project will be to develop social prescribing and access to non-clinical services for those with multiple needs visiting their GP, often provided by the voluntary and community sector. Our targeted support for tenants and residents to help them navigate the challenges of Universal Credit has been well received.

Measure	Actual	Target	RAG
FAC02 % of people who felt their wellbeing had been improved following receiving advice	65	86	
FAC06 % of comm. org. who pay the living wage for services delivered on behalf of NCC	97.0	100.0	
FAC1 % Delivery of the reducing inequalities action plan	100.0	100.0	
FAC3 % Delivery of the digital inclusion action plan	100.0	100.0	
FAC4 % Timely processing of benefits	100.0	100.0	
FAC5 No of private sector homes where council activity improved energy efficiency (YTD)	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.

- Norwich City Council will build new homes through the council owned company, Norwich Regeneration Company. The new development at Rayne Park will see 172 new homes being built during the first phase. This will be a mixture of social rented housing and private properties for sale and rent.

- We will endeavour to contribute to the health of residents by working in partnership with our colleagues in the Healthy Norwich Partnership, for example developing the 'daily mile' which encourages activity in primary school children.

Measure	Actual	Target	RAG
HCH04 Affordable Homes measure	117	200	▲
HCH1 % Delivery of the Healthy Norwich action plan	95.0	100.0	●
HCH2 Relet times for council housing	17	16	●
HCH03 No of empty homes brought back into use	45	20	★
HCH5 % Preventing homelessness	67.5	60.0	★
HCH6 % of people who feel that the work of the HIA has enabled them to maintain independent living	95	90	★
HCH7 % of council properties meeting Norwich standard	97.9	97.0	★
HCH8 % of tenants satisfied with the housing service	84.0	83.0	★
HCH9 No of private sector homes made safe	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, investing in our company, Norwich Regeneration Limited, and through the award-winning Rose Lane car park.
- We have improved our finance and performance reporting so it supports good decision making and strategy.
- 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.
- We have also sought to improve the social value of the things we buy through the adoption of a new social value framework.

Measure	Actual	Target	RAG
VFM5 % Channel shift measure	17.1	19.4	▲
VFM8 % of customers satisfied with the opportunities to engage with the council	44.0	54.0	●
VFM02 %Council achieves savings target	£(2,096,493)	£0	★
VFM1 % of residents satisfied with the service they received from the council	75.3	79.5	★
VFM4 % Avoidable contact levels	33.4	35.0	★
VFM6 % of income owed to the council collected	96.7	95.0	★
VFM7 % of income generated by the council compared to expenditure	51.8	45.2	★
VFM9 Delivery of local democracy engagement plan	2	2	★

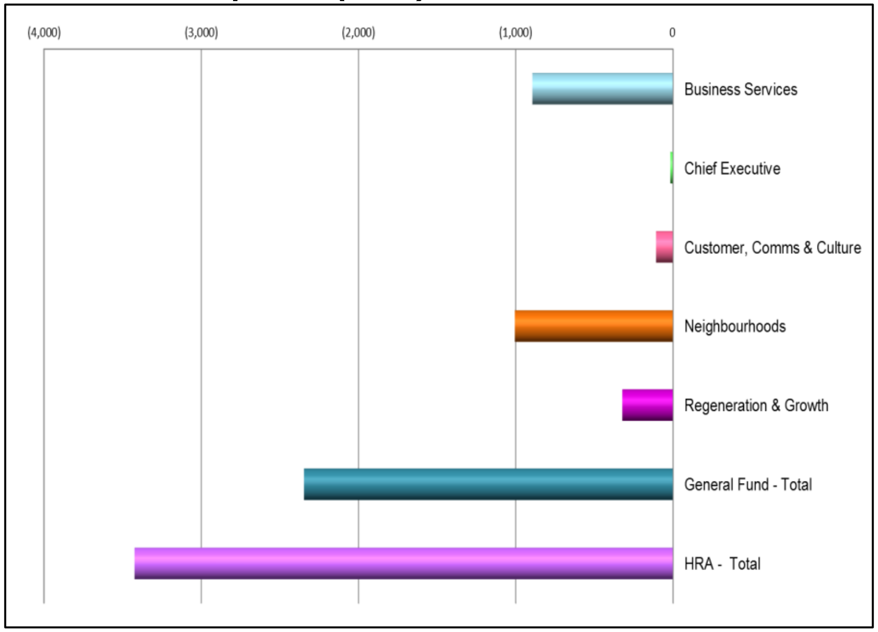
8. 2017/18 Financial Performance

Revenue Position

2017/18 actual against budget for each service area

Cost of Services	Budget £000	Actual £000	Variance £000
Business Services	-15,928	-16,822	-894
Chief Executive	202	185	-17
Communications & Culture	2,152	2,045	-108
Regeneration & Growth	12,921	11,916	-1,005
Neighbourhoods	652	330	-322
Housing Revenue Account	0	-3,624	-3,624
Net revenue expenditure	**0**	**-5,970**	**-5,970**

2017/18 underspends (£000) for each service area



2017/18 General Fund outturn

General Fund	Budget £000	Actual £000	Variance £000
Expenditure	156,879	151,951	(4,928)
Income	(53,472)	(51,791)	1,681
Grants and subsidies	(103,407)	(102,506)	901
Total in year underspend	**(0)**	**(2,346)**	**(2,346)**
Budgeted reserves used in year			688
Transfer 2016/17 underspend to invest to save			500
Transfer 2017/18 underspend to invest to save			2,060
Transfer to commercial property earmarked reserve			123
Transfer to NRL earmarked reserve			50
Transfer to elections earmarked reserve			113
Total movement in GF reserve (as shown in the Movement in Reserves Statement)			**1,188**

The final outturn for the General Fund is a surplus of £2.3m which represents 1.5% of the gross expenditure budget reflecting sound financial management and good budgetary control.

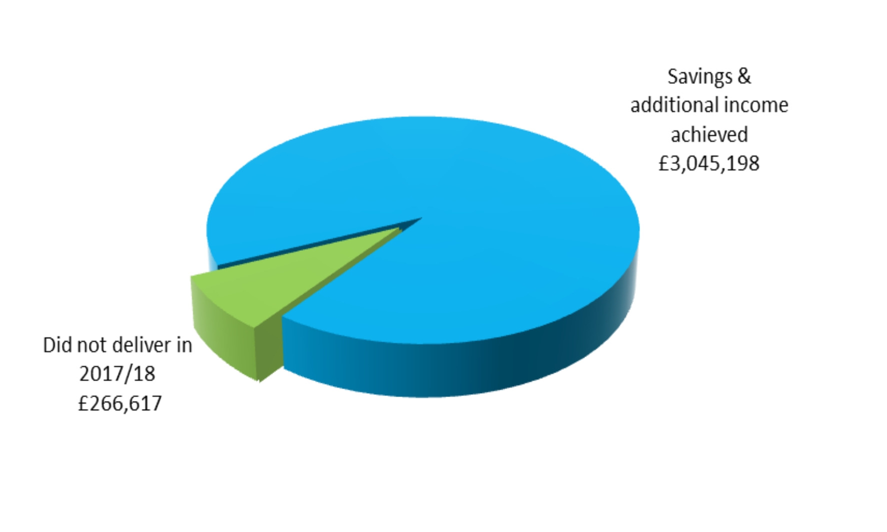
Detailed information on how service areas performed against budget in 2017/18 is provided in the outturn report to Cabinet on 13 June 2018.

Significant key variances are as follows:

- £1.5m underspend on employee costs including pension fund deficit contributions
- £0.7m reduction in recharge income to the Housing Revenue Account (HRA)
- £0.3m unspent corporate contingency budget
- £0.3m reduction in Non-Domestic Rates tariff applied by central government
- £0.3m underspending on responsive repairs budgets across non-housing property
- £0.3m underspending and increased income within Citywide Services (Neighbourhoods)

- £0.1m reduction in Minimum Revenue Provision (MRP) arising from back-dating of new MRP Policy agreed by Council in January 2018
- £0.1m additional grant income – relating to New Burdens for housing subsidy payments

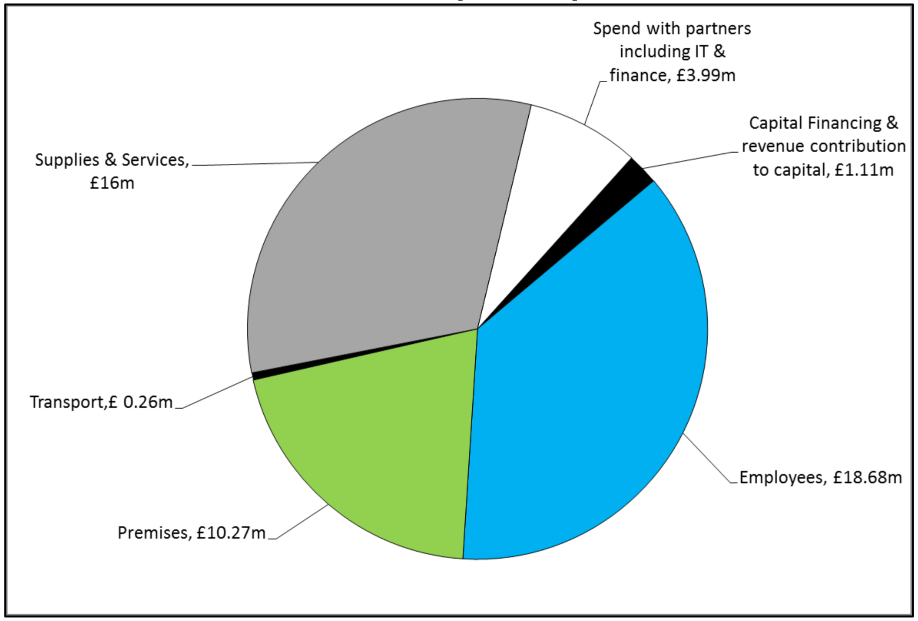
2017/18 General Fund Savings achieved



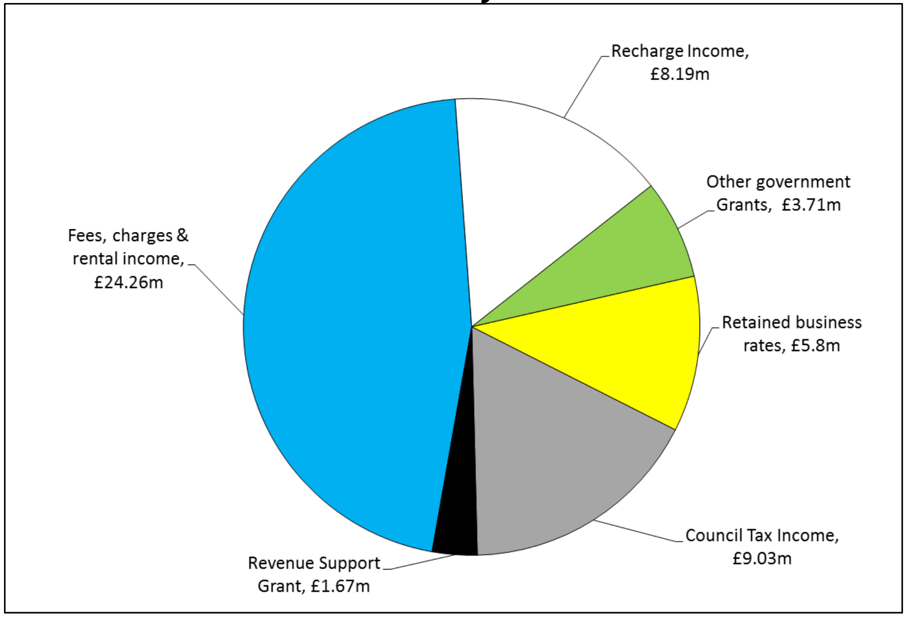
The 2017/18 budget included a target of £3.312m of budget savings or increased income. 92% of the target had been delivered by year end. The undelivered element was more than met by unbudgeted savings and additional income as mentioned in the previous paragraph.

The following pie charts show how the money was spent (excluding housing benefit payments) and where the money came from in 2017/18.

General Fund – how the money was spent in 2017/18



General Fund - where the money came from in 2017/18



2017/18 Housing Revenue Account outturn

Housing Revenue Account (HRA)	Budget £000	Actual £000	Variance £000
Expenditure	70,764	66,959	(3,805)
Receipts	(70,764)	(70,583)	181
Total in year underspend	**(0)**	**(3,624)**	**(3,624)**
Budgeted reserves used in year			3,020
Transfer to HRA invest to save reserve			500
Total movement in HRA reserve (as shown in the Movement in Reserves Statement)			**(104)**

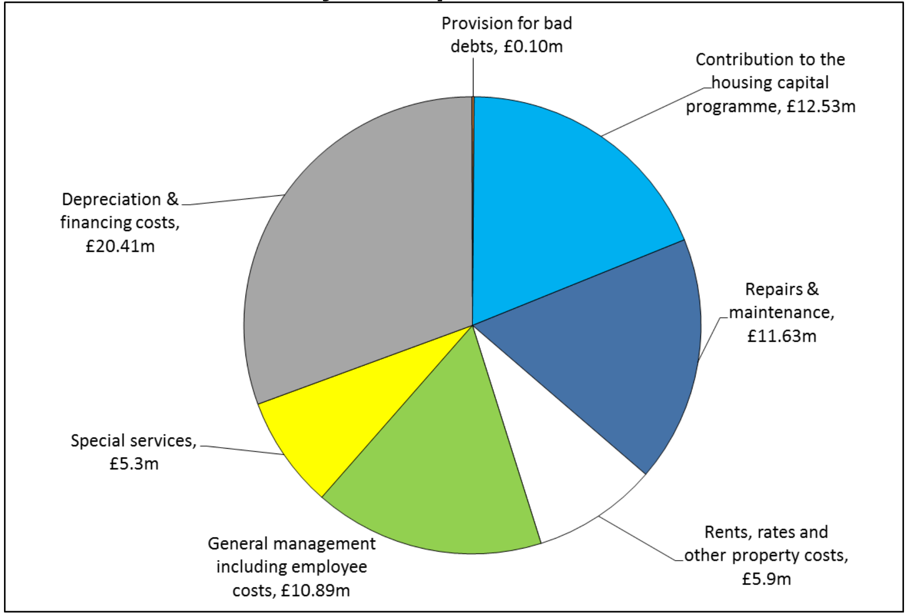
The final outturn position for the HRA is a surplus of £3.6m which represents 5% of the total expenditure budget.

This is largely a result of the need for responsive repairs on HRA dwellings being less than anticipated by £2.5m. Capital investment in planned works over the last five 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.

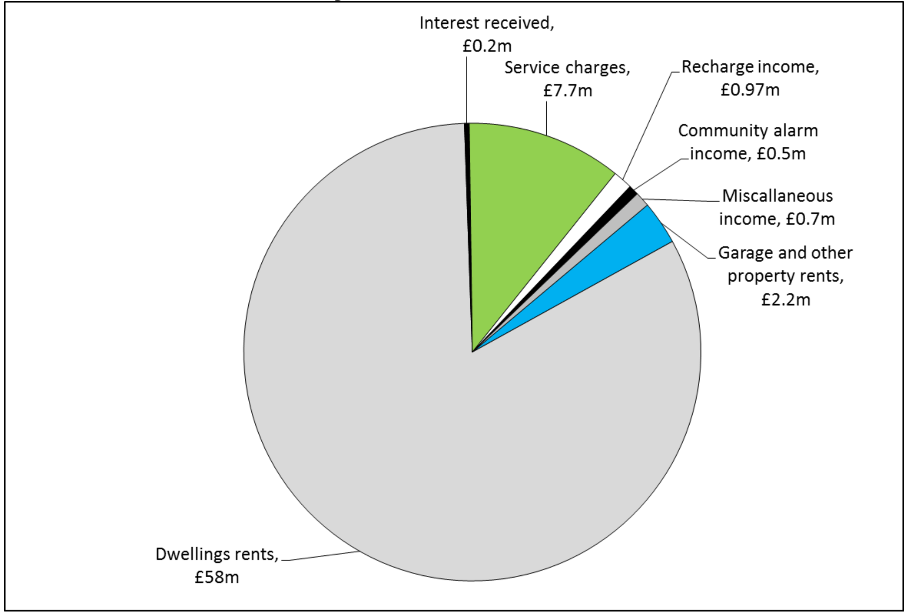
Reserves position

This is shown in the 2017/18 Statement of Accounts section of this narrative report in section 9.

HRA – how the money was spent in 2017/18



HRA- where the money came from in 2017/18



Capital Position

2017/18 capital outturn

Fund	Current Budget £000s £000	Final Outturn £000s £000	Final Variance £000s £000
General Fund Capital	75,182	19,040	(56,143)
Housing Capital	59,345	28,636	(30,709)
TOTAL	**134,527**	**47,676**	**(86,852)**

2017/18 funding of the capital programme

SOURCE OF FUNDING	£000
Internal borrowing (use of cash balances)	13,808
Revenue Contributions (RCCO)	13,273
Major Repairs Reserve	7,001
Retained One for One RTB Capital Receipts	6,628
Other capital receipts	656
CCA Grant	2,530
Leaseholder Contributions	1,159
Grant funding	1,671
Section 106	316
CIL Strategic Pool	635
FUNDING OF 2017/18 CAPITAL PROGRAMME	**47,676**

The Council decided in February 2018, as part of the 2018/19 budget setting report, to change its approach to how and when it agrees schemes and projects for inclusion in the capital budget. It decided that for large projects and those requiring the council to borrow in order to finance, such schemes would only be approved and included in the budget once a robust Business Case has been submitted to the Council and the scheme is ready to implement.

The General Fund capital budget agreed for 2017/18 was partly aspirational in that a number of large projects had been included which were not ready to be implemented in that financial year and have not therefore spent any of the budget allocated to them.

The biggest of these was the £4.4m budget approved for investment in the redevelopment of the airport industrial estate including related demolition costs of property at Hurricane Way. Whilst no actual capital expenditure has yet been incurred, Norwich City Council and Norfolk County Council have appointed a joint Project Manager for the scheme and soft-market testing has just concluded to assess potential private sector interest in redeveloping the estate as a Joint Venture partnership.

In addition, £16.2m was approved in the General Fund capital budget to lend to the Council's wholly owned company, Norwich Regeneration Limited (NRL) so that it could develop new housing at Rayne Park (part of the Threescore land development). Whilst £10.7m was lent to NRL during 2017/18 this isn't, in accounting terms, capital expenditure but is a balance sheet transaction. There is therefore no capital expenditure to report alongside the budget approved for the loan.

A sum of £40m was approved in the 2017/18 General Fund capital budget for commercial property acquisition. This is part of a programme of upgrading and growing the Council's existing investment property portfolio by selling smaller, less valuable assets and/or assets that take a lot of management time, and replacing them by better quality and higher yielding investment property.

£13.4m was spent in 2017/18 on acquiring three new investment properties whilst the acquisition of another property (£10m) concluded just after the end of the financial year in April 2018. £16m of the budget remains uncommitted to carry forward into 2018/19 although the pace of spending the money is dependent on good and relevant investment opportunities becoming available in the market. The purchase of these properties has more than achieved the new net income target for commercial rental income set in the MTFS (£75k in 2017/18 and £400k in 2018/19).

During the 2017/18 financial year, the housing capital programme delivered upgrades to over 3,700 council homes, including over 500 new kitchens, 600 new bathrooms, and 500 heating installations. Over 400 properties have benefitted from structural or roofing upgrades. Additionally, over 1,600 doors were replaced including 283 in tower blocks as part of a programme to improve fire resistance.

The development of new council homes has continued, with 10 homes completed at Hansard Close. Work also commenced on the 93 homes being built at Goldsmith Street, although some delay on site has meant that £7m of budget was not spent last year and will carry forward into 2018/19. In addition to being one of the largest residential Passivhaus schemes in the UK, the design of the Goldsmith Street development was a project winner at the 2016 Housing Design Awards and voted as one of the top 10 architectural schemes by The Times.

Grants of Right to Buy receipts to Registered Providers have also enabled the development of a further 177 new affordable homes in the city.

Detailed information on 2017/18 performance against the capital budget is provided in the outturn report to Cabinet on 13 June 2018.

Architect's impression of Goldsmith Street

9. 2017/18 Statement of Accounts

The Statement of Accounts sets out the financial performance of the Council for the year ended 31 March 2018 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 for the first time the financial performance and position of the Council's wholly owned company, Norwich Regeneration Limited, now that the company has reached the financial size required for it to be consolidated within the Council's accounts.

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 (£2.783m), alongside total transfers to reserves of £3.971m 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 (£0.902m), alongside total transfers to reserves of £0.797m. This results in an overall increase in general fund reserves of £0.105m.
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 £54.8m 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 £58.5m

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 2017/18 cost of services is a surplus of (£35.77m) compared to (£1.56m) surplus in 2016/17. The main reason for the movement is the gain in value of the Council's HRA dwellings arising from a higher asset revaluation in 2017/18 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 (£3.3m) surplus largely arising from an increased gain 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 decreased from 2016/17 mainly due to lower interest costs following the scheduled repayment of £7m of borrowing in 2017/18.
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 £83.83m 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 (£37.5m) 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 and the insurance reserve. In addition three new earmarked reserves have been created: Commercial property reserve, Norwich Regeneration Ltd reserve, and the Elections reserve.

Closing Balances	These agree with the figures shown in the Balance Sheet with total usable reserves of £101m and unusable reserves of £575m.

A description of each of the Council's useable reserves and the amount held in the reserve as at the end of 2017/18 is shown below.

Reserve	Purpose	Amount as at 31/3/18 (£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.	**13,156**
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.	**2,648**

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.	**2,072**
S31 Earmarked reserve	This holds the unutilised balance of the S31 grant monies received in 2016/17 and 2017/18 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.	**2,165**
Insurance reserve	This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual review.	**681**
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. This is the first year for the earmarked reserve and it is anticipated that the amounts put aside for this purpose will increase in 2018/19 onwards.	**123**
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.	**8**
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). This is the first year for the earmarked reserve and it is anticipated that the amounts put aside for this purpose will increase in 2018/19 onwards.	**50**
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.	**30,488**
Invest to save reserve	This will fund the HRA's share of implementing the Fit for the Future programme (see above).	**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.	**7,000**
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 future capital programme. The breakdown of the reserve is as follows: • £2.9m General Fund – earmarked to fund the 5 year capital programme • £14.9m HRA - included within HRA Business Plan funding (awaiting housing strategy for specific schemes • £16.1m HRA Retained One for One receipts - earmarked for new build social housing but can only fund 30% of total cost of scheme.	**33,997**
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.	**8,079**
TOTAL USEABLE RESERVES		**101,080**

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 2018. 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 £676m. With a current ratio (current assets/current liabilities) of 2.2:1, the Council is able to pay all its short term liabilities with current assets and is holding cash and cash equivalents of £28m.

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 £921.4m as at 31 March 201 - an increase of £58.2m from the prior year mainly driven by asset additions of £25m and an upwards revaluations on council dwellings of £34m. The Council dwelling valuations are undertaken annual by qualified valuers. As at 31 March 2018 there were 14,807 HRA council dwellings, this is a reduction of 180 units from 2016/17 mainly due to right to buy sales. Although much smaller in value than property, plant and equipment, a significant change from 2016/17 is the

	value of the Council's investment property. The value has increased by £14.8m during 2017-18. This is largely due to new acquisitions of £13.4m on three commercial properties. Long term debtors total £21m at 31 March. The balance has increased by £10.6m during the year; this is mainly due to a further loan payment to the Council's wholly-owned subsidiary Norwich Regeneration Ltd of £10.7m. Other significant debtor balances relate to Housing Benefit overpayments (£2.3m) and Decent Homes Loans (£2.2m).
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 £28m at 31 March 2018. The balances have increased by £9.5m from the prior year. Short term investments however total £23m, which is a decrease of £33m from the prior year. Investments were liquidated during the year in order to fund commercial investment property purchases and to fund the loan to Norwich Regeneration Ltd. 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 (£7.4m), VAT recovery claim, collection fund debtors, trade receivables and a receivable of £1.7m for the DfT Cycle Safety Grant.
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 reduced by £7.6m from 16/17 due in part to reductions in the Housing Benefit subsidy creditor of £1.8m and a reduction in the central government share of the Non-Domestic Rate collection fund of £1.3m.
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 £210m to £203m due to the scheduled repayment of £7m 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 197 rating appeals outstanding. The provision allowance has been increased in 2017/18 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 £180m 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 increased its cash and cash equivalents by £9.5m over the year to give a closing balance of £28.4m.

The cash flow adjusts the CIES net surplus for the impact of non-cash transactions including asset revaluations (£41m), depreciation of £16m, and the movement in debtors and creditors. After adjustments there was a net cash inflow of £18m from operating activities.

Within the investing activities the main cash outflows related to the purchase of plant property and equipment (£26m), the purchase of investment properties (£13m), and a further loan to Norwich Regeneration Ltd (£11m).
This was offset by the conversion of £33m of short term investments into cash and cash equivalents to fund the commercial property investments and loan to NRL.

The main movement in the financing activities was a cash outflow arising from the scheduled repayment of £7m 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 increased from £24m in 2016/17 to £58m in 2017/18. This has arisen from revaluation gains.

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 2017/18 a total of £75.6m was raised in Business Rates and £62.2m in Council Tax.

Overall the non-domestic rates element of the collection fund is in a £2.5m deficit position. This is due to additional reliefs being given by central government and reductions in the gross rateable values. This deficit will be shared across the relevant bodies (Norwich City Council, Central Government and Norfolk County Council) in 2018/19.

Additional grant income has been received into the General Fund from Central Government during 2017/18 to offset the impact of the new reliefs given. This has been set aside in an earmarked reserve and will be transferred back into the revenue budget to offset the impact of the deficit on the general fund in future years.

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 for the first time this year, on the grounds of materiality, 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 2017/18 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

NRL's first project is housing development at Rayne Park. This commenced on site in May 2017 and has progressed well during the 2017/18 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.

The show homes were completed in January 2018 to allow the first properties for private sale to be released on the market. Interest has been strong with reservations already made. The first residents are due to move in in May 2018.

The company's Business Plan for the next three years includes further housing development at the Threescore site, at Ber Street, and at Hurricane Way. Other developments are also being actively considered.

In order to finance the development, NRL borrows money at commercial interest rates from the Council. In 2017/18 NRL drew down loans totalling £10.7m in anticipation of meeting its cashflow requirements for the on-going development.

Norwich Regeneration Limited made an operating loss for 2017/18 of £686k. This was anticipated in the company's Financial Model as housing development was still under construction in 2017/18 and no dwellings were sold or rented to the market during the year other than dwellings sold to the Council's Housing Revenue Account under a Development Agreement.

The company however has long term assets (land and investment property) - property that it will rent on the private sector market valued at £5.8m. In addition it has property to be sold to the market (once completed) valued at £3.9m.

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 on 14th June 2018 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 2018 and its income and expenditure for the year then ended.

Signed: K. Watling Date: 31 May 2018

Karen Watling
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 2017/18

The Expenditure and Funding Analysis is a note to the Financial Statements, however, it is positioned here as it provides a link from the figures reported in the Narrative Report to the Comprehensive Income and Expenditure Statement (CIES)

	Net Expenditure Chargeable to the GF & HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000
Business Services	7,165	3,056	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	**7,713**	**(43,482)**	**(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	(18,907)	(9,513)	(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	Other Difference	Total Adjustments
	£'000	£'000	£'000	£'000
Business Services	(1,438)	(306)	(1,311)	**(3,056)**
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)**	**(1,311)**	**43,482**
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	-	-	**9,513**
(Surplus) or deficit	**61,969**	**(5,828)**	**(1,311)**	**54,830**

Expenditure Funding Analysis 2016/17

	Net Expenditure Chargeable to the GF & HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000
Business Services	11,288	(1,928)	9,360
Chief Executive	594	(44)	550
Communications & Culture	3,968	119	4,088
Regeneration & Growth	4,112	2,905	7,016
Neighbourhoods	11,317	229	11,546
Housing Revenue Account	(1,902)	(32,219)	(34,120)
Net Cost of Services	**29,378**	**(30,938)**	**(1,560)**
Other income & expenditure	(11,920)	12,713	793
Financing and Investment Income	6,375	4,741	11,116
Taxation and non-specific grant income	(30,055)	0	(30,055)
(Surplus) or deficit	**(6,222)**	**(13,484)**	**(19,706)**
Opening General Fund and HRA balance at 31 March 2016	(38,347)		
Net (Surplus) / Deficit on General Fund and HRA balance in year	(6,222)		
Transfer between reserves	(159)		
Closing General Fund and HRA balance at 31 March 2017	**(44,728)**		
Analysed between General fund and HRA balances	**General Fund**	**HRA**	**Total**
Opening General Fund and HRA balance at 31 March 2016	(12,160)	(26,187)	(38,347)
Net (Surplus) / Deficit on General Fund and HRA balance in year	(1,976)	(4,246)	(6,222)
Transfer between reserves	(208)	49	(159)
In year movement in reserves	**(2,184)**	**(4,197)**	**(6,381)**
Closing General Fund and HRA balance at 31 March 2017	**(14,344)**	**(30,384)**	**(44,728)**

	Adjustments for capital purposes	Net Changes for Pension adjustments	Other Difference	Total Adjustments
	£'000	£'000	£'000	£'000
Business Services	6	(153)	2,075	**1,928**
Chief Executive	-	44	-	**44**
Communications & Culture	(443)	324	-	**(119)**
Regeneration & Growth	(3,383)	478	-	**(2,905)**
Neighbourhoods	(656)	428	-	**(229)**
Housing Revenue Account	31,641	577	-	**32,219**
Net Cost of Services	**27,164**	**1,699**	**2,075**	**30,938**
Other income & expenditure	(12,713)	-	-	**(12,713)**
Financing and Investment Income	(577)	(4,164)	-	**(4,741)**
(Surplus) or deficit	**13,874**	**(2,465)**	**2,075**	**13,484**

Comprehensive Income and Expenditure Statement (CIES)

		2017/18			2016/17		
	Notes	**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Business Services		71,723	(61,501)	10,222	75,975	(66,615)	9,360
Chief Executive		733	(18)	715	551	(1)	550
Communications & Culture		5,877	(1,132)	4,745	5,050	(963)	4,087
Regeneration & Growth		14,962	(11,216)	3,746	17,984	(10,967)	7,017
Neighbourhoods		18,671	(7,468)	11,203	19,176	(7,630)	11,546
Housing Revenue Account		3,899	(70,299)	(66,400)	37,455	(71,575)	(34,120)
Cost of Services		**115,865**	**(151,634)**	**(35,769)**	**156,191**	**(157,751)**	**(1,560)**
Other Operating Expenditure	**11**			(3,290)			794
Financing and Investment Income and Expenditure	**12**			8,965			11,117
Taxation and Non-Specific Grant Income	**13**			(28,421)			(30,055)
(Surplus) / Deficit on Provision of Services				**(58,515)**			**(19,704)**
(Surplus) / deficit on revaluation of non-current assets	**14&15**			(14,699)			(4,153)
Actuarial (gains) / losses on pension assets / liabilities	**45**			(10,618)			59,013
Other Comprehensive (Income) and Expenditure				**(25,317)**			**54,860**
Total Comprehensive (Income) and Expenditure				**(83,832)**			**35,156**

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	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	-	-	-	-	-	-	-	-	25,317	25,317
Total Comprehensive Income & Expenditure	**59**	**-**	**58,456**	**-**	**-**	**-**	**-**	**58,515**	**25,317**	**83,832**
Adjustments between accounting basis & funding basis under regulations (note 7)	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**	**62,777**	**83,832**
Transfers to/from Earmarked Reserves (note 8)	(3,971)	4,165	(691)	497	-	-	-	-	-	-
Transfers between reserves	-	-	(107)	-	279	-	-	172	(172)	-
Other Adjustments	-	(4)	1	-	(7)	-	-	(10)	-	(10)
Increase/(Decrease) in 2017/18	**(1,188)**	**4,161**	**105**	**497**	**7,443**	**7,000**	**3,200**	**21,217**	**62,605**	**83,822**
Balance at 31 March 2018 carried forward	**13,156**	**7,860**	**30,488**	**500**	**33,997**	**7,000**	**8,079**	**101,080**	**574,939**	**676,019**

	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 2016 carried forward	**12,160**	**3,932**	**26,187**	**3**	**17,313**	**-**	**3,200**	**62,794**	**564,557**	**627,351**
Movement in reserves during 2016/17										
Surplus/ (deficit) on provision of services	(4,331)	-	24,036	-	-	-	-	19,705	-	19,705
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(54,860)	(54,860)
Total Comprehensive Income & Expenditure	**(4,331)**	**-**	**24,036**	**-**	**-**	**-**	**-**	**19,705**	**(54,860)**	**(35,155)**
Adjustments between accounting basis & funding basis under regulations (note 7)	6,307	-	(19,790)	-	9,083	-	1,679	(2,722)	2,722	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**1,976**	**-**	**4,245**	**-**	**9,083**	**-**	**1,679**	**16,983**	**(52,138)**	**(35,155)**
Transfers to/from Earmarked Reserves (note 8)	208	(233)	-	-	25	-	-	-	-	-
Transfers between reserves	-	-	(49)	-	133	-	-	84	(84)	-
Increase/(Decrease) in 2016/17	**2,184**	**(233)**	**4,196**	**-**	**9,241**	**-**	**1,679**	**17,067**	**(52,222)**	**(35,155)**
Balance at 31 March 2017 carried forward	**14,344**	**3,699**	**30,383**	**3**	**26,554**	**-**	**4,879**	**79,861**	**512,335**	**592,196**

Balance Sheet

	Notes	31-Mar-18	31-Mar-17
		£'000	£'000
Property, Plant & Equipment	14	921,445	863,279
Heritage Assets	15	25,545	25,525
Investment Properties	16	56,547	41,773
Intangible Assets	17	603	553
Long term Investments	19	3,024	3,042
Long Term Debtors	20	20,913	10,325
Long Term Assets		**1,028,077**	**944,497**
Short Term Investments	21	23,000	55,715
Assets Held for Sale	24	199	424
Short term Debtors	22	13,497	8,681
Stock		28	28
Cash and Cash Equivalents	23	28,356	18,834
Current Assets		**65,080**	**83,682**
Short Term Borrowing	18	(2,866)	(7,993)
Short Term Creditors	25	(25,870)	(33,420)
Capital Grants Receipts in Advance Short Term	39	(678)	(794)
Current Liabilities		**(29,414)**	**(42,207)**
Long Term Creditors	26	(2,842)	(3,035)
Long term Borrowing	18	(199,902)	(201,904)
Other Long Term Liabilities	44	(180,148)	(184,932)
Provisions	27	(2,561)	(2,553)
Capital Grants Receipts in Advance Long Term	39	(2,271)	(1,354)
Long Term Liabilities		**(387,724)**	**(393,778)**
Net Assets		**676,019**	**592,194**
Usable Reserves	28	101,080	79,860
Unusable Reserves	29	574,939	512,334
Total Reserves		**676,019**	**592,194**

Cash Flow Statement

	Notes	2017/18	2016/17
		£'000	£'000
Net surplus or (deficit) on provision of services		58,515	19,706
Adjustments to net surplus or deficit on provision of services for non-cash movements	30	(22,901)	31,181
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	(17,300)	(14,439)
Net cash flows from Operating Activities		**18,314**	**36,448**
Investing Activities	31	(16)	(31,997)
Financing Activities	32	(8,776)	(7,168)
Net Increase or (decrease) in cash and cash equivalents		**9,522**	**(2,717)**
Cash and cash equivalents at the beginning of the reporting period	23	18,834	21,551
Cash and cash equivalents at the end of the reporting period	23	**28,356**	**18,834**

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. 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.

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.

Agency Services

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

Cash & Cash Equivalents

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

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

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

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

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

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

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.

Debtors and Creditors

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

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

Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services.

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

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

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

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

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

The liabilities of the Norfolk pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).
The assets of Norfolk pension fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

- Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

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

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

Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Exceptional Items

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

Financial Instruments

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

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

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

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

<u>Financial Assets</u>
Financial assets are classified into two types:

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

<u>Loans & Receivables</u>
Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

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

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:
- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

Government Grants & Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:
- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

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

Investment Property

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

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

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

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 2017/18. Further detail on the Group boundary judgement is included in note 3 and the Group Financial statements

Leases

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

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

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

The Council as Lessee

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

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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

The Council as Lessor

Finance Leases
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.
Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads & Support Services

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 2017/18 accounts have been reported without support cost recharges, showing support and overhead costs within their respective portfolio lines.

Intangible Assets

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

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

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

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

Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The de minimis level for accounting for expenditure as capital is £5,000

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

Measurement
Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

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

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

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

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

Componentisation
The 2017/18 CIPFA Code of Practice on Local Authority Accounting states that each part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item shall be

depreciated separately, applied from 1 April 2010 onwards. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In adopting the Code, the Authority has developed the following Componentisation Policy using the approach set out in LAAP bulletin 86:

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

This policy excludes land assets which are already identified separately.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals & Non-Current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

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.

Heritage Assets

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

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

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

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

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

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

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

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

Civic Plate & Regalia
The Council owns a large collection of Civic Plate and Regalia which date back to the 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. Valuation and insurance of the collection is the responsibility of the Council. The collection of Civic Plate and Regalia is reported in the Balance Sheet at market value. Individual items in the collection are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement. The Civic Plate and Regalia collection are deemed to have indeterminate lives and a high residual value; hence the Council do not consider it appropriate to charge depreciation.

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

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

Sculptures and Bronzes
The Council owns 25 sculptures and bronzes which are situated in external locations around the city. 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

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.

Provisions, Contingent Assets & Liabilities

Provisions

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

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

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

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

Contingent Assets

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

Contingent Liabilities

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and

Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits, and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

The Collection Fund

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

Council Tax

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

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

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

National Non-Domestic Rates

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

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for the year is the accrued income. The difference between the income included in the CIES and the amount required by regulation to be credited to the General fund is taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement (MiRS).

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

There are a number of NNDR reliefs available to NNDR payers which are mandatory, the government funds these reliefs in full (except for Small Business Rate relief which it funds 50%) via s31 grant to each authority. The s31 grant included in the CIES for the year that which is equal to the deficit claimed back within that year. Any excess over this amount is transferred to a S31 earmarked reserve.

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

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

VAT

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

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

The Code of Practice on Local Authority Accounting in the UK 2018-19 has introduced the following changes in accounting policy, which will need to be adopted fully by the Council in the 2018-19 financial statements from 1 April 2018.

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.

<u>IFRS 9 Financial Instruments</u>
This financial instrument has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Authority's financial position is likely to be immaterial. The main financial assets held by the Authority will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. In addition, the high credit quality adopted by the Authority for its investment counterparties is likely to see an immaterial expected credit loss position.

<u>IFRS 15 – Revenue from Contracts with Customers</u>
This standard will not have any impact on Norwich City Council's accounts; however it may impact on the group accounts with Norwich Regeneration Ltd, depending on the type of transactions undertaken in future years and the timing of these transactions.

Other Standards
The following accounting standards have minor changes next year, but these are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported information in the accounts and will therefore not have a material effect: *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* and *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*.

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

Due to the material levels of transactions going through Norwich Regeneration Ltd (NRL) in 2017-18, 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 2017/18 and earlier financial years in their proportionate share. As at the 31 March 2018 197 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. 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 6 challenges lodged to date. A provision has been made for the estimated success of future appeals for losses for the period to the end of March 2018.	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) £164.1m	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 £0.336m for every year that useful lives had to be reduced
Pensions Liability £180.0m	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 2018, the Council had a balance of sundry debtors for £3.218m. 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	The housing stock is not individually componentised, for valuation purposes a beacon approach is used with the assumption that the beacon property is fully upgraded. Each property in that beacon is then reduced by percentages for each component that is not upgraded.	The percentages used to reduce the value may not reflect the true depreciated value of the individual components. The valuation of housing stock may be under or overstated
Housing Stock	The housing stock is not individually componentised, for depreciation purposes council dwellings have their individual components identified as to date of upgrade and using the asset life as advised by the council's valuers, the depreciation associated with each properties components is calculated.	The use of standard lives to calculate components and assumption of full depreciation on components not upgraded may not be valid. The depreciation of council dwellings may be under or overstated
Fair value measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow [DCF] model). Where possible, the	The council uses the model disclosed in note 15 to measure the fair value of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment

	inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities. Where level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value. Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes16 and 18 below.	properties) and discount rates – adjusted for regional factors (for investment properties, surplus assets and assets held for sale) Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for investment properties and financial assets.

5. Material Items of Income and Expense

During 2017/18 the Council has advanced a loan amount to its wholly owned subsidiary Norwich Regeneration Ltd of £10.7m. This takes the total loan to £11.5m. The company is using the loan to finance its house building at the Threescore site.

The Council has made three material purchases of commercial investment properties during the 2017/18 financial year. The total acquisition costs for the three purchases totalled £13.4m.

Note 6 details material items of Income and Expense

6. Expenditure and Income by Nature

The authority's expenditure and income is analysed as follows:		
	2017/18	**2016/17**
Income	**£000**	**£000**
Fees, charges and other service income	(91,888)	(94,301)
Interest and investment income	(3,048)	(3,861)
Authority's share of income from Council Tax and Non-Domestic Rates	(38,033)	(39,726)
Government grants and contributions	(15,415)	(14,382)
Gain on disposal of non-current assets	(4,276)	(367)
Housing Benefit contributions and allowances	(59,419)	(62,940)
Equity Transfer	-	(2,200)
Total	**(212,077)**	**(217,777)**
Expenditure		
Employee benefits expenses	25,827	22,926
Pension Interest cost and expected retuirn on assets	4,634	4,164
Other service expenses	59,358	58,305
Depreciation, amortisation, revaluation and impairment	(30,471)	12,135
Interest payments	8,791	9,432
Payments to Housing Capital Receipts Pool	1,114	1,471
Housing Benefit expenditure	59,281	63,384
Non-Domestic rates levy	25,027	26,253
Total	**153,563**	**198,072**
(Surplus) or deficit on the Provision of services	**(58,515)**	**(19,706)**

7. Segmental Income

Income received on a segmental basis is analysed below:		
	2017/18	**2016/17**
	£000	**£000**
Revenue from External customers	(94,390)	(96,808)
Other Income	(117,687)	(120,969)
Total Income	**(212,077)**	**(217,777)**

8. Events after the Reporting Date

The draft statement of accounts were authorised for issue by the Chief Finance Officer on 31 May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 27 April 2018 Norwich City Council signed a contract to transfer the Norwich Community Alarm Service (NCAS) to Welbeing (Wealden and Eastbourne Lifeline Ltd). Norwich City Council has received £300k in relation to the transfer of the business. This will be recognised in the 2018/19 financial statements.

The Council has been 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. This has been included within the Contingent Liabilities note.

On 25 April 2018 the Council purchased a new investment property within Norwich for a purchase price of £9.4m (excluding Stamp Duty Land Tax).

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.

2017/18	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
Excess dep'n over HRA MRA							
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
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	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)

2016/17 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	(3,206)	(15,834)				(19,040)	19,040
Revaluation gains / (Losses) on Property, Plant and Equipment	(1,589)	10,426				8,837	(8,837)
Movement in Market Value of Investment Properties	(577)					(577)	577
Capital Grants and Contributions Applied	1,147	31				1,178	(1,178)
Movement in Donated Assets Account							
Revenue expenditure funded from capital under statute	(6,479)					(6,479)	6,479
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,262)	(9,584)				(10,846)	10,846
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	278	85				363	(363)
Capital expenditure charged against the General Fund and HRA balances	95	9,531				9,626	(9,626)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,500	442			(5,942)	-	
Application of grants to capital financing transferred to the Capital Adjustment Account					4,262	4,262	(4,262)
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	1,277	11,984	(13,261)			-	
Use of Capital Receipts Reserve to finance new capital expenditure			3,231			3,231	(3,231)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(39)	(237)	276			-	
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,471)		1,471			-	

2016/17 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	(197)		197			-	
Transfer to the Capital receipts Reserve upon receipt of cash			(997)			(997)	997
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA		13,553		(13,553)		-	
Use of Major Repairs Reserve to finance new capital expenditure				13,553		13,553	(13,553)
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	839					839	(839)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,600)	(2,290)				(8,890)	8,890
Employer's pension contributions and direct payments to pensioners payable in the year	4,740	1,685				6,425	(6,425)
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	1,236					1,236	(1,236)
Total Adjustments	**(6,308)**	**19,792**	**(9,083)**	**-**	**(1,680)**	**2,721**	**(2,721)**

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 2017/18 and 2016/17.

The following sets out a description of the reserves;

Insurance Reserve

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

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

An evaluation of the balance on the Insurance Reserve has been undertaken and the amount set aside to cover the uninsured risks at 31 March 2017 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.

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

The Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. An allowance is also made for this within the reserve.

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 2016/17 and 2017/18. These monies will be transferred to the General Fund Reserves during 2018/19 and 2019/20 to mitigate the delayed impact of the 2016/17 & 2017/18 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 and there are restrictions as to how the monies are to be applied. This ensures that amounts are set aside from the General Fund and the Housing Revenue Account balances to provide financing to meet the requirements of the grant. The amounts set aside will be transferred back to meet General Fund and Housing Revenue Account expenditure in future years, the transfer being accounted for in the Movement in Reserves Statement within the transfers to/or from Earmarked reserves line.

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 £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 site 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 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Insurance Reserve	395	(265)	277	407	(133)	407	681
S31 Earmarked Reserve	1,467	(1,455)	1,041	1,053	(713)	1,825	2,165
Mousehold Conservators Reserve	5	-	-	5	-	3	8
General Fund Invest to Save Reserve	117	(31)	-	86	(75)	2,637	2,648
Revenue Grants Unapplied Reserve GF	1,943	(34)	233	2,142	(208)	138	2,072
Revenue Grants Unapplied Reserve HRA	4	-	-	4	(4)	-	-
Commercial Property Earmarked Reserve	-	-	-	-	-	123	123
Norwich Regeneration Ltd Earmarked Reserve	-	-	-	-	-	50	50
Elections Earmarked Reserve	-	-	-	-	-	113	113
HRA Invest to Save Reserve	-	-	-	-	-	500	500
Total	**3,931**	**(1,785)**	**1,551**	**3,697**	**(1,133)**	**5,796**	**8,360**

Transfers between other reserves of £279,500 (2016/17 £233,406) in the Movement in Reserves Statement comprise of Decent Home Loan & Home Improvement Loan repayments £172,314 (2016/17 £84,467) and repayment of discount £107,236 (2016/17 £48,652)

11. Other Operating Expenditure

	2017/18	2016/17
	£'000	£'000
Payments to the Government Housing Capital Receipts Pool	1,114	1,471
(Gains)/Losses on the disposal of non-current assets	(4,276)	(367)
Provision Market	(163)	(129)
Livestock Market	35	(182)
Total	**(3,290)**	**793**

The surplus of £0.128m (2016/17 surplus £0.311m) 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

	2017/18	2016/17
	£'000	£'000
Interest payable and similar charges	8,791	9,432
(Gains)/Losses on the disposal of investment property	(265)	-
Pension interest cost and expected return on pension assets	4,634	4,164
Interest Receivable and similar income	(545)	(1,353)
Income and expenditure in relation to investment properties and changes in their fair value	(3,683)	(1,279)
Other investment income	(12)	-
Impairment of Soft Loans	45	152
Total	**8,965**	**11,116**

13. Taxation and Non-Specific Grant Income

	2017/18	2016/17
	£'000	£'000
Council tax income	(8,964)	(8,658)
Non domestic rates income and expenditure	(29,069)	(31,068)
Non-ring fenced government grants	(5,902)	(7,263)
Capital grants and contributions	(9,513)	(7,120)
Business Rates - Tariff & Levy	25,027	26,253
Equity Transfer (Norwich Regeneration Ltd)	-	(2,200)
Total	**(28,421)**	**(30,056)**

14. Property Plant and Equipment

Movements in 2017/18	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 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

Comparative Movements in 2016/17	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 2016	710,559	126,232	27,063	2,816	11,447	328	19,135	**897,580**
Additions	18,960	1,764	197	45	130	-	6,185	**27,281**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,860)	(73)	-	-	-	-	-	**(1,933)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(14,263)	(1,672)	-	-	-	-	-	**(15,935)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	11,424	2	-	-	-	-	-	**11,426**
Derecognition – Disposals	(7,993)	-	(241)	-	-	-	-	**(8,234)**
Derecognition - Other	(500)	-	-	(89)	-	-	-	**(589)**
Demolition	-	-	-	-	-	-	-	**-**
Assets Reclassified (to) / from Held for Sale	(715)	(1,115)	-	-	-	-	-	**(1,830)**
Other Movements in Cost or Valuation	5,829	7,381	181	-	-	(59)	(13,332)	**-**
At 31 March 2017	**721,441**	**132,519**	**27,200**	**2,772**	**11,577**	**269**	**11,988**	**907,766**
Accumulated Depreciation & Impairment								
At 1 April 2016	(4,800)	(11,675)	(22,745)	(989)	(91)	(8)	-	**(40,308)**
Depreciation charge	(13,553)	(2,762)	(714)	(79)	(9)	(8)	-	**(17,125)**
Depreciation written out to the Surplus/Deficit on Provision of Services	12,554	31	-	-	-	-	-	**12,585**
Depreciation write-back on revaluation to Revaluation Reserve	999	553	-	-	-	8	-	**1,560**
Impairment losses / (reversals) recognised in CIES	(71)	(1,446)	-	-	-	-	-	**(1,517)**
Impairment losses / (reversals) recognised in RR	40	-	-	-	-	-	-	**40**
Derecognition – Disposals	-	32	242	-	-	-	-	**274**
Derecognition - Other	-	29	(29)	4	-	-	-	**4**
At 31 March 2017	**(4,831)**	**(15,238)**	**(23,246)**	**(1,064)**	**(100)**	**(8)**	**-**	**(44,487)**
Net Book Value								
At 31 March 2017	**716,610**	**117,281**	**3,954**	**1,708**	**11,477**	**261**	**11,988**	**863,279**
At 31 March 2016	705,757	114,556	4,318	1,827	11,356	322	19,135	**857,271**

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

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

HRA Dwellings

The date of valuation is 31 March 2018.

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% (2016/17 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 2018.

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 2017.

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

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

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

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

VALUATION CYCLE '000s	Council dwellings	Other Land & Buildings	Community assets	Infrastructure	Vehicles, Plant, & Equipment	AUC	Surplus properties	Total PPE
Valued at historical cost			11,600	1,636	3,365	17,760		**34,361**
Valued at current value								**-**
2017-18	757,322	72,496					262	**830,080**
2016-17		8,098						**8,098**
2015-16		18,508						**18,508**
2014-15		4,078						**4,078**
2013-14		26,320						**26,320**
Total	**757,322**	**129,500**	**11,600**	**1,636**	**3,365**	**17,760**	**262**	**921,445**

Depreciation
The following useful lives and depreciation rates have been used in the calculation of depreciation:
- Council Dwellings – 35–50 years
- Other Land and Buildings – 30–100 years
- Vehicles – 25% of carrying amount
- Plant Furniture & Equipment 3–25 years
- Infrastructure – 25–40 years

15. Heritage Assets

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
Valuation						
1st April 2016	8,066	4,675	2,235	2,287	3,405	**20,668**
Additions	7	-	-	-	-	**7**
Disposals	-	-	(5)	(5)	-	**(10)**
Revaluations	5	-	4,700	155	-	**4,860**
31st March 2017	**8,078**	**4,675**	**6,930**	**2,437**	**3,405**	**25,525**
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**

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

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

At any time approximately 50 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 have been reviewed by NPS 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

	2017/18	**2016/17**
	£000	**£000**
Rental income from investment property	(2,503)	(2,508)
Direct operating expenses arising from investment property	(1,180)	1,229
Total	**(3,683)**	**(1,279)**

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:

	2017/18	2016/17
	£000	£000
Balance at start of the year	41,773	43,294
Additions:		
Subsequent expenditure	13,433	12
Disposals	(414)	(1,136)
Net gains / (losses) from fair value adjustments	1,755	(397)
Transfers (to) / from Property, Plant & Equipment	-	-
Balance at end of year	56,547	41,773

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 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	7,049	13,040	20,089
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	35,180	21,367	56,547

Investment Property Fair Value Hierarchy
Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2017

Recurring fair value measurements using:	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2017
	£000	£000	£000
Industrial	3,010	12,552	15,562
Offices	7,680	544	8,224
Other	4,351	3,900	8,251
Residential	898	2,940	3,838
Retail	5,832	66	5,898
Total	21,771	20,002	41,773

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

	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	3,897	-	2,345	-	7,186	13,428
Disposals	-	(64)	-	-	(41)	(105)
Balance at end of year	7,049	7,580	6,512	1,131	12,908	35,180

	2016/17					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 2	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Opening balance	3,298	7,565	4,223	1,290	5,996	22,372
Transfer between disclosure category	-	-	182	-	(182)	-
Transfers into Level 2	-	-	-	-	-	-
Transfers out of Level 2	(285)	-	-	-	-	(285)
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	(4)	199	(53)	-	18	160
Additions	-	-	-	-	-	
Disposals	-	(84)	-	(392)	-	(476)
Balance at end of year	3,009	7,680	4,352	898	5,832	21,771

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

	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

	2016/17					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 3	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Opening balance	11,923	1,328	7,605	-	66	20,921
Transfer between disclosure category	784	-	(3,724)	2,940	-	-
Transfers into Level 3	285	-	-	-	-	285
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	(451)	(124)	19	-	-	(556)
Additions	12	-	-	-	-	12
Disposals	-	(660)	-	-	-	(660)
Balance at end of year	12,553	544	3,900	2,940	66	20,002

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 in 2016/17.

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 £255,532 charged to revenue in 2017/18, £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 £165,762, £140,328 related to software. £65,286 was charged to the Housing Revenue Account, £190,246 to the General Fund.

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

	2017/18	2016/17
	£000	£000
Balance at the start of the year		
· Net carrying amount	553	776
· Additions	305	27
· Disposals	(77)	-
Amortisation for the period	(255)	(250)
Disposals	77	-
Net Carrying amounts at the end of the year	**603**	**553**
Comprising:		
· Gross carrying amount	1,707	1,479
· Accumulated amortisation	(1,104)	(926)
	603	**553**

18. Financial Instruments

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

	Long Term		Current	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	£000	£000	£000	£000
Financial Liabilities (principal amount)	199,902	201,617	2,000	7,000
Accrued interest	-	-	866	993
Other accounting adjustments	285	287	-	-
Financial liabilities at amortised cost	200,187	201,904	2,866	7,993
Total Borrowings	**200,187**	**201,904**	**2,866**	**7,993**
Finance lease liabilities	1,003	1,099	96	90
Other long term liabilities	**1,003**	**1,099**	**96**	**90**
Financial liabilities carried at contract amount	-	-	16,092	22,096
Total creditors	**201,190**	**203,003**	**19,054**	**30,179**
Loans and receivables	-	-	50,670	73,560
Accrued interest	-	-	109	315
Total Loans and receivables (principal amount)	-	-	50,779	73,875
Unquoted equity investment at cost	824	824	-	-
Loans & receivables at amortised costs	824	824	50,779	73,875
NPT,HIL & DHL	3,099	3,146	-	-
Finance Leases	1,268	1,256	18	18
Total Investments	**5,191**	**5,226**	**50,797**	**73,893**
Financial assets carried at contract amounts	-	-	7,354	3,832
Total Debtors	**5,191**	**5,226**	**58,151**	**77,725**
Soft Loans Provided	**2,955**	**3,128**		

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

The reduction of £22.9m in short term loans and receivables is due to the temporary use of cash to fund capital expenditure. This will be replaced when borrowing is taken at some point in the future.

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 £2.956m. 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 Home Loans	**31-Mar-18**	**31-Mar-17**
	£000	**£000**
Opening Balance	2,768	2,448
Fair value adjustment	(356)	400
Loans repaid	(172)	(80)
Balance carried forward	**2,240**	**2,768**
Nominal value carried forward	**2,710**	**2,882**

The home improvement loans carrying value after fair value adjustments (minus £43k) total £203k.

Valuation Assumptions

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

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

	2017/18			
	Financial Liabilities measured at amortised cost £000	**Financial Assets Loans and receivables £000**	**Assets & Liabilities at Fair Value through Profit & Loss £000**	**Total £000**
Interest expense	8,791	-	-	8,791
Reductions in fair value	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	8,791	-	-	8,791
Interest Income	-	(545)	-	(545)
Increases in fair value				-
Total income in Surplus or Deficit on the Provision of Services	-	(545)	-	(545)
Net (gain)/loss for the year	8,791	(545)	-	8,246

	2016/17			
	Financial Liabilities measured at amortised cost £000	**Financial Assets Loans and receivables £000**	**Assets & Liabilities at Fair Value through Profit & Loss £000**	**Total £000**
Interest expense	9,432	-	-	9,432
Reductions in fair value	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	9,432	-	-	9,432
Interest Income	-	(1,353)	-	(1,353)
Increases in fair value	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,353)	-	(1,353)
Net (gain)/loss for the year	9,432	(1,353)	-	8,079

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

Fair Values of Assets and Liabilities

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

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2018 have been applied to provide the fair value under the PWLB debt redemption procedures,
- For non PWLB loans and loans receivable prevailing benchmark market rates have been used to provide the fair value

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

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

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

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

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

The fair values of liabilities calculated are as follows:

	31-Mar-18		31-Mar-17	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
			Restated	Restated
Financial Liabilities	218,955	252,270	232,083	293,496
Long Term Creditors	1,003	1,003	1,099	1,099
Total Liabilities	**219,958**	**253,273**	**233,182**	**294,595**

The fair value 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.

	Debt at 31-Mar-17	Repayments	Reclassifications	Fair Value discount unwind	Debt at 31-Mar-18
	£000	£000	£000	£000	£000
PWLB	196,107	-	(2,000)	-	194,107
UK Banks	5,287	-	-	(2)	5,285
Other Financial Intermediaries	462	-	22	-	484
Local Government	1	-	-	-	1
Household Sector	47	-	(22)	-	25
European Investment Bank	-	-	-	-	-
Total	**201,904**	**-**	**(2,000)**	**(2)**	**199,902**

The fair values of assets calculated are as follows:	31-Mar-18		31-Mar-17	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	**£000**	**£000**	**£000**
Loans & Receivables	31,178	31,178	60,056	60,471
Long Term Debtors	3,916	3,403	4,491	4,256
Total Assets	**35,094**	**34,581**	**64,547**	**64,727**

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

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

Nature & Extent of Risks Arising from Financial Instruments

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

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

Overall procedures for managing risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 21 February 2017 and then a revised strategy was approved by Council on 23 January 2018. Both versions are available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2017/18 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.

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

Credit risk

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

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

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

The full Treasury Management Strategy for 2017/18 was approved by Full Council on 21 February 2017 and is available on the Council's website.
https://www.norwich.gov.uk/info/20189/finance_and_transparency/1601/treasury_management_strategy

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

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

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

	Amount	Historical experience of default	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	**£000**	**£000**
	31 March 2018	31 March 2018	31 March 2018	31 March 2017
Customers	2,598	12%	312	765

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 £2.598m of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

		31 March 2018	31 March 2017
		£000	£000
Less than three months		1,135	920
Three to six months		431	225
Six months to one year		150	201
More than one year		882	728
Total		**2,598**	**2,074**

The Council initiates a legal charge on property where clients cannot afford to pay immediately. The total debt where there are legal charges at 31 March 2018 was £42,879 (31 March 2017 £43,868).

Liquidity risk

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

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

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

	2017/18	2016/17
	£000	£000
Repayable between:		
Less than one year	50,670	73,560
Between 1 & 2 years	-	-
	50,670	**73,560**

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 Minimum Limit	Approved Maximum Limit	Actual 31 March 2018 £000	Actual 31 March 2017 £000
Less than 1 year		0%	10%	2,866	7,993
Between 1 & 2 years		0%	10%	-	2,000
Between 2 & 5 years		0%	30%	53,459	2,500
Between 5 & 10 years		0%	50%	69,700	118,159
More than 10 years		0%	95%	75,948	78,448
				201,973	**209,100**
Perpetually irredeemable Loan Stock		0%	10%	510	573
				202,483	**209,673**

Market risk

<u>Interest rate risk</u>
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:

	£000s
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	800
Impact on Surplus or Deficit on Provision of Services	800
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	(16,927)

The impact of a 1% fall in interest rates on interest receivable would be £ (493)k – where the fall of 1% would take the interest lower than zero, this interest received has been taken as zero. The impact of a 1% fall in interest rates on the fair value of fixed rate borrowing liabilities would be as above, but with the movement being reversed.

Indemnity

In February 2014 the Council advanced £1m to Lloyds Banking Group as part of the Local Authority Mortgage Scheme (LAMS). LAMS is aimed at first time buyers within the district and the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period, at which point the advance will be returned to the Council plus an amount of interest. As at 31 March 2018, the total commitment against the £1m indemnity is £0.938m. There have been no defaults requiring a call on this indemnity to date.

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However it does have shareholdings to the value of £0.8m in Norwich Airport. Whilst these holding are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

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

Foreign exchange risk

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

19. Long Term Investments

		2017/18	2016/17
		£000	**£000**
Banks		-	-
Equity Shareholding in Subsidiary		2,200	2,200
Norwich Airport Ltd		824	824
Norwich Preservation Trust		-	18
		3,024	**3,042**

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.

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.

The shares of Norwich Airport Ltd are carried in the accounts at cost. Consideration has been given to measuring the fair value of Norwich Airport Ltd from Norwich City Council’s percentage shareholding from the Airports balance sheet. These calculations give a fair value higher than that of the carrying value at cost but were subjective and could not reliably measure fair value. An impairment review was undertaken in accordance with the Code which states that ‘where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).’ Norwich City Council have assessed that there has been no impairment of the asset.
Norwich City Council has an interest in Legislator Companies 1656 and 1657 which has been assessed as immaterial for the purpose of Group Accounts.

20. Long Term Debtors

	2017/18			2016/17
	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	865	-	**865**	919
Deferred Capital Receipt Sale of Airport Shares	400	-	**400**	400
Deferred Capital Receipt – Livestock Market	-	-	**-**	-
Decent Home Loans	2,240	-	**2,240**	2,768
Finance Lease > 1 year	1,267	-	**1,267**	1,255
Home Improvement Loans	203	-	**203**	195
Local Authority Mortgage Scheme	1,000	-	**1,000**	1,000
Housing Benefit Overpayments	7,254	(4,918)	**2,336**	2,136
Shared Equity Dwellings	282	-	**282**	297
SALIX	334	-	**334**	241
Debts with legal charge over property	43	-	**43**	44
Wholly owned subsidiary	11,500	-	**11,500**	794
Other Long Term Debtors	440	-	**440**	273
Total	**25,831**	**(4,918)**	**20,913**	**10,325**

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.

- Deferred Capital Receipts Sales of Airport Shares - 80.1% of the shares held in Norwich Airport Ltd. by Norfolk County Council and Norwich City Council were sold in March 2004 to Omniport Ltd. £1m of the total sale price is payable after 15 years or, should Omniport sell its interest before then, at the time of the sale. The City Council's share of this deferred capital receipt is £400,000.

- In February 2014 the Council advanced £1m to Lloyds Banking group as part of the Local Authority Mortgage Scheme. The Scheme is aimed at first time buyers; the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period; at the end of this term, the advance will be returned to the Council. No calls have been made on the indemnity during the year.

- Wholly Owned Subsidiary Loan – the Council has advanced a loan to its wholly owned subsidiary Norwich Regeneration Ltd of £11.5m. The company is using the loan to finance its house building at the Threescore site.

21. Short Term Investments

The amounts invested at 31 March were as follows:

		2017/18	2016/17
		£000	£000
Banks		8,000	28,217
Building Societies		12,000	27,496
Local Authority		3,000	2
Total Short Term Investments		**23,000**	**55,715**

22. Short Term Debtors

		2017/18	2016/17
		£000	£000
Central Government Bodies		3,689	1,194
Other entities & individuals		7,134	4,952
Other Local Authorities		2,674	2,535
Total Short Term Debtors		**13,497**	**8,681**

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

		2017/18	2016/17
		£000	£000
Cash held by Council		11	16
Bank current accounts		3,855	1,398
Short term deposits with banks		3,590	9,920
Short term deposits with building societies		1,650	-
Short term deposits with local authorities		4,250	7,500
Money Markets		15,000	-
Total Cash & Cash Equivalents		**28,356**	**18,834**

24. Assets Held for Sale

		Current	
		2017/18	2016/17
		£000	£000
Balance outstanding at start of year		**424**	**2,536**
Assets newly classified as held for sale:			
Property, Plant & Equipment		784	1,830
Assets declassified as held for sale:			
Property, Plant & Equipment		-	-
Asset disposals		(1,231)	(3,294)
Other movements		222	(648)
Balance outstanding at year-end		**199**	**424**

25. Short Term Creditors

	2017/18	2016/17
	£000	£000
Central Government Bodies	1,971	5,134
Other Local Authorities	10,242	12,520
National Health Bodies	27	5
Trade Creditors	7,722	8,750
Receipts in Advance	2,737	2,618
Other entities & individuals	3,171	4,393
Total Short Term Creditors	**25,870**	**33,420**

26. Long Term Creditors

	2017/18	2016/17
	£000	£000
Developer Contributions	1,618	1,704
Lease Liability	1,002	1,098
Rent Prepayments	150	200
SALIX	70	32
Total Long Term Creditors	**2,840**	**3,034**

27. Provisions

	2017/18	2016/17
	£000	£000
Balance at 1 April	2,553	1,572
Movement in provisions	8	980
Balance at 31 March	2,561	2,553

The provision includes £2.521m in respect of Non-Domestic Rates appeals following the introduction of Business Rates Retention on 1 April 2013.
Within the 2016/17 balance there was a provision of £0.391m based on probable redundancy costs for a number of officers as part of the restructure of several service areas. These departures occurred in 2017/18 and the provision reduced accordingly.

28. Usable Reserves

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

29. Unusable Reserves

		2017/18	2016/17
		£000	£000
Revaluation Reserve		73,434	60,296
Capital Adjustment Account		681,293	635,305
Financial Instruments Adjustments Account		(919)	(642)
Deferred Capital Receipts		1,434	1,434
Pensions Reserve		(180,039)	(184,829)
Collection Fund Adjustment Account		(264)	771
Total Unusable Reserves		**574,939**	**512,335**

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.

	2017/18		2016/17
	£000	**£000**	**£000**
Balance at 1 April		**60,296**	**58,234**
Upward revaluation of assets	16,635		7,450
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,936)		(3,297)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**14,699**	**4,153**
Difference between fair value depreciation & historical cost depreciation	(703)		(597)
Other amount written off to Capital Adjustment Account	-		-
Accumulated gains on assets sold or scrapped	(857)		(1,494)
Amount written off to the Capital Adjustment Account		**(1,560)**	**(2,091)**
Other movements		-	-
Balance at 31 March		**73,435**	**60,296**

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	2017/18		2016/17
	£000	£000	£000
Balance at 1 April		**635,305**	**629,189**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(19,545)		(19,040)
Revaluation gains / (losses) on Property, Plant & Equipment	48,578		8,837
Revenue expenditure funded from capital under statute	(8,768)		(6,479)
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	(11,447)		(10,846)
Difference between historic cost & carrying value depreciation	703		597
Net written out amount of the cost of non-current assets consumed in the year		**9,521**	**(26,931)**
Adjusting amounts written out of the Revaluation Reserve		857	1,494
Net written out amount of the cost of non-current assets consumed in the year		**10,378**	**(25,437)**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital Expenditure	7,284		3,231
Use of the Major Repairs Reserve to finance new capital expenditure	7,001		13,553
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,428		1,178
Application of grants to capital financing from the Capital Grants Unapplied Account	4,885		4,262
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	352		363
Capital expenditure charged against the General Fund & HRA balances	13,077		9,626
		34,027	**32,213**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		1,755	(577)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-	-
HRA Self Financing Debt		-	-
Other		(172)	(84)
Balance at 31 March		**681,293**	**635,304**

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.

	2017/18	2016/17
	£000	£000
Financial Instruments Adjustment Account		
Balance at 1 April	**642**	**1,108**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	289	(454)
	931	**654**
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	**919**	**642**

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.

	2017/18	2016/17
	£000	£000
Deferred Capital Receipts Reserve		
Balance at 1 April	**1,434**	**2,059**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	373
Transfer to the Capital Receipts Reserve upon receipt of cash	(1)	(997)
Balance at 31 March	**1,433**	**1,435**

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.

	2017/18	2016/17
	£000	£000
Pensions Reserve		
Balance at 1 April	**(184,829)**	**(123,351)**
Actuarial gains or (losses) on pensions assets & liabilities	10,618	(59,013)
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	(12,553)	(8,890)
Employer's pensions contributions & direct payments to pensioners payable in the year	6,074	5,645
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	651	780
Balance at 31 March	**(180,039)**	**(184,829)**

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.

	2017/18	2016/17
Collection Fund Adjustment Account	£000	£000
Balance at 1 April	771	(465)
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	(65)	163
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	(969)	1,073
Balance at 31 March	**(263)**	**771**

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:

	2017/18	2016/17
	£000	£000
Interest received	(1,163)	(1,113)
Interest paid	8,919	9,651
	7,756	**8,538**

	2017/18	2016/17
	£000	£000
Depreciation	16,906	17,126
Amortisation	256	250
Impairment and revaluations	(40,857)	(3,778)
Reductions in the fair value of soft loans (non Subsidiary) made in the year	45	(12)
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	290	(557)
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	661	1,003
Increase/(Decrease) in Interest Creditors	(128)	(256)
Increase/(Decrease) in Creditors	(5,155)	1,374
(Increase)/Decrease in Interest Debtors	315	-
(Increase)/Decrease in Debtors	(5,187)	1,678
(Increase)/Decrease in Inventories	-	(5)
(Decrease)/Increase in Pension Liability	-	-
Contributions to Provisions	288	981
Carrying amount of non-current assets sold	11,420	12,979
Movement in Investment Property values	(1,755)	397
	(22,901)	**31,180**

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

	2017/18	2016/17
	£000	£000
Capital grants credited to surplus or deficit on the provision of services	(1,428)	(1,178)
Proceeds from the sale of property, plant and equipment and investment properties	(15,872)	(13,261)
	(17,300)	**(14,439)**

31. Cash Flow Statement – Investing Activities

	2017/18	2016/17
	£000	£000
Purchase of property, plant & equipment, investment property & intangible assets	(39,518)	(27,011)
Other Capital Payments	(16)	-
Purchase of short term & long-term investments	(46,400)	(86,600)
Other payments for investing activities	(11,288)	(1,371)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	15,871	13,261
Other Capital Cash Receipts	279	914
Capital grants received	2,238	1,810
Proceeds from short term & long-term investments	78,818	67,000
Net cash flows from investing activities	**(16)**	**(31,997)**

32. Cash Flow Statement – Financing Activities

	2017/18	2016/17
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(90)	(85)
Repayments of short- & long-term borrowing	(7,000)	(10,750)
Other receipts /(payments) for financing activities	(1,686)	3,667
Net cash flows from financing activities	**(8,776)**	**(7,168)**

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:

	2017/18			2016/17
	Expenditure	**Income**	**(Surplus) / Deficit**	**(Surplus) / Deficit**
	£000	£000	£000	£000
Car Parks	(3,362)	(5,956)	(9,318)	(1,237)
Industrial Estates	360	(600)	(240)	849
Corporate Estates	(156)	(2,302)	(2,458)	(2,025)
Civic Halls	538	(310)	228	258
Markets	625	(735)	(110)	(289)
Yacht Station	-	-	-	-
Net (Surplus) / Deficit	**(1,995)**	**(9,903)**	**(11,898)**	**(2,444)**

Other than for Markets, the income and expenditure of the remaining Trading Operations for 2017/18 and 2016/17 have been consolidated within the Net Cost of Services. Income and expenditure of the Markets are within Other Operating Expenditure.
The increase of surplus on car parks is due to the property revaluations in 2017/18. 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.

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 and will be updated for the audited accounts.

		NPS (Norwich) Ltd		Norwich/Norse Environmental Ltd		Norwich Norse Building Ltd	
		2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
		£000	£000	£000	£000	£000	£000
Profit & Loss Account							Restated*
Operating Profit		184	263	136	126	119	145
Interest (Payable) /Receivable		(7)	(10)	(30)	(17)	-	-
Profit on Ordinary Activities before Corporation Tax		**177**	**253**	**106**	**109**	**119**	**145**
Corporation Tax		(35)	(51)	(24)	(25)	(17)	(33)
Retained Profit for the financial year		**142**	**202**	**82**	**84**	**102**	**(40)**
Balance Sheet							
Profit & Loss b/f		**671**	**469**	**328**	**244**	**199**	**87**
Profit & Loss for the financial year		142	202	82	84	102	112
Profit & Loss reserve c/f		**813**	**671**	**410**	**328**	**301**	**199**

*2016/17 figures restated in line with the final audited accounts for Norwich Norse Building Ltd

35. Agency Services

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

The Norwich Highways Joint Committee oversees the operation of the Highways Agency Agreement providing the services for highways, traffic management and on-street car parking. The Council acts as agent for the County in relation to the work governed by the Joint Committee. The amounts of income and expenditure for 2017/18 and 2016/17 are as follows:-

Highways	**2017/18**	**2016/17**
	£000	**£000**
Expenditure	2,595	2,542
Income	(2,392)	(2,569)
(Surplus) / Deficit	**203**	**(27)**

On-Street Car parking	**2017/18**	**2016/17**
	£000	**£000**
Expenditure	1,272	1,039
Income	(1,315)	(1,252)
(Surplus) paid over to Norfolk County Council	**(43)**	**(213)**

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	**2017/18**	**2016/17**
	£000	**£000**
Billed	950	624
Collected	(915)	(490)
Paid over to Norwich BID	**1,060**	**436**

36. Members' Allowances

The total of members' allowances paid in the year was £359,985 (2016/17 £357,081) 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 2017/18 [1]	120,895	-	-	120,895	16,691	137,586
Chief Executive Officer 2016/17 [1 2]	119,020	-	-	119,020	17,217	136,237
Director of Regeneration & Development 2017/18	82,050	-	-	82,050	11,819	93,869
Director of Regeneration & Development 2016/17	81,225	-	-	81,225	11,702	92,927
Director of Customer & Culture 2017/18	89,655	-	-	89,655	13,000	102,655
Director of Customer & Culture 2016/17	84,739	-	-	84,739	12,287	97,026
Director of Neighbourhoods 2017/18	78,377	-	-	78,377	11,327	89,704
Director of Neighbourhoods 2016/17	73,575	-	-	73,575	10,605	84,180
						-
Director of Business Services 2017/18 [1]	83,306	-	-	83,306	11,819	95,125
Director of Business Services 2016/17 [1]	82,140	-	-	82,140	11,702	93,842
S151 officer 17/18 [3]	71,801	-	-	71,801	-	71,801
S151 officer 17/18 [4]	4,980	-	-	4,980	1,080	6,060
S151 officer 16/17 [5]	57,416	-	-	57,416	12,454	69,870
TOTAL 2017/18	**531,064**	**-**	**-**	**531,064**	**65,736**	**596,800**
TOTAL 2016/17	**498,115**	**-**	**-**	**498,115**	**75,967**	**574,082**

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

[2] Chief Executive Officer reduced to 4 days in 2016/17

[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

[5] S151 officer 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		2017/18	2016/17
£50,000 to £54,999		6	1
£55,000 to £59,999		3	1
£60,000 to £64,999		-	-
£65,000 to £69,999		6	5
£70,000 to £74,999		1	1
£75,000 to £79,999		2	2
£80,000 to £84,999		1	3
£85,000 to £89,999		-	-
£90,000 to £94,999		-	-
£95,000 to £99,999		-	-
£100,000 to £104,999		-	2
£105,000 to £109,999		-	1
£110,000 to £114,999		-	-
£115,000 to £119,999		1	1
		20	**17**

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:-

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	140,877
£80,001 - £100,000		0	1	1	86,132
Total		**14**	**25**	**39**	**947,451**

The table above represents redundancies during 2017/18. The 2017/18 accounts include 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 are redeployment opportunities some of these officers may not be made redundant whilst others will leave during 2018/19, any variance between the accrual in 2017/18 and the final exit package costs will be disclosed as part of the 2018/19 accounts.

2016/17					
Exit package cost band (including special payments)		Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000		-	1	1	16,091
£20,001 - £40,000		-	2	2	45,901
£40,001 - £60,000		-	1	1	42,853
£60,001 - £80,000		-	0	0	
£80,001 - £100,000		-	1	1	93,650
£100,001 - £150,000		-	2	2	208,977
Total		**0**	**7**	**7**	**407,472**

The table above represents redundancies during 2016/17. The 2016/17 accounts included an estimate of £979,371 based on probable redundancy costs for a number of officers as part of the restructure of several service areas during 2016/17. The actual costs of these redundancies were £883,720. Officers affected were issued with redundancy notices prior to 31 March 2017. As there were redeployment opportunities some of these officers were not made redundant whilst others left during 2017/18, any variance between the accrual in 2016/17 and the final exit package costs are disclosed as part of the 2017/18 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 2017/18 and 2016/17 the following fees were payable by the Council to our external auditors.

	2017/18		2016/17
	£000		**£000**
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year	84		80
Fees payable to external auditors for the certification of grant claims and returns for the year	36		30
Fees payable in respect of any other services provided by external auditors during the year	6		2
Total	**126**		**112**

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 Reserve Provision calculation. The fees for 'other services' payable in 2016/17 relate to the Right to Buy retained receipts audit.

39. Grants Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18	2016/17
	£000	£000
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	(1,671)	(2,756)
Local Strategic Partnership - Second Homes	(45)	(102)
New Homes Bonus	(1,667)	(2,768)
NNDR Administration Grant	(271)	(271)
Small Business Rate Relief Grant	(1,902)	(887)
Other Grants (Non Capital)	(346)	(479)
Sub-Total inc NNDR	**(5,902)**	**(7,263)**
Capital Grants & Contributions		
DfT Cycle Ambition Grant	(3,399)	(4,166)
DfT Cycle Safety Grant	(1,725)	-
Home and Communities Agency	-	(48)
Community Infrastructure Levy (Funding from developers)	(1,530)	(678)
Community Infrastructure Levy (Funding from GNGB Strategic Pool)	(43)	(118)
Disabled Facilities Grant	(1,101)	(820)
Capital Grant Income (Government bodies)	(69)	7
Capital Grants & contribution income (non Government)	(1,559)	(1,243)
Sub Total	**(9,426)**	**(7,066)**
Capital Grants & Contributions(REFCUS expenditure)		
DECC Green Deal Community Fund	-	(15)
Capital Grants & contribution income (from Government Bodies)	(87)	(39)
Sub Total	**(87)**	**(54)**
Total	**(15,415)**	**(14,383)**
Credited to Services		
Rent Allowance Subsidy	(26,404)	(27,300)
Rent Rebate Subsidy	(30,236)	(32,755)
Discretionary Housing Payments	(499)	(406)
Housing Benefit Administration Grant	(769)	(835)
PFI Grant	-	(1,429)
Supporting People	(253)	(484)
Other Revenue Grants & Contributions (from Government)	(837)	(583)
Other Non Govt revenue grants and contributions	(52)	(45)
Sub Total	**(59,050)**	**(63,837)**

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		**2017/18**	**2016/17**
		£000	**£000**
Grants Receipts in Advance (Capital Grants)			
Home and Communities Agency Capital Grant		(12)	(11)
DECC Green Deal Community Fund		(6)	(6)
Developers Contributions (S.106)		(660)	(777)
Total		**(678)**	**(794)**
Grants Receipts in Advance (Revenue Grants)			
Other Government Grants & Contributions		(412)	(490)
Other Non Government Grants & Contributions		(711)	(316)
LEGI Re Guildhall		(50)	(50)
SALIX		-	(44)
Developers Contributions (S.106)		(296)	(254)
Total		**(1,469)**	**(1,154)**
LONG TERM LIABILITIES			
		£000	**£000**
Grants Receipts in Advance (Capital Grants)			
Disabled Facilities Grant		(17)	(62)
Land Release Fund Grant		(980)	-
Other Government Grants & Contributions		(28)	(28)
Developers Contributions (S.106)		(1,150)	(1,175)
Other Non-Government Grants & Contributions		(95)	(89)
Total		**(2,270)**	**(1,354)**
Grants Receipts in Advance (Revenue Grants)			
Local Enterprise Growth Initiative re Guildhall		(150)	(200)
SALIX		(70)	(32)
Developers Contributions (S.106)		(1,618)	(1,704)
Total		**(1,838)**	**(1,936)**

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	2017/18 £000	2016/17 £000 Restated
Opening Capital Financing Requirement 1st April		240,390	238,988
Correction of prior years error		-	-
Adjusted Opening Capital Financing Requirement		**240,390**	**238,988**
Property, Plant & Equipment	14	16,199	21,096
Assets under Construction	14	8,781	6,185
Investment Property	16	13,433	12
Heritage Assets	15	-	7
Intangible Assets	17	305	27
Decent Home Loans granted net of repaid		(172)	(71)
Transferred debt net of repaid		(56)	(58)
Norwich Regeneration Ltd loan net of repaid		10,706	794
Norwich Preservation Trust loan net of repaid		126	-
Revenue Expenditure Funded from Capital Under Statute		8,768	6,479
		298,480	**273,459**
Sources of Finance			
Capital Receipts		(7,284)	(3,231)
Government Grants & Other Contributions		(6,313)	(5,441)
Housing Revenue Account Major Repairs Allowance		(7,001)	(13,553)
Revenue Contributions & Minimum Revenue Provision *		(13,429)	(9,989)
		264,453	**241,245**
HRA non-dwelling depreciation, revaluation & impairments		-	(855)
Closing Capital Financing Requirement 31 March		**264,453**	**240,390**
Increase (decrease) in underlying need to borrow (unsupported by government financial assistance)		24,063	1,402

Each local Council has a borrowing limit determined by the level of debt which it can afford. The system is governed by CIPFA's 'Prudential Code for Capital Finance in Local Authorities' and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. On 17 January 2018 Cabinet agreed to update the revised Minimum Revenue Provision (MRP) policy which had been approved by Cabinet on 3 February 2016. The revised policy changed the basis of the calculation of the MRP from the 4% reducing balance Regulatory Method to an annuity based charge on the basis that it was a more prudent and fair basis for the charge. The update to this MRP policy was to back-date the application of the annuity basis provision from its inception, i.e. apply the annuity basis method of calculation from 2007/08 onwards rather than just from 2015/16 onwards. This has been done and the updated charges will be applied from 2017/08 onwards.

* The Minimum Revenue Provision 2017/18 is £0.261m (2016/17 £0.278m) 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-18		31-Mar-17	
	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings
	£000	£000	£000	£000
Future Rental Liabilities				
Not later than one year	128	1,396	108	1,305
Later than one year & not later than five years *	412	1,888	356	1,825
Total	**540**	**3284**	**464**	**3,130**

* 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 £1.874m (2016/17 £2.117m)

	2017/18	2016/17
	£000	£000
Sublease payments receivable	1,888	2,026
Total	**1,888**	**2,026**

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 £0.835m (2016/17 £0.927m)

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.

	2017/18	2016/17
Finance Lease Liabilities	£000	£000
Current	96	90
Non-Current	1,003	1,099
Financing Costs payable in future years	354	425
Minimum Lease Payments	**1,453**	**1,614**

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

	2017/18	2016/17
	£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	646	807
Total	**1,453**	**1,614**

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:

	2017/18	2016/17
	£000	£000
Tenants Future Rental Liabilities		
Not later than one year	3,539	3,108
Later than one year & not later than five years	13,919	11,179
Over five years	61,477	60,085
Total	**78,935**	**74,372**

In addition to the above, there are 90 properties (97 in 2016/17) where the rent is in perpetuity that amounts annually to £0.314m per annum (2016/17 £0.269m).
The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Finance Leases
The Council leases out 21 properties on a finance lease.

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

	2017/18	2016/17
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	18	18
Non-current	1,268	1,256
Unearned finance income	2,068	2,104
Unguaranteed residual value of property	-	-
Gross investment in the leases	**3,354**	**3,378**

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-18	31-Mar-17	31-Mar-18	31-Mar-17
	£000	£000	£000	£000
Future Rental Liabilities				
Not later then one year	24	24	24	24
Later than one year & not later than five years	95	95	95	95
Later than five years	3,236	3,259	3,236	3,259
Total	**3,355**	**3,378**	**3,355**	**3,378**

42. Impairment Losses

During the year the Council carried out adaptations at a cost of £522,587 (2016/17 £745,144) to a number of council dwellings under Disabled Facilities legislation. No individual adaptation was significant in value. As advised by our valuer, these adaptations added no value to the dwellings; therefore this expenditure was impaired as shown in note 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 £602,769, of which structural work constituted £566,298, roofing £17,456, window installations £12,090 and door access controls £6,511. Other impairments include the enhancement of HRA estates £130,433.

The Council also impaired the cost of works to HRA shops £144,559 and district heating boiler houses £61,924 as it was deemed not to add value.

Remedial works were carried out on City Hall £629,379, St Giles Car Park £358,095 and Waterloo Pavilion £50,247. All these assets had been valued at the beginning of the year. The Valuer advised this expenditure would not increase the valuation therefore it was impaired immediately.

43. Termination Benefits

The Council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £947,451 (2016/17 £407,472). These were payable to 39 (7 in 2016/17) 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.

The 2017/18 accounts include 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 are redeployment opportunities some of these officers may not be made redundant whilst others will leave during 2018/19, any variance between the accrual in 2017/18 and the final exit package costs will be disclosed as part of the 2018/19 accounts.

44. Other Long Term Liabilities

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

	2017/18	2016/17
	£000	£000
Pension Fund Liability	180,039	184,829
Other	110	103
	180,148	184,932

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.

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:

	2017/18 £000	2016/17 £000
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current service cost	7,819	4,391
(Gain)/loss from settlements	100	335
Financing and Investment Income and expenditure		
Net Interest expense	4,634	4,164
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**12,553**	**8,890**
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)	(2,348)	(20,718)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	-	(4,029)
Actuarial (Gains) and Losses arising on changes in financial assumptions	(7,768)	76,183
Other experience	(502)	7,577
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**1,935**	**67,903**
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	(12,553)	(8,890)
Total Remeasurements recognised in Other Comprehensive Income	**(10,618)**	**59,013**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2018 is a loss of £148.499m (31 March 2017 loss of 159.117m)

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:

	2017/18		2016/17
	£000		£000
Present Value of funded liabilities	(438,820)		(440,331)
Present Value of unfunded liabilities	(19,924)		(21,157)
Fair Value of plan assets	278,717		276,581
Net Liability arising from defined benefit obligation	**(180,027)**		**(184,907)**

Reconciliation of present value of the scheme liabilities:	2017/18 £000	2016/17 £000
At 1 April	(461,488)	(378,041)
Total service Cost	(7,819)	(4,391)
Interest Cost	(11,456)	(12,693)
Contributions by Members	(1,270)	(1,259)
Remeasurement (gains)/Losses		
- actuarial gains/losses arising from changes in demographic assumptions	-	-
- actuarial gains/losses arising from changes infinancial assumptions	7,768	(76,183)
- other	502	(3,548)
Benefits Paid	15,119	14,962
Losses/(Gains) on curtailments	(100)	(335)
At 31 March	**(458,744)**	**(461,488)**

Reconciliation of fair value of the scheme assets	2017/18 £000		2016/17 £000
At 1 April	276,581		254,635
Interest Income	6,822		8,529
Remeasurement Gain/(loss) the return on plan assets excluding amount included in net interest expense	2,348		20,718
Employer Contributions	5,686		5,210
Contributions by Members	1,270		1,259
Contributions in respect of unfunded benefits	1,129		1,192
Benefits Paid	(13,990)		(13,770)
Unfunded benefits paid	(1,129)		(1,192)
(gains)/loss on curtailments	-		-
At 31 March	**278,717**		**276,581**

Local Government Pension Scheme assets comprised:

		2017/18				2016/17			
		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			15,027	15,027	5.3%		7,968	7,968	2.9%
Equity Instruments									
by industry type									
Consumer		19,722		19,722	6.9%	20,598		20,598	7.4%
Manufacturing		16,820		16,820	5.9%	16,073		16,073	5.8%
Energy and Utilities		5,352		5,352	1.9%	7,683		7,683	2.8%
Financial institutions		16,733		16,733	5.9%	17,777		17,777	6.4%
Health and care		5,496		5,496	1.9%	8,362		8,362	3.0%
Information Technology		9,406		9,406	3.3%	7,905		7,905	2.9%
Other		-		-	0.0%	-		-	0.0%
Sub-total Equity Instruments		**73,529**		**73,529**		**78,398**		**78,398**	
Private equity			16,571	16,571	5.8%		17,286	17,286	6.2%
Bonds									
by sector									
Corporate									
Other		3,556		3,556	1.2%	-		-	0.0%
Sub-total Bonds		**3,556**		**3,556**					
Property									
by geographical location									
UK property			25,817	25,817	9.1%		25,817	25,817	9.3%
Overseas property			4,317	4,317	1.5%		4,317	4,317	1.6%
Sub-total Property			30,134	30,134			30,134	30,134	
Investment Funds & Unit Trusts									
Equities		80,304		80,304	28.2%	73,460		73,460	26.6%
Bonds		65,377		65,377	23.0%	69,908		69,908	25.3%
Sub-total Investment Funds & Unit Trusts		**145,681**		**145,681**		**143,368**		**143,368**	
Derivatives		230		230	0.1%	(573)		(573)	-0.2%
Other									
Total Assets		**222,996**	**61,732**	**284,728**		**221,193**	**55,388**	**276,581**	

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:		2017/18	2016/17
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		2.40%	2.40%
Rate of increase in salaries		2.70%	2.70%
Rate of increase in pensions		2.40%	2.40%
Rate for discounting scheme liabilities		2.60%	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%)	3,980
Rate of increase in pensions (increase by 0.5%)	35,926
Rate for discounting scheme liabilities (decrease by 0.5%)	40,331

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 2019 is £5.9m

The weighted average duration of the defined benefit obligation for scheme members is 16.2 years, (2016/17 16.2 years)

46. Contingent Assets and Liabilities

Liabilities

Norwich Livestock Market

On 30 March 2017 Norwich City Council surrendered it lease on the Norwich Livestock Market and received a deferred capital receipt of £800k from the landowner relating to the original sale of the land in 2010. This decision to surrender the lease was challenged by the council's former tenants, Norwich Livestock Market Ltd, who had now become tenants of the landowner. On 8th March 2018 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 Corporation Markets Act 1860. The judge also confirmed the need to consult interested parties before any change in the location of the market.

As a result of the judicial review findings the Council's lease with Norwich Livestock Market is re-established. Pending the outcome of discussions with the current landowner, and results of the consultation, it is not yet known what costs the Council may ultimately incur in meeting the requirements of the judicial review. The Council assesses it maximum liability to be £800k.

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 has been 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.

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 2018 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 2017/18 and 2016/17 is shown in Note 36. During 2017/18, no works and services (2016/17 £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 £256,000 (2016/17 £306,828) and officer working parties a further £2,400 (2016/17 £5,046) as grants to voluntary organisations in which five 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 2017/18, a capital grant of £5,000 was made to one organisation (2016/17 £24,603 revenue grant to one organisation) in which a member of senior management had an interest. The member of senior management did not take part in any discussion, decision, or administration relating to the grant.

During 2017/18, there were no works and services commissioned (2016/17 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.

For all the above, the Council has officer and member representatives on the boards of these companies, and relevant information is disclosed in the notes to the accounts about such interests.

No amounts of money have been paid to or from the Legislator companies during 2017/18. £6,306,964 (2016/17 £6,191,560) has been spent with Norwich Norse Environmental Ltd, and £12,856,869 (2016/17 £10,691,455) with Norwich Norse Building Ltd during 2017/18 and £4,011,212 (2016/17 £4,022,199) has been spent with NPS Norwich Ltd. Amounts due to Norwich Norse Environmental Ltd are £99,176, Norwich Norse Building Ltd are £2,511,587 and NPS Norwich Ltd are £17,175. Amounts due from Norwich Norse Environmental Ltd are £248,000, Norwich Norse Building Ltd £119,500 and NPS Norwich Ltd £480,360.

At 31 March 2016 the council had entered into a development agreement with Norwich Regeneration Ltd (NRL) for the development of social housing at Threescore in Norwich. The company has issued shares to the council in exchange for land (at the full market value) upon which it will carry out the development work at Threescore. During 2017/18 the council loaned NRL £10,706,408 bringing the total amount loaned to £11,500,000 (2015/16 £23,000; 2016/17 £770,962). Under the terms of the development agreement the council's Housing Revenue Account made a payment of £1,223,267 to NRL in 2017/18 (£nil 2016/17). At 31 March 2018 amounts due to NRL are £1,296,617 and amounts due from NRL are short term £773,720 and long term £11,500,000 (2016/17 £770,962).

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 £484,001 (2016/17 £363,574). 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	2017/18	2016/17
		£000	**£000**
Expenditure			
Repairs & Maintenance		11,922	12,059
Supervision & Management		16,641	16,218
Rents, Rates, Taxes & Other Charges		5,751	5,848
Depreciation & Impairment of Non-current Assets	HRA 10&11	15,611	16,420
Local Authority Housing - Revaluation loss (gain) on Dwellings		(42,997)	(10,156)
Debt Management Costs		124	133
Movement in Allowance for Bad Debts		456	(27)
Total Expenditure		7,508	40,495
Income			
Dwelling Rents		58,037	58,701
Non-dwelling Rents		2,190	2,141
Charges for Services & Facilities		2,701	3,192
Contributions towards expenditure		7,354	7,541
Total Income		70,282	71,575
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		**(62,774)**	**(31,080)**
HRA services share of Corporate & Democratic Core		726	529
Net (Income)/Cost of HRA Services		**(62,048)**	**(30,551)**
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Expenditure		(4,186)	(2,455)
Financing & Investment Income & expenditure		8,940	9,440
Taxation & Non-Specific Grant Income		(1,163)	(472)
(Surplus)/deficit for the year on HRA services		**(58,457)**	**(24,038)**

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)

	2017/18	2016/17
	£000	£000
Balance at 1 April	30,387	26,190
Movement in reserves during Year		
Surplus/ (deficit) on provision of services	58,457	24,038
Total Comprehensive Income & Expenditure	**58,457**	**24,038**
Adjustments between accounting basis & funding basis under regulations (note 7 main accounts)	(57,555)	(19,790)
Net Increase/ Decrease before Transfers to Earmarked Reserves	902	4,248
Transfers between reserves	(107)	(49)
Increase/Decrease in Year	102	4,197
Balance at 31 March carried forward	30,489	30,387

Notes to Housing Revenue Account Income & Expenditure Statement

1. Other Operating (Income) / Expenditure

	2017/18	2016/17
	£000	£000
(Gains)/Losses on the disposal of non-current assets	(4,186)	(2,455)
Total	**(4,186)**	**(2,455)**

2. Financing and Investment Income and Expenditure

	2017/18	2016/17
	£000	£000
Interest payable and similar charges	8,035	8,480
Pension interest cost and expected return on pension assets	1,142	1,182
Interest receivable and similar income	(238)	(222)
Total	**8,939**	**9,440**

3. Taxation and Non-Specific Grant Income

	2017/18	2016/17
	£000	£000
Capital Grants and contributions	(1,163)	(472)
Total	**(1,163)**	**(472)**

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 £7.965m being charged to the HRA in 2017/18 (2016/17 £8.405m).

5. HRA Council Dwellings

At 31 March 2018 there were 14,807 HRA Council dwellings, of which 923 were sheltered housing units.

	31-Mar-18	31-Mar-17
	Total Stock	**Total Stock**
Parlour houses	303	307
Non-parlour houses	5,099	5,180
Non-traditional houses	632	639
Bungalows	336	337
Cottage properties	201	211
Flats	6,415	6,479
Maisonettes	491	502
Flats in tower blocks	407	409
Sheltered/Good Neighbour housing units	923	923
	14,807	**14,987**
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	**14,987**	**15,156**
Right to Buy sales	(187)	(163)
Other Dwelling Sales	(7)	(7)
Conversions	4	2
Demolitions	-	(17)
New Build Housing	10	16
Stock as at 31 March	**14,807**	**14,987**

6. Housing Valuation

	31-Mar-18	31-Mar-17
	£000	**£000**
Operational Assets:		
Council Dwellings (HRA)	757,322	716,610
Other Land & Buildings	24,618	23,957
Vehicle, Plant & Equipment	842	936
Infrastructure & Community Assets	2,197	2,197
Assets Under Construction	12,915	7,517
Surplus assets	-	-
Sub Total	**797,894**	**751,217**
Assets held for Sale - Current	10	215
Sub Total	**10**	**215**
Intangible Assets	-	51
Sub Total	**-**	**51**
Total	**797,904**	**751,483**

The above figure for Council dwellings (HRA) 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% (2016/17 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 2018 was £1,953.59m (31 March 2017 £1,848.57m)

7. Major Repairs Reserve

	2017/18	2016/17
	£000	**£000**
Balance brought forward at 1 April	-	-
Depreciation charge for the year	(14,001)	(13,553)
Financing of capital expenditure for the year	7,001	13,553
Balance for the year	**(7,000)**	**-**
Balance Carried forward	**(7,000)**	**-**

8. HRA Capital Expenditure

	2017/18	2016/17
	£000	**£000**
Capital Investment		
Opening Capital Financing Requirement 1st April	205,717	206,827
Operational Assets	14,543	19,617
Other Land & Buildings	145	286
Assets under Construction	8,405	4,491
Revenue Expenditure Financed as Capital	4,225	1,829
Appropriation to General Fund	-	(255)
	233,035	**232,795**
Sources of Finance		
Capital Receipts	(6,628)	(2,667)
Government Grants & Other Contributions	(1,163)	(472)
Major Repairs Allowance	(7,001)	(13,553)
Revenue Contributions	(12,527)	(9,530)
	205,716	**206,573**
HRA Non Dwellings depreciation, revaluation & impairments	-	(856)
Closing Capital Financing Requirement 31 March	**205,716**	**205,717**

9. HRA Capital Receipts

In 2017/18 total capital receipts from the disposal of HRA assets were:

	2017/18	2016/17
	£000	£000
Land	163	408
Council dwellings	14,711	11,625
Insurance receipt	-	-
Total	**14,874**	**12,033**

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 £14.146m (2016/17 £14.232m)

	2017/18	2016/17
	£000	£000
Operational Assets		
Council dwellings	13,472	13,553
Other land & buildings	529	534
Vehicles, Plant & Equipment	94	94
Intangible Assets	51	51
Total	**14,146**	**14,232**

11. Impairment Costs

During the year there were £1.461m of impairment costs (2016/17 £2.189m) relating to HRA assets, which are detailed in the table below.

	2017/18	2016/17
	£000	£000
Council Dwellings	(1,317)	(1,888)
Other Property	(144)	(301)
Total	**(1,461)**	**(2,189)**
Disabled Facilities adaptations not adding value	(523)	(745)
Lift installations not adding value	-	-
Upgrades to District Heating schemes not adding value	(62)	-
Enhancement of HRA estates not adding value	(130)	(14)
Construction of Bin Stores not adding value	-	(7)
Structural work to flats where lease has been sold not adding value	(566)	(1,075)
Other work to flats where lease has been sold not adding value	(36)	(46)
Other	(144)	(301)
Total	**(1,461)**	**(2,189)**

12. Pensions Reserve

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

13. Rent Arrears

Rent arrears at 31 March 2018 were £4.97m (31 March 2017 £4.46m). The provision for doubtful debts (rents) at 31 March 2018 was £2.85m (31 March 2017 £2.63m). Amounts written off during the year amounted to £0.31m (2016/17 £0.45m).

The Collection Fund Revenue Account

	31-Mar-18			31-Mar-17
	Business Rates	Council Tax	Total	Total Restated
	£000	£000	£000	£000
INCOME				
Council Tax receivable		75,459	75,459	72,519
Business rates receivable	75,608		75,608	80,868
Council Tax Reduction Scheme		(13,239)	(13,239)	(13,062)
	75,608	**62,220**	**137,828**	**140,325**
EXPENDITURE				
Precepts & Demands:				
Central Government	37,712		37,712	38,931
Norfolk County Council	7,542	43,762	51,304	48,656
Norfolk Police Authority		7,615	7,615	7,309
Norwich City Council	30,170	8,732	38,902	39,520
Distribution of Estimated Surplus / (Deficit) for Previous Years:				
Central Government	(165)		(165)	(1,437)
Norfolk County Council	(33)	1,450	1,417	285
Norfolk Police Authority		259	259	104
Norwich City Council	(132)	297	165	(1,030)
Charges to Collection Fund				
Transitional Protection Payment	1,570		1,570	150
Costs of Collection	271		271	271
Increase/decrease in Bad Debt Provision	(472)	(33)	(505)	1,319
Increase/decrease in Provision for Appeals	897		897	1,475
Write Offs of uncollectable amounts	671	461	1,132	879
	78,031	**62,543**	**140,574**	**136,432**
Collection Fund Balance b/fwd at 1 April	(122)	5,647	5,525	1,632
Surplus / (Deficit) for the year	(2,423)	(323)	(2,746)	3,893
Collection Fund Balance c/fwd at 31 March	**(2,545)**	**5,324**	**2,779**	**5,525**

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 2018 (2017 list) was £200,521,031 (31 March 2017 (2010 list) £193,716,266). The national non-domestic rate multiplier for 2017/18 was 47.9p in the £ (2016/17 49.7p in the £). The small business multiplier for eligible businesses in 2017/18 was 46.6p in the £ (2016/17 48.4p 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	2017/18	2016/17
		Calculated Number of Properties in Band	Calculated Number of Properties in Band
Up to £40,000	A	10,160.14	9,675.79
£40,001 to £52,000	B	12,483.29	12,194.58
£52,001 to £68,000	C	5,919.51	5,870.27
£68,001 to £88,000	D	2,999.15	2,990.60
£88,001 to £120,000	E	2,375.33	2,408.45
£120,001 to £160,000	F	1,169.64	1,199.61
£160,001 to £320,000	G	949.50	952.25
Over £320,000	H	95.00	92.00
		36,151.56	**35,383.55**
Collection Rate		0.97	0.97
		35,067.00	**34,322.00**
Contribution in Lieu (relating to Crown Properties)		-	-
Tax Base		**35,067.00**	**34,322.00**

The tax rate per Band D property was £1,714.12 (2016/17 £1,647.74).

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.

	2017/18	2016/17
	£000	**£000**
Norfolk County Council	3,894	4,112
Norfolk Police Authority	675	715
Norwich City Council	755	820
Surplus Carried Forward	**5,324**	**5,647**

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.

	2017/18	2016/17
	£000	**£000**
Central Government	(1,273)	(61)
Norwich City Council	(1,018)	(49)
Norfolk County Council	(255)	(12)
Surplus /(deficit) Carried Forward	**(2,546)**	**(122)**

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. No material entities meet these criteria to be 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

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. The company's first set of accounts was produced as at 31 March 2017 for the period from November 2015 to 31 March 2017. These accounts have been audited by Aston Shaw. Copies of the accounts may be obtained from Companies House or by request to the Council.

In 2016/17 the lack of trading and the non-material level of transactions and assets led to the conclusion that group accounts were not required for year end 31 March 2017 on the grounds of materiality. However for the year ended 31 March 2018 there has been significantly more activity on the Three Score development site and accordingly group accounts have been prepared for 2017-18. The Company's accounting period for 2017-2018 is from 1 April 2017 to 31 March 2018.

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 2017/18 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.

The company was set up during 2017/18; however there has been no activity during the year.

8. 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.
Prior year comparative figures have not been included on the basis that Norwich Regeneration Ltd's transactions in 2016/17 were not material.

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 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	-		-	25,317	-	25,317	25,317
Total Comprehensive Income & Expenditure	**58,515**	**(206)**	**58,309**	**25,317**	**-**	**25,317**	**83,626**
Adjustments between group accounts and authority accounts	480	-480	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (note 7)	(37,460)		(37,460)	37,460	-	37,460	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**21,055**	**(686)**	**20,369**	**62,777**	**-**	**62,777**	**83,146**
Transfers to/from Earmarked Reserves (note 8)	-		-	-	-	-	-
Transfers between reserves	172		172	(172)	-	(172)	-
Other Adjustments	(10)		(10)	-	-	-	(10)
Increase/(Decrease) in 2017/18	**21,217**	**(686)**	**20,531**	**62,605**	**-**	**62,605**	**83,136**
Balance at 31 March 2018 carried forward	**101,080**	**(690)**	**100,390**	**574,939**	**-**	**574,939**	**675,329**

Group Comprehensive Income and Expenditure Statement

		2017/18		
	Group Notes	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000
Business Services		71,723	(61,327)	10,046
Chief Executive		733	(18)	715
Communications & Culture		5,877	(1,132)	4,745
Regeneration & Growth		14,962	(11,156)	3,686
Neighbourhoods		18,671	(7,469)	11,202
Housing Revenue Account		3,899	(70,299)	(66,400)
Norwich Regeneration Ltd		212	(4)	208
Cost of Services		**116,077**	**(151,405)**	**(35,328)**
Other Operating Expenditure				(3,290)
Financing and Investment Income and Expenditure	**9**			9,208
Taxation and Non-Specific Grant Income				(28,420)
(Surplus) / Deficit on Provision of Services				**(57,830)**
(Surplus) / deficit on revaluation of non-current assets				(14,699)
Actuarial (gains) / losses on pension assets / liabilities				(10,618)
Other Comprehensive (Income) and Expenditure				**(25,317)**
Total Comprehensive (Income) and Expenditure				**(83,147)**

Group Balance Sheet

	Group Notes	31-Mar-18
		£'000
Property, Plant & Equipment	10	922,490
Heritage Assets		25,545
Investment Properties	11	59,444
Intangible Assets		603
Long term Investments	12	824
Long Term Debtors	13	9,413
Long Term Assets		**1,018,319**
Short Term Investments		23,000
Assets Held for Sale		199
Short term Debtors	14	12,849
Stock	15	5,864
Cash and Cash Equivalents	16	32,377
Current Assets		**74,289**
Short Term Borrowing		(2,866)
Short Term Creditors	17	(26,011)
Capital Grants Receipts in Advance Short Term		(678)
Current Liabilities		**(29,555)**
Long Term Creditors		(2,842)
Long term Borrowing		(199,902)
Other Long Term Liabilities		(180,148)
Provisions		(2,561)
Capital Grants Receipts in Advance Long Term		(2,271)
Long Term Liabilities		**(387,724)**
Net Assets		**675,329**
Usable Reserves		100,390
Unusable Reserves		574,939
Total Reserves		**675,329**

Group Cash Flow Statement

	Group Notes	2017/18 £'000
Net (surplus) or deficit on provision of services		57,829
Adjustments to net surplus or deficit on provision of services for non-cash movements		(24,960)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(17,300)
Net cash flows from Operating Activities		**15,569**
Investing Activities		6,749
Financing Activities		(8,776)
Net Increase or (decrease) in cash and cash equivalents		**13,542**
Cash and cash equivalents at the beginning of the reporting period	16	18,834
Cash and cash equivalents at the end of the reporting period	16	**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 2017/18 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. 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.

9. Financing and investment Income and Expenditure

	2017/18
	£'000
Interest payable and similar charges	8,791
Pension interest cost and expected return on pension assets	4,634
Interest Receivable and similar income	(302)
Income and expenditure in relation to investment properties and changes in their fair value	(3,683)
Other investment income	(12)
Impairment of Soft Loans	45
Total	**9,208**

10. Property Plant and Equipment

Movements in 2017/18	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 2017	**721,442**	**134,720**	**27,200**	**2,772**	**11,577**	**270**	**11,987**	**909,968**
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	-	-	-	-	-	-	-	**-**
At 31 March 2018	**762,348**	**142,300**	**27,357**	**2,777**	**11,708**	**270**	**17,760**	**964,520**
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**	**130,545**	**3,365**	**1,636**	**11,600**	**262**	**17,760**	**922,490**

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 2018 is land held by the NRL which is as yet undeveloped. It has been valued at cost (£1.045m at 31.03.18). 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	11,600	1,636	3,365	17,760	-	**35,406**
Valued at current value	-	-	-	-	-	-	-	**-**
2017-18	757,322	72,496	-	-	-	-	262	**830,080**
2016-17	-	8,098	-	-	-	-	-	**8,098**
2015-16	-	18,508	-	-	-	-	-	**18,508**
2014-15	-	4,078	-	-	-	-	-	**4,078**
2013-14	-	26,320	-	-	-	-	-	**26,320**
Total	**757,322**	**130,545**	**11,600**	**1,636**	**3,365**	**17,760**	**262**	**922,490**

11. Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

	2017/18
	£000
Balance at 1 April	41,773
Additions:	2,524
Purchases	13,433
Transfers	
Disposals	(414)
Net gains / (losses) from fair value adjustments	1,755
Transfers (to) / from Property, Plant & Equipment	-
Balance at 31 March	**59,443**

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.

12. Long Term Investments

		2017/18
		£000
Equity Shareholding in Subsidiary		0
Norwich Airport Ltd		824
Norwich Preservation Trust		144
Total Long Term Investments		**968**

13. Long Term Debtors

	2017/18		
	Debtors	Provision for Bad Debt	Net Debtors
	£000	£000	£000
Advances for House Purchase: Council Houses Sold	3	-	**3**
Housing Act Advances	-	-	**-**
Norfolk County Council Transferred Debt	865	-	**865**
Deferred Capital Receipt Sale of Airport Shares	400	-	**400**
Deferred Capital Receipt – Livestock Market	-	-	**-**
Decent Home Loans	2,240	-	**2,240**
Finance Lease > 1 year	1,267	-	**1,267**
Home Improvement Loans	203	-	**203**
Local Authority Mortgage Scheme	1,000	-	**1,000**
Housing Benefit Overpayments	7,254	(4,918)	**2,336**
Shared Equity Dwellings	282	-	**282**
SALIX	334	**-**	**334**
Debts with legal charge over property	43	**-**	**43**
Wholly owned subsidiary	-	**-**	**-**
Other Long Term Debtors	440	**-**	**440**
Total	**14,331**	**(4,918)**	**9,413**

14. Short Term Debtors

	2017/18
	£000
Central Government Bodies	3,689
Other entities & individuals	7,260
Other Local Authorities	1,900
National Health Bodies	-
Total Short Term Debtors	**12,849**

15. Stock

	2017/18
Property acquired or constructed for sale	**£000**
Balance at start of year	**28**
Purchases	6,323
Recognised as an expense in year	(1,270)
Transfers	783
Balance at end of year	**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

16. Cash and Cash Equivalents

	2017/18
	£000
Cash held by Council	11
Bank current accounts	7,876
Short term deposits with banks	3,590
Short term deposits with building societies	1,650
Short term deposits with Debt Management Office	-
Short term deposits with local authorities	4,250
Money Markets	15,000
Total Cash & Cash Equivalents	**32,377**

17. Short Term Creditors

	2017/18
	£000
Central Government Bodies	1,971
Other Local Authorities	10,226
National Health Bodies	27
Trade Creditors	7,880
Receipts in Advance	2,737
Other entities & individuals	3,171
Total Short Term Creditors	**26,012**

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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DPP11637

Report to	Audit committee	**Item**
	12 June 2018	9
Report of	Director of business services	
Subject	Annual Audit Committee Report 2017-18	

Purpose

To comment on the draft Annual audit committee report 2017-18

Recommendation

That the committee approves the content of the annual audit committee report and recommends that council adopts it.

Corporate and service priorities

The report helps to meet the corporate priority value for money services.

Financial implications

This report has no direct financial consequences.

Ward/s: All

Chair, audit committee: Councillor Price

Contact officers

Anton Bull, director of business services	01603 212326
Karen Watling, chief finance officer	01603 212440
Jackie Rodger, senior committee officer	01603 212033

Background documents

None

Report

1. On 11 March 2014, the audit committee resolved to approve new procedures for the audit committee in line with CIPFA guidance. In line with good practice the committee agreed to produce an annual report for council.

2. The attached annual report of the audit committee 2017-18 gives an opportunity for members of the committee to consider and comment on the report before it is presented to full council on 24 July 2018

3. The report sets out the work of the audit committee over the last financial year. The committee has been effective in undertaking the functions set out in its terms of reference, in accordance with the council's procedure rules and the Accounts and Audit Regulations 2015.

APPENDIX 1

Annual Report of the Audit Committee 2017-18

Introduction

This is the third annual report of the audit committee and advises the council of the work of the audit committee for the period of the civic year 2017-18.

Councillor Ben Price
Chair, audit committee

Councillor Keith Driver
Vice chair, audit committee

Background

1. This report covers the work of the audit committee for the financial and civic year 2017-18. The committee met five times during this period. The committee held an extraordinary meeting on 26 September 2017 because the original meeting date was too early in the month for the external audit to be completed. The meeting in January 2018 was not convened following consultation with the chair and the vice chair.

2. The council established an audit committee in 2007. Article 17, Audit committee, of the council's constitution sets out the terms of reference and procedures for the committee. Article 17 was reviewed and reissued in July 2014. A copy of Article 17 is appended to this report as Appendix A. The production of an annual report by the committee is good practice.

3. The members on the committee in 2017-18 were:-

   Councillor Ben Price (chair)
   Councillor Keith Driver (vice chair)
   Councillor Bert Bremner (until September 2017)
   Councillor Ed Coleshill (replacing Councillor Bremner in September 2017)
   Councillor Beth Jones
   Councillor Judith Lubbock
   Councillor Marion Maxwell
   Councillor Martin Schmierer

4. In accordance with good practice, no members of the committee were members of cabinet or the chair of scrutiny committee. Councillor Paul Kendrick, cabinet member for resources attended meetings of the committee.

5. The key officers who supported the audit committee were:

   Karen Watling, chief finance officer and S151 officer
   Hannah Simpson, strategic business partner (Deputy S151 officer)
   Jonathan Tully, principal audit manager (LGSS) to December 2017
   Magen Powell, principal auditor (LGSS), replacing Jonathan Tully
   Neil Hunter, head of internal audit and risk management (LGSS).
   Duncan Wilkinson, chief internal auditor (LGSS)
   Laura McGillivray, chief executive

   The committee would like to express its gratitude to Jonathan Tully who as principal audit manager who has been invaluable in his support to the chair and members of the committee and to congratulate him on his promotion.

6. The engagement team of the external auditors (Ernst & Young LLP) is led by Mark Hodgson and was supported by David Riglar until the closure of the 2016-17 accounts. In line with good practice, Sappho Powell has been appointed as the external audit manager for the 2017-18 accounts and going forward. The external auditors attend meetings of the audit committee to present their reports and answer members' questions. Ernst & Young LLP was reappointed as the council's local auditor with effect from April 2018.

7. The committee monitors the fees paid by the council to the external auditors to ensure value for money.

8. The committee requests training as required. Training is not restricted to committee members and there is an open invitation for all members of the council to attend. The external auditors also provide information briefings for audit committees which are circulated to members of the committee. The chair and vice chair have taken opportunities to attend briefing and networking sessions arranged by the external auditors for local government audit committee members and by CIPFA.

Statement of accounts and annual governance statement

9. For the fourth year running the council's Statement of accounts (2016-17) was approved by the statutory deadline of 30 September 2017. The accounts received an unqualified opinion from the external auditors. The statement of accounts and the external audit results report were considered at the extraordinary meeting on 26 September 2017. The external auditors had been unable to provide papers to the scheduled meeting on 5 September 2017. This was due to a delay in the progress of the audit but also due to the meeting date being scheduled too early in the month for the external audit work to be completed.

10. The committee had the opportunity to comment on the draft unaudited accounts at its meeting on 20 June 2017. Members were advised that actions would be taken in future to ensure there was a better explanation between the key figures in the outturn position. During discussion members considered works to recover bad debt related to housing benefit; the use of right to buy receipts within the three year deadline imposed by government, and the assessment of pension liability.

11. The statement of accounts and audit results report 2016-17 were considered at an extraordinary meeting on 26 September 2017. There was one unadjusted error relating to notional interest on Decent Homes Loans that was not material and would be adjusted in the following year's statement of accounts.

12. Members have been concerned that the new deadlines for the closure of accounts were achievable and were pleased that the finance team closed the 2016-2017 accounts by 31 May 2017 which bodes well for meeting the earlier deadlines in 2018. The chief finance officer assured members at the meeting on 26 September 2017 that there was also a closure of accounts project plan in place which would ensure that advertisement and arrangements for the public inspection period of the account complies with the Account and Audit Regulations 2015. The external auditor confirmed that it would be a challenge to ensure that the audit was completed by the end of July. The audit would be streamlined and focused, with a toolkit to test working papers. It is appreciated that meeting the new targets is more difficult for district councils than larger unitary authorities, with teams of dedicated teams working on the preparation. The chair requested that officers and external audit advised him immediately if there were any problems with achieving the deadlines.

External Audit

13. At its meeting on 14 November 2017, the committee reviewed the annual audit letter 2015-16 from the external auditors. The letter is the public facing document of the external auditors' findings on completion of the audit for 2016-17. A section of the report, "Focussing on your future" set out the actions for the earlier deadlines for production and audit of the financial statements from 2017-18.

14. In accordance with best practice, the annual audit letter was circulated to all members of the council and published on the council's website by 31 October 2017.

15. On 13 March 2018, the external auditor presented the Certification of Claims and Returns Annual Report 2016-17 to the committee. He confirmed that the fees were as predicted and pointed out that no materiality was allowed in relation to benefits. The chair commended the officers for their diligence in ensuring that transactions were correct. The vice chair said that it was important that people needing benefits received their full entitlement.

16. The external auditors presented their External Audit Plan 2017-18 to the committee in March. This report sets out how external audit will carry out the audit of the council's 2017-18 accounts. This is a robust audit plan and the level of materiality demonstrates that external audit is working well with the finance and internal audit teams. The external auditor explained that 2 per cent was standard and if material errors were found it could be dropped to 1 per cent. Members were advised that the annual audit letter included data where the whole population was tested. Additional work could be provided if necessary.

17. External audit is subject to review by the Public Sector Audit Appointments (PSAA)

Risk Management

18. The committee reviews the corporate risk register throughout the year and notes any changes to the register proposed by the corporate leadership team. The council's risk management processes are well embedded within the council, and members can be assured that the corporate risk register is kept up to date following regular review by the corporate leadership team and business management group of the key risks to achieving the council's objectives. Cabinet also reviews the corporate risk register annually and in the event of there being a change to risks which exceed the council's risk appetite.

19. The committee has noted that the residual risk for the council's housing investment strategy and public sector finance are above the council's risk appetite and that the council has put in place the controls that it can. There is continuing uncertainty surrounding public sector finances. Members were advised that the council's housing investment strategy had been re-profiled to take account of the one per cent rent cap imposed by the government and would ensure that spending meets the requirements of the thirty year plan. The committee has concerns about the long term financial implications regarding uncertain government policies. The council's Medium Term Financial Strategy seeks to mitigate the uncertainty of public sector finance which is outside the council's control.

20. Following the Grenfell Tower tragedy members sought reassurance that the council's emergency planning was reviewed in relation to tower block safety.

21. On 5 September 2018, Steve Day, head of IT (LGSS) facilitated a pre-meeting briefing at the members' request to help them understand the risks to the council's IT security from cyberattack and the measures that have been put in place.

22. At its meeting on 14 November 2017, members sought reassurance that interest rates would be incorporated into financial modelling. The committee is aware that the council, like many other authorities, is responding to government cuts to public sector funding by increasing its commercial activities and focus on income generation. Members have received assurance that the council's level of commercial activity is appropriate to the scale of the authority and it is based on a sound financial model. The council's ethos is to use new income from commercial activities to fund front line services. The retention of council services is particularly important as many residents are under financial pressure which would be exacerbated by rising interest rates.

23. Members are aware that the council's commercial activities and focus on income generation is greater than in previous years as a response to cuts to public sector funding and have expressed concern that this increases the potential risk to the council. The committee will need assurance that the governance arrangements are in place to protect the council against this risk.

Internal audit

24. The committee received the annual internal audit opinion for 2016-17 at its meeting on 20 June 2017 and receives reports on the progress against the audit plan report at each meeting. This gives the committee an opportunity to ask detailed questions and monitor progress. Members were reassured that the council had received good assurance on compliance and operated to Public Sector Internal Audit Standards.

25. On 15 March 2016 the committee agreed a new approach for the internal audit plan for 2016-17. This approach reviews the control environment for mitigating the risk that anything goes wrong. The internal audit plan is regularly monitored by the chief finance officer, audit committee and external audit. The number of days allocated to the plan for 2017-18 remained at the level which was finally agreed for 2016-17.

26. At the meeting on 14 November 2017, the chair welcomed that fees and charges had been included in the plan at the request of the committee. Members were advised that the work would include substantial testing around the transaction process. Members also considered the proposal to postpone the review of the NPS contract management and received assurance that the delay would not cause any significant risk. The audit would be picked up in the first part of the audit cycle to ensure that recommendations from a previous audit had been implemented. There was sufficient coverage from a previous audit to provide assurance for an audit opinion. The external auditor also gave assurance that an internal audit had not identified any significant risk.

27. A member of the committee raised the issue of the transformation project and the loss of skillsets and knowledge. This appears to be a shared concern when facing budget cuts whilst maintaining services. The local authority could take on trainees and encourage professional development to ensure that skills were transferred. The committee noted that the benefit of review the control environment was the removal of controls which did not affect risk and therefore reducing unnecessary bureaucracy.

28. The committee discussed the completion of the debt recovery audit assignment at its meeting on 13 March 2018 and noted that cabinet would be considering writing off irrecoverable national non domestic rate debt (14 March 2018). The recommendations from the audit should be in place by 31 July 2018. Members also considered the council's participation in the National Fraud Initiative (NFI) and commented that more information should be available about eligibility for single person council tax discount.

29. The committee approved the internal audit plan for Norwich City Council 2018-19 at the March meeting. It was noted that fees and charges appeared twice on the plan because the council had to agree a fees and charges policy and then it had to be audited after implementation. Members also sought clarification about procurement compliance and how the council could ensure that council leaseholders received value for money.

30. The plan is robust and the impact of any changes to the plan will be discussed in detail with the corporate leadership team. The plan covers a two year period and there is some flexibility to re-profile the plan in response to changing areas or risk. Members requested that it would be useful in future years to include the number of days allocated to an item so that comparisons could be made on a year on year basis. Audits not completed in 2017-18 will be carried over into 2018-19.

31. The external auditors seek confirmation from the chair each year requesting confirmation of the council's management processes and arrangements. Councillor Price, the chair responded to this letter and copies have been circulated to members of the committee.

Conclusion

32. The committee has been effective in undertaking the functions set out in its terms of reference, in accordance with the council's procedure rules and the Accounts and Audit Regulations 2015.

ARTICLE 17 – AUDIT COMMITTEE

Membership

1. Membership of the audit committee shall comprise 8 members appointed by council.

2. The chair of the committee shall be elected by council and the vice-chair shall be appointed by the committee.

Terms of reference

3. The audit committee shall -

   (a) undertake the council's financial responsibilities in the manner set out:

      (i) in the council's audit committee procedure rules as produced from time to time by the chief finance officer; and
      (ii) in the Accounts and Audit Regulations 2015;

   (b) consider and approve the annual statement of accounts;

   (c) ensure that the financial management of the council is adequate and effective;

   (d) ensure that the council has a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk;

   (e) review annually the council's system of internal control and agree an Annual Governance Statement for inclusion in the statement of accounts;

   (f) ensure that the council has an adequate and effective internal audit function;

   (g) have power to make recommendations to cabinet or council on any matter within its remit.

AUDIT COMMITTEE PROCEDURE RULES

The audit committee will carry out its terms of reference in accordance with the following:

Corporate governance

1. Review the effectiveness of internal control across the council and the adequacy of actions taken to address any weaknesses or control failures.
2. Consider the adequacy and effectiveness of the council's arrangements for the identification and management of the organisation's business risks; including the risk management policy, strategy and risk register.
3. Receive and consider regular reports on the risk environment and associated management actions.
4. Review and ensure the adequacy of the council's anti-fraud and corruption policy and strategy and the effectiveness of their application.
5. Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.
6. Review, consider and agree the AGS including the adequacy of the corporate governance framework and improvement action plan contained within it.
7. Receive periodic updates on improvement actions taken.

Internal and external audit

8. Approve the internal audit charter.
9. Approve and monitor delivery of the internal audit strategy.
10. Consider, endorse and monitor delivery of the internal audit annual work programme, including any significant in-year changes to the programme or resource requirements.
11. Ensure adequate resourcing of the internal audit function, approving any significant additional consulting services requested from internal audit not already included in the internal audit annual work programme.
12. Receive and consider the annual internal audit report and opinion on behalf of the council.
13. Oversee the annual review of the effectiveness of the system of internal audit, to include the performance of the internal audit function, compliance with standards and delivery of improvement actions.
14. Contribute to the external quality assessment of internal audit that takes place every five years.
15. Commission work from internal and external audit and consider the resulting reports.
16. Comment on the scope and depth of external audit work and ensure it gives value for money.
17. Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
18. Seek assurance that action has been taken to implement the recommendations arising from the findings of significant audit and inspection work.

Statement of accounts

19. Discuss the annual audit plan for the audit of the financial statements with external audit.
20. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
21. Review and approve the annual statement of accounts, including subsequent amendments on behalf of the council.

Referred powers

22. Consider and make recommendations on all matters described above. Recommendations relating to all paragraphs except 9 – 10 and 12 – 21 shall be made to the cabinet and chief finance officer. Recommendations relating to paragraphs 9 – 10 and 12 – 21 shall be made to the chief finance officer.

Accountability arrangements

23. Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
24. Report to full council on the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.