NORWICH City Council

Audit committee

Date: **Tuesday, 24 November 2020**
Time: **15:00**
Venue: Remote access

Committee members:
Councillors:
Price (chair)
Driver (vice chair)
Giles
McCartney-Gray
Peek
Schmierer
Stutely
Wright

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Agenda

		Page nos
1	**Apologies**	
	To receive apologies for absence	
2	**Public questions/petitions**	
	To receive questions / petitions from the public. Please note that all questions must be received by the committee officer detailed on the front of the agenda by **10am on Thursday, 19 November 2020**. Petitions must be received by the committee officer detailed on the front of the agenda by **10am on Monday, 23 November 2020.** For guidance on submitting public questions or petitions please see appendix 1 of the council's constutition.	
3	**Declarations of interest**	
	(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)	
4	**Minutes**	**1 - 8**
	To approve the accuracy of the minutes of the meeting held on 14 July 2020	
5	**Internal Audit Update**	**9 - 24**
	Purpose - To advise members of the work of internal audit, completed between July to October 2020 and the progress against the internal audit plan. The role of internal audit is to provide the audit committee and management with independent assurance, on the effectiveness of the internal control environment. The 2020-21 Audit Plan was approved by the audit committee in March 2020.	

EXEMPT ITEMS:

(During consideration of these items the meeting is not likely to be open to the press and the public.)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part 1 of Schedule 12 A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, members are asked to decide whether, in all circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

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10* **Management responses to Internal audit reviews - Norwich Regeneration Company Limited (NRL), and, Contract Management - Housing Repairs and Responsive Maintenance**

- This report is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information)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

Date of publication**: Monday, 16 November 2020**

NORWICH
City Council

Minutes

Audit committee

16:30 to 17:45 **14 July 2020**

Present:	Councillors Price (chair), Driver (vice chair), Giles, McCartney-Gray, Sarmezey (substitute for Councillor Peek), Schmierer and Stutely
Also present:	Councillor Kendrick, cabinet member for resources
Apologies:	Councillors Peek and Wright

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 approve the accuracy of the minutes of the meeting held on 10 March 2020.

4. Annual Audit Report on Internal Audit and Fraud 2019-20

(The director of resources declared an interest in relation to Norwich Regeneration Ltd (NRL) as a director of the company and said that dependent on the debate he would leave the meeting if appropriate. Councillor Kendrick was also a director of NRL.)

The chair expressed his disappointment that the former head of internal audit or his colleagues at LGSS were not available to present the report or answer questions.

The director of resources introduced the report of the chief internal auditor (LGSS) whose conclusion was an opinion of satisfactory assurance on the internal control environment; a change from good in the previous year (2018-19). The report highlighted the key areas for the change in the assurance level: NRL, the contract management audit review and the corporate risk register. A positive of the report was that the chief auditor's opinion on the key financial systems was substantial. Members were referred to table 1, on page 17 of the report, and advised that there were five essential priority recommendations and 23 important priority recommendations from the internal audit reviews, and the director of resources acknowledged that in some areas, further work was needed.

During discussion, members expressed their disappointment that they were denied the opportunity to ask the former internal auditors direct questions on the report. The director of resources explained that there had been a miscommunication between himself and LGSS about attendance at the meeting which could rectified for a future meeting. The chair pointed out that the report provided clear explanations for the chief internal auditor's opinion, changing the compliance level of assurance from good to satisfactory. This was due to the work around contract management and the outstanding issues relating to NRL. He also pointed out that the interim internal audit manager could respond to members' technical questions on the audits. Members concurred that it was valid to continue the discussion on the report.

The chair then commented on the report and expressed regret that the chief internal auditor's opinion had been downgraded to satisfactory. He referred members to the contract management work last year, and in relation to NRL, specifically to paragraph 4.1.5 (page 18 of the agenda papers). The chair said that from a personal perspective he strongly supported the recommendation that there should be a full independent audit review of NRL in 2020-21. The interim internal audit manager agreed that it was disappointing that the actions had not been implemented and that the chief internal auditor's comments in the report were valid. These were only two audit reviews where a limited compliance assurance had caused concern. He confirmed that, following discussions with the chair, the committee could expect two reports or a combined report from officers, in response to the issues raised on NRL and contract management at its November meeting, which should provide assurance going forward. Members were advised of a process for monitoring the implementation of recommendations arising from audit reviews to help the committee conduct its role; comprising of full reports to committee where a limited compliance assurance was given, and not as a matrix appended to the quarterly report on internal audit. The chief executive officer had agreed a new regime to support internal audit, where the corporate leadership team (CLT) would consider progress against the recommendations at its meetings, and within each directorate, and with a system to escalate to the audit committee where necessary. The committee would receive quarterly reports about this until the interim internal audit manager was assured that this process was on a sure footing and embedded within the council. Members were also advised that where a high priority recommendation had not been implemented on the recommended date, that date would be struck through in the report but not deleted, making it easier to keep track of deadlines and monitor progress.

The chief finance officer confirmed that the CLT fully supported the interim internal audit manager's proposal to track audit recommendations and considered that it would be a useful tool. She assured members that the council's leadership team were working to address the outstanding recommendations and that this information would be shared with the interim internal audit manager. The recent recruitment of two non-executive directors would further strengthen the governance.

The interim internal audit manager said that he was unaware of the origins of the request for a full independent audit of NRL and explained that the focus of his report would be on the completion of the actions, with some work around the capital programme. The chair explained that he had requested a full independent audit review of NRL and that it was not in reports or minutes because it was not a view shared by all members of the committee.

During discussion, in response to a member's question, the interim internal audit manager confirmed that he considered that in relation to paragraph 4.6.1 and 4.6.2, Policies and Procedures, there was room for improvement and actions would be included in the matrix attached to the Annual Governance Statement (AGS) to be considered at the next meeting. This review would include identifying what was a key policy, rather than 30 to 40 minor policies, and identifying responsible officers and dates for review.

In reply to a member's question, the director of resources explained that when selecting a contract for internal audit, the most complicated and high value contract had been selected on purpose to benefit from lessons learned through the audit review. He explained that the timescale for the implementation of the essential contract recommendations were still being worked on and were subject to negotiation. The interim internal audit manager confirmed that there would be an officer report on contract management at the next meeting of the committee which would include information on implementation dates.

The chair commented that the corporate risk management register should be updated as there were key details missing and asked how this would be carried out. The interim internal audit manager said that the risk management register formed an important part of the AGS and progress on it would be part of the AGS updates throughout the year. The register would look very different to members when it was presented to committee in January. The chief executive officer wanted to start again with the corporate register. The risk register needed to be embedded in service plans and it would take more than one year to achieve this. The chair welcomed this approach.

RESOLVED, having considered the Annual Report on Internal Audit and Fraud 2019-20 to note the work of the internal audit team for 2019-20.

5. Draft Annual Governance Statement

The interim internal audit manager presented the report. The draft AGS would be reviewed up to its publication date (30 November), to ensure that it was current at the time of publication. Actions associated with the AGS would be reported during the year to the audit committee. During the presentation members were referred to Section 6, *Governance issues and actions*, of the AGS, and the interim internal audit manager highlighted the issues under each of the following headings, *Covid-19*, *Joint Venture Insourcing* and *Risk Management*, and pointing out that there would be some changes in the final version.

During discussion the interim internal audit manager confirmed that an action plan of key governance issues would be incorporated into the final AGS and presented to the committee in November. The chair said that he appreciated that an action plan was being included and referred to guidance on AGS and said that it should form a template for future statements. The interim internal audit manager explained that the action plan would contain details of the responsible officer and expected due date, and actions would be reported to committee until that action was cleared.

Discussion ensued on Section 6 and members confirmed that there were significant issues to the council around Covid-19 and bringing joint ventures in house.

A member suggested that a no-deal Brexit was a considerable threat. The interim internal audit manager advised members that Brexit was an identified risk on the corporate risk register but in terms of governance related issues, as set out in Section 6 of the AGS, did not require a specific reference. The director of resources commented that the governance arrangements relating to Brexit had an impact on county or unitary local authorities with social care responsibilities, rather than to the governance of a council as an organisation. The chair pointed out that Brexit had been included in other authorities' statements, and had a direct impact on managing capital programmes, business rates and funding. The interim internal audit manager said that the financial recovery plan would address shortfalls in business rates, short and long term savings plans, and loss of income from car parks. This would be populated in the action plan under the review of the Medium Term Financial Statement (MTFS) which would come before the committee in the future. The chief finance officer explained that the revised corporate risk register would incorporate these issues along action plans. The chair said that the AGS was a customer/resident facing document and that although the detail was in other documents, Brexit was an ongoing risk to the governance of the council and should be given the same clarity as the text on Covid-19, in the AGS.

A member referred to paragraph 20 relating to partnership and other joint working arrangements and said that assurance was needed to ensure that the mistakes with the governance arrangements were not repeated when setting up new partnerships such as Norwich East. The chair referred to the Covid recovery plan and said that there was a proposal to set up a body to oversee the development of parts of Thorpe Hamlet, Crome and Lakenham wards, to the east of Norwich. In reply, officers confirmed that the governance arrangements for NRL were unique to this wholly owned company but that they would take on board members concerns and feedback to colleagues progressing the Norwich East project and other partnership arrangements. Members were also advised that the AGS was for the period 2019-20 with some future projections, but it was not the right place to include governance arrangements for a partnership or body which had yet to be established. During discussion, members pointed out that when this project went forward there would need to be good governance arrangements in place to ensure that it provided good value for money and was accountable, specifically as public and private funding would be used. The chair pointed out that ensuring that the right governance arrangements were in place was a function of this committee. Officers confirmed that the members' concerns would be followed up.

Discussion ensued on the committee's recommendations for governance issues to be included under separate headings in Section 6 of the AGS. The chair also proposed that the capital programme and its funding should be included as a heading. It was suggested that it was important to monitor the governance issues surrounding this programme.

The chair moved and Councillor Schmierer seconded each of the recommendations, which were put to the vote separately. On being put to the vote the committee voted unanimously to include Brexit, and with 5 members voting in favour, 1 member voting against, and 1 member abstaining, to include future partnership arrangements under Section 6, and with 2 members voting in favour, 4 members voting against and 1 member abstaining, the proposal to include the capital programme in Section 6 was lost.

The chair referred to Camden Council's AGS which included a section on the council's achievements and asked why this council did not include its achievements during the period covered by the AGS. The interim internal audit manager said that the council's AGS covered the main governance issues going forward, suggesting that "brevity was key". He suggested that achievements against the action plan could be incorporated into the AGS in future years.

RESOLVED to note the draft AGS and to recommend that under Section 6, Governance issues and actions, that *Brexit* and *Future partnership working* are included as headings and narrative text.

(The committee took a short break at this point and reconvened with all members listed above as present.)

6. Statement of Accounts 2019-20

The chief finance officer and interim corporate finance business partner introduced the statement and gave a presentation. (The presentation is available on the council's website.) The chief finance officer referred to the revised timetable for the publication of the statement of accounts and said that it was a credit to the finance team and budget managers that the draft accounts had been submitted in July, well in advance of the revised deadline of 31 August 2020. The interim corporate finance business partner said that the external audit was underway, and the audited statement of accounts would be presented to the committee at its meeting on 24 November 2020. She pointed out that there was no requirement for the committee to approve the unaudited accounts. The public inspection period for the accounts was from 13 July to 23 August.

During discussion the chief finance officer and interim corporate business partner answered members' questions on the statement of accounts. This included assurance that the council's cash flow was monitored on a weekly basis and remained above the minimum balance of £10 million, and was not cause for concern. The council had chosen to fund some of its capital programme in the short term from cash reserves (internal borrowing), thereby saving on external interest charges. Members were also advised that the council had purchased investment properties during 2019-20 and this was shown as "Additions" on the table at the top of page 73 (Statement of Accounts) as part of the agreed borrowing set out in the capital programme. The chief finance officer explained that the movement in pension liabilities related to the triennial valuation undertaken by the pension fund actuaries. These figures fluctuate year on year but movement were reversed out through the Movement in Reserves Statement and therefore did not have an impact on the council tax requirement. In reply to a question from the chair, the chief finance officer explained that in relation to *Cost of Services*, there was an in-year revaluation loss of the council's HRA dwellings showing of £8 million as against the revaluation gain of the previous year. The council's HRA social housing properties amounted to £700 million so the revaluation movement of £8 million was not significant.

The chief finance officer explained that then General Fund prudent minimum level of reserves, which was set at £4.2 million as part of the budget approval, did not factor in the earmarked use of reserves. The council was looking to make in-year savings in 2020-21 to partially offset Covid-19 impacts and ensure that reserve levels remained sustainable and resilient going forward. The chair pointed out that it was prudent that £4 million had been set aside should NRL fail to repay its loan balance. The chief finance officer confirmed that the accounts reflected this risk and that the related earmarked reserve had been increased following the decision at budget setting council.

The chair commented that the statement of accounts was a “weighty document” with a lot of detail. He drew members’ attention to note 30, *Cash Flow Statement – Operating Activities,* and referred to income generation from car parks and the council’s corporate estate, which the chief finance officer clarified comprised the council’s commercial properties. The chair commented that he was pleased that note 37, *Officers Remuneration* was in the public domain and put into context the pay of senior officers and councillors’ allowances. The chief finance officer explained that discretionary benefits referred to pension benefits through the Local Government Pension Scheme. Officers had received a pay increase in 2019-20.

Discussion then ensued on the correlation between increased borrowing and investment in 2019-20. The interim corporate finance partner explained that £38 million was the amount that was required to borrow to cover capital investment, but as she had explained, the council had chosen to borrow £20 million externally and fund the remainder from internal cash balances instead.

The chief finance explained that note 4, *Assumptions made about future and other major sources of estimation*, was a key note in the statement of accounts, highlighting all the areas where an estimation had been used. Members were advised that there was a higher degree of uncertainty than usual around the valuations on pension and property assets and that the narrative text in the final report would be amended to reflect information available nearer the time.

RESOLVED to note the draft Statement of Accounts 2019-2020.

7. External Audit Plan 2019-20

(Mark Hodgson, Associate Partner (external auditor) and Mark Russell, manager, Ernst & Young Ltd (external auditors) attended the meeting for this item.)

The external auditor presented the report which set out their approach and scope for conducting the audit of the council’s financial statements 2019-20 and highlighting the key audit and value for money risks and audit strategy for those risks. The audit process should provide a true and fair view of the council’s financial statements at 31 March 2020.

During discussion the external auditor answered members’ questions on the audit process. The external auditor explained that in relation to property evaluation reference would be made to a market evaluation model and expertise within the company. He confirmed that if there was a difference from the council’s figures then a discussion would be held with officers. The figure needed to be correct so that the auditors could provide assurance that it was correct.

In reply to a question, the external auditor said that the risk of fraud was in every set of accounts and that management override rarely occurred in the public sector but, as seen in the press, it did occur. The external audit needed to provide assurance that no one had overridden a control at any one time.

Discussion ensued on the new financial system and the specific “red” risk identified in the external audit. The chief finance officer explained that the risk was to ensure that all information had migrated to the new financial system which had been operating since November 2019. It had been a two year project and had been a large undertaking. The migration had taken place pre-Covid-19. The auditor would check processes to ensure that data had transferred and was mapping data into the accounts correctly. The external auditor confirmed that they would check that the data set from the old system had transferred into the new system by testing income and expenditure driven by the data to give that assurance rather than testing the number of transactions. This was a relatively short piece of work.

In reply to a question, the external auditor explained that there was no change to the designation of risk or focus in relation to valuation of land and buildings, pension valuations and disclosures, and group accounts, was comparative to the risk on the balance sheet and the designated level of materiality (£3.4 million) and assessment of inherent risk had not changed in the previous year. He explained that the risk was not high where valuations had been conducted by an expert. The risk to the Group Accounts was in the consolidation process to ensure that the correct figures were added in correctly. The chair said that he considered that there should be more scrutiny of the NRL accounts.

A member referred to the proposed increase in fees and the discussion at the previous meeting. The external auditor said that Public Sector Audit Appointments (PSAA) was the regulator that set the fees and had not reviewed them for several years. The level of tests and assurance required from the audit had increased. The risks were set out in the audit plan, including the commercial activity of the council. The external auditor had written to the chief finance officer providing the rationale for increasing the fees and as the basis for the ongoing discussions. The chief finance officer said that the council was not alone in facing the potential increase in external audit fees. A joint letter, representing all Norfolk councils, had been sent to the PSAA, requesting clarification on what was considered an appropriate increase and seeking guidance to inform the discussions with the external auditors. In reply to a member, the external auditor said that the increased fee was to a new base for the minimum amount of work to provide an audit opinion. When pressed, he explained that the current fees did not cover the amount of work required and were not sustainable.

The chair referred to the committee resolution at the last meeting to write to the PSAA and Secretary of State, Department of Housing, Communities and Local Government and explained that because of Covid-19 the deadlines for the publication of accounts had changed, and following consultation with the vice chair, cabinet members and CLT, the action had not been taken. During discussion, Councillor Giles moved and Councillor Stutely seconded, that the chair and cabinet member for resources wrote to the PSAA and Secretary of State to call on the PSAA to support local authorities in the negotiations on the proposed increase of fees, and with the agreement of Councillor Kendrick, and all members it was resolved accordingly.

The chair then commented on the Value for Money section of the plan and welcomed that the impact of Brexit on service provision would be included on operational risk registers. In reply to a question from the chair, the external auditor explained the actions set out as bullet plans in the report, and said that this would be part of the compliance certification work around the scrutiny of decisions made by NRL and how the council had oversight of that. The chair said that he considered that this was a very vital piece of work and as discussed (under the previous item), £4 million had been put aside to cover the risk to the council of the loan not being paid in full. The external auditor then referred to the actions set out under the *Financial Resilience* heading and commented that the deployment of resources was how the council would use its reserves to compensate for any loss of income. The chair in summing up said that this was an important piece of work as the council was under pressure to maintain services and balance its accounts.

RESOLVED to

(1) agree the approach and scope of the external audit as proposed in the audit plan;

(2) ask the chair and cabinet member for resources to write to the Secretary of State, Department of Housing, Communities and Local Government and the chief executive of the Public Sector Audit Appointments regarding the proposed increase in baseline fees and requesting that the PSAA supports the negotiation process.

8. Annual Audit Committee Report 2019-20

The chair presented the report which was based on the minutes of the meetings and said that both he and the vice chair had been consulted on the content.

The vice chair commented on paragraph 7 of the Annual Audit Committee Report and said that he considered that the work of the external auditors was value for money.

RESOLVED to approve the content of the annual audit committee report 2019-20 and recommend that the council adopts it.

CHAIR

Report to	Audit Committee	**Item**
	24 November 2020	5
Report of	Interim Audit Manager	
Subject	Internal Audit Update	

Purpose

To advise members of the work of internal audit, completed between July to October 2020, and the progress against the internal audit plan.

The role of internal audit is to provide the audit committee and management with independent assurance, on the effectiveness of the internal control environment.

The 2020-21 Audit Plan was approved by the audit committee in March 2020.

Recommendation

Corporate and service priorities

The report helps to meet support corporate priorities through supporting a healthy organisation.

Ward/s: All wards

Cabinet member: Councillor Kendrick – Resources

Contact officers

Gavin Jones, Interim Audit Manager

Background documents

None.

1. Resources

1.1 It has been a challenging year for resources due to disruptions associated with Covid-19. This resulted in a curtailment of the audit plan for 2019/20 and a loss of time during the first quarter of the year due to council services adapting to new working environments.

1.2 The audit team has successfully transferred from LGSS back to in-house provision as part of the city council. This has involved some degree of administration and training which was undertaken during the first quarter. In addition one member of the audit team that transferred across has had significant professional training commitments which were not accounted for in the provisional plan presented to the committee in March 2020.

1.3 Specialist IT audit resource will be procured externally to supplement the in-house audit resource to carry IT audits as required.

1.3 The council is currently running the section through an interim audit manager procured through agency. This arrangement is pending a permanent appointment which will be made on completion of a corporate restructure which is currently out for consultation amongst senior managers.

1.4 In summary, this has resulted in a revised plan of 450 audit days. The priorities for the second half of the year are assurance around the council's key financial systems and maintaining audit consultancy which was largely unaffected during the first quarter. Audit work continues to focus on ensuring that there remains a strong control and risk environment in light of the raised risks associated with covid-19. Work on key financial systems has focused on areas of greatest risk and potential for fraud and error and coverage will look to provide assurance on those areas where audit work was not fully completed as part of the 2019/20 audit plan. Coverage will be sufficient to form an annual audit opinion in line with professional auditing standards.

1.5 The revised plan has moved slightly away from carrying out short compliance reviews into more substantive service reviews which has been reflected in a greater number of days allocated to some areas such as equalities duties. The plan continues to reflect the priorities of the Chief Executive to provide proactive value added consultancy and assurance aside from just audit opinion assignments. It is intended to build on this approach more substantively into future audit coverage with key financial systems being conducted over a phased 3 year term based on risk rather than being undertaken every year. Coverage will concentrate on risk based service reviews whilst maintaining levels of consultancy work.

2. Audit Opinion Structure

2.1 The revised opinion structure for audits is shown in Appendix C. Changes made from last year reflect a simplification of the opinion structure to four rather than five opinion categories and one combined opinion rather separate opinions for the control environment and compliance. This should enable recipients to understand the opinion more clearly and draw out more transparently those areas where improvements are needed

3. Revised Audit Plan

3.1 The revised audit plan is shown below together with the status of audit work being undertaken in the first half of the year:

	Audit		Days	Status/Opinion
Anti-fraud & corruption	National Fraud Initiative	Responsive	20	Ongoing
	Investigations Contingency	Responsive	10	Ongoing
Key Financial Systems	Payroll	Assurance	10	
	Housing Rent/Arrears	Assurance	15	
	Housing Benefits	Assurance	15	
	Council Tax	Assurance	10	wip
	National Non Domestic Rates (NNDR)	Assurance	10	wip
	Cash & Bank	Assurance	10	
	Accounts Payable	Assurance	10	
	Accounts Receivable	Assurance	10	wip
	Purchase Cards	Assurance	10	**Final - Reasonable**
Risk Management	Consultancy	Consultancy	20	wip
Contract Management	Waste Services	Assurance	20	Draft
	Joint Ventures Insourcing	Consultancy	50	wip
IT Audit	Cyber Security	Assurance	10	wip
	New Housing System Phase 1 pre implementation	Assurance	10	
Other Compliance	Policies & Procedures	Assurance	10	**Final - Limited**
	Business Support Grants	Assurance	20	Draft
	New Starters & Leavers Procedures	Assurance	5	To be reported with payroll key financial systems work
Other Consultancy	New Housing System Implementation Project	Consultancy	10	Ongoing
Service Reviews	Equalities Duties	Assurance	20	wip
	Licensing	Assurance	15	**Final - Reasonable**
	Capital Programme Management	Assurance	*x*	*Reserve audit*
Governance	Information Governance Group	Consultancy	5	Ongoing
	Data Breach Response	Consultancy	5	Ongoing
	Corporate Governance Group	Consultancy	5	Ongoing
	Annual Governance Statement	Consultancy	15	**Completed**
	Contract Management & procurement Induction	Consultancy	5	Ongoing
	Information Governance Group	Consultancy	5	Ongoing
	Data Breach Response	Consultancy	5	Ongoing
Grants	Disabled Facilities Grant	Assurance	10	**Completed**
Advice & Guidance	Adhoc Advice & Guidance	Consultancy	15	Ongoing
	Follow Up Audit Recommendations	Assurance	20	Ongoing
Reporting	Committee Reporting	Consultancy	15	Ongoing
	Management Reporting	Consultancy	15	wip
	Audit Plan	Consultancy	10	wip
		Total Days	**450**	

4. Audit work to date:

4.1 Key Financial Systems

Purchase Cards

A full systems review of payment cards was undertaken reflecting that since the previous audit, the council has contracted a new supplier, NatWest RBS (MasterCard), from October 2018. Audit coverage included temporary amendments to limits to support the Covid 19 work, and a sample of transactions during the period March – May 2020 for the cardholders whose limits had been temporarily increased.

The audit concluded reasonable assurance reflecting that system controls were operating effectively. The audit did identify one cardholder spend relating to the purchase of IT equipment which although authorised by the line manager should not have been purchased using a card. This was not challenged by oversight review. There was also a need to strengthen controls relating to cardholders that leave the authority as there was delay in cancelling one account due to the procurement team being unaware that the person had left. Other recommendations were made relating to the administration of vat receipts and the need for timely reconciliations.

Work is under way to carry out annual testing in respect of NNDR, Accounts Receivable and Council Tax.

4.2 Other Compliance Work

Policy and Procedures

Audit review conclude that only limited assurance could be given in respect of the operations of the policy control framework. This reflects particularly that a number of recommendations made at the previous audit had not been addressed and have therefore been repeated. A summary of findings is shown below:

- The council does not have a definition of key/corporate policies and procedures.
- A number of policies have no identified owner.
- Three policies were stored in multiple locations on the council's intranet. One of which has a different version on each location.
- The council does not have a review schedule for policies or any guidance on frequency of reviews.
- Nearly half of the policies reviewed as part of the audit had no evidence of being reviewed in the last five years, though it is recognised that some of these required only a light touch review.

With the recent departure of the Director of Resources and a pending corporate restructure, systems recommendations will be assigned once the new structure and responsibilities are active. Work is currently underway through the Corporate Governance Group to ensure that existing policies are owned, updated and reviewed where necessary.

Business Support Grants

In March 2020 in response to the Covid 19 pandemic the government introduced two grant funding schemes to give financial assistance to qualifying businesses:

- Small business grant fund (SBG)
- Retail, hospitality and leisure grant fund (RHLG)

These grants were administered by local authorities, with the government directive to issue payments as soon as possible, and the option to carry out some of the eligibility checks post payment. The emphasis from government was to prioritise delivery of these grants to local businesses in need, with league tables published detailing the efficiency in council processing of grants as quickly as possible. It has been accepted the trade off with this approach is an increase in the risk of fraud and ineligible claims.

Under these schemes Norwich has paid out a total of £38.0m to almost 3000 businesses.

Subsequent to these grants being introduced, local authorities were required by the government to complete risk assessments for each scheme, detailing eligibility checks already carried out, and identifying the remaining higher risk areas. From these risk assessments, post payment assurance plans are required, detailing any further eligibility checks to be carried out to minimise the risk of ineligible or fraudulent payments.

Sample audit testing has been undertaken on higher risk areas in addition to existing service assurance work and checks have been made against known fraud alerts. A small number of fraudulent claims were prevented at the outset mainly through bank intervention. There were no significant matters identified from audit work, a couple of issues have been referred to the service to carry out further review and recommendations have been made in respect of reconciliations, risk recording and post payment assurance plans. The National Fraud Initiative being undertaken this year is including these grants for review and this is likely to provide more substantive assurance concerning the prevention of fraud and error.

4.3 Contract Management

Waste Services Contract

Audit work is near completion in respect of the contract management arrangements of the waste services contract to ensure that are performance and outcomes are managed in line with contract expectations. A summary of issues will be reported to this committee as part of the next internal update

Joint Ventures

The Interim Audit Manager attends the joint ventures project board with the Senior Auditor attending the project groups, these have been to provide a ‘critical friend’ role rather than giving assurance. As well as providing advice and critical challenge, audit have drafted template policy documents on risk management and whistleblowing for the new wholly owned company to consider and amend/adopt as required.

It is intended to carry out contract management reviews on these areas once these have been transferred to the wholly owned company on a phased basis in the first year of transfer.

4.4 Service Reviews

Licensing

The council has a statutory duty to issue licenses to a variety of people and organisations. These include the licensing of hackney carriages, private hire vehicles, drivers of these vehicles, licensed premises and designated premises supervisors.

Audit reviewed current policies and procedures to assess the effectiveness of the controls. The review concluded reasonable assurance on the control environment. The review found that income attributable was collected prior to licenses being granted. DBS and medical certificate checks were carried out regularly and completely in accordance with requirements. Vehicle checks are completed annually for hackney carriage and private hire vehicles (six-monthly for older vehicles).

License records and documentation are generally good however some inconsistencies, mostly minor, were identified. Testing identified anomalies in respect of the collection of renewal fees and opportunities to improve checks on taxi insurance cover. Review found that taxi licensing terms and conditions published on the website had not been updated to reflect changes approved by the licensing committee in January 2020.

Equalities duties

Audit review, at the request of the Chief Executive will provide assurance over the efficiency and effectiveness of the Council's systems to ensure compliance with statutory provisions as part of the Equality Act (2010). This represents an expansion of the previously included compliance reviewing equality impact assessment. Completed work will be reported at the next audit committee.

4.5 Anti- Fraud & Corruption

The Council continues to fully participate 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.

The NFI is conducted every two years and involves data matching across a number of datasets from over 1,200 participant organisations from across the public and private sectors. A data extraction exercise is currently being undertaken as at the end of September 2020 with each participant required to upload securely a number of datasets based on required specifications. The results of this exercise are expected in February 2021 and matches will be reviewed on a risk basis.

Additional datasets have been requested in respect of business support grants and other direct grants as a drive to identify illegitimate claims and errors made against government funding to alleviate the effects of covid-19.

One whistleblowing issue is being reviewed as part of existing audit work although this did not merit a separate and specific investigation.

4.6 IT Audit

Audit work is underway in the form of a maturity assessment covering the National Cyber Security Council's framework. The framework covers the following areas:

- Risk Management Regime;
- Network Security;
- User Education and Awareness;
- Malware Prevention;
- Removable Media Controls;
- Secure Configuration;
- Managing User Privileges;
- Incident Management;
- Monitoring;

4.7 Other Work

Risk Management

Internal audit have introduced a new format for the corporate register to replace the risk management system previously used by LGSS and workshops have been undertaken with the leadership team and individual directors where required to reset new corporate and directorate registers. A report on risk management is provided separately as part of this meeting.

Other Governance work

Internal audit has continued to provide advice and support to officers in a number of areas and working groups as per the audit plan. This has included coordinating the Annual Governance Statement with the corporate leadership team.

4.8 Follow up of audit recommendations

The timely implementation of internal audit recommendations has been identified as an area for improvement across the Council.

Reports on the status of all high and medium priority recommendations are now sent to each director on a quarterly basis and a summary report is reviewed by the corporate leadership team as part of its quarterly performance framework report. Appendix A details the outstanding high priority audit recommendations that require implementation. A summary of the status of all outstanding recommendations from the previous eighteen months is also shown in the Appendix B.

Internal audit follows up with services usually six months after the issue of the final report with agreed action plan. During the first half of the year follow up reports have been issued in the following areas:

- Norwich Regeneration Limited (NRL)
- Information Security & GDPR
- Contract Extensions

In respect of NRL, all internal audit recommendations have now been satisfactorily addressed. A separate report on this is included as part of this committee meeting.

Following the issue of a follow up report, the onus is on services notifying internal audit with supporting evidence when they have cleared recommendations. The reporting system to the corporate leadership team and directors, put in place recently should lead to closer monitoring and improved implementation of recommendations over time. There is however an issue of ownership on recommendations in respect of cross-cutting areas which will need review following the senior management restructure. Relevant cross cutting recommendations made are not high priority and do not relate to audits that received a less than reasonable assurance rating.

Outstanding high priority recommendations will be actively monitored by internal audit and tracked through audit committee update reports.

Appendix A: Outstanding high priority recommendations

Audit	Recommendation	Agreed Action	Agreed Date	Status/Comments
Information Security &GDPR	The Information Asset Register (IAR) has not been updated since 2016 and has not been approved by the CIAG. Information Asset Owners were not aware of the assets they owned. The Register does not have GDPR considerations as it was last updated prior to the regulation coming into place. The Council should review and update the Information Asset Register on an annual basis.	In 2019 we worked on the schedule of processing and decided to update the IAR in 2019. This will be commenced as planned and will include GDPR considerations. ***Responsible Officer – Data Protection & Security Team Leader***	*~~Mar 20~~* *~~Sep 20~~* *Dec 20*	Action Taken: Sent out 89 review requests to officers within the council – one request for each team. Asset owners will be prompted for outstanding returns and progress will be reported and reviewed at the next Corporate Information & Assurance Group (CIAG).
Information Security &GDPR	The Council should present the IAR to the CIAG on an annual basis, once updated, to gain official approval for the document.		*Dec 20*	Action Taken: Not yet started due to dependence on above.

Information Security & GDPR	The Council does not currently have the capability to remove certain records according to their own retention schedule, due to the limitation of key systems. The Schedule of processing is not fully completed The Council should push to replace software that prohibits the adherence to the schedule of processing retention rules with their IT partners.	This is well known and published on our website for customers. LGSS IT is working with software suppliers to identify their disposal functionality which will be implemented over the coming year. The schedule of processing is a working document and is continually being updated. It will be reviewed at CIAG. ***Data Protection Security Team Leader and LGSS IT***	*~~Mar 21~~ +* *Sep 23*	IT suppliers have been contacted by LGSS IT. Some have come back with their timelines for compliance We have no date for this as we are entirely dependent on the software providers working on a solution, but realistically this will be a long term project – likely to be at least 5 years. As software is upgraded which includes ability to remove data, this will be tested. Currently, we have software for Civica, which is being deployed and Northgate revs and bens which was being tested, but has found issues and so testing has been suspended. For new software provisions such as E5 and ITrent, the ability follow retention guidelines has been stated in the spec.
Contract management - **Housing repairs & responsive maintenance**	Verification of accuracy for received reports The council does not undertake any testing or receive any independent verification regarding the accuracy of reports received from NPSN. The absence of any sample checking of the veracity of information (e.g. actual costs and prime records supporting performance) being provided to the council by NPSN is a significant weakness in the control environment. The council should introduce sample check processes in-house, including drilling down to source data and confirming competitiveness of rates, to validate reports provided by NPSN, or alternatively obtain independent verification.	As a one-off exercise, neighbourhood housing services to review format of current data and ensure it is compliant with KPI definitions Neighbourhood housing services to document quality assurance steps currently being undertaken by NPS to ensure these are sufficiently robust Neighbourhood housing services to undertake a more in-depth review of data quality (a data health check) for KPI's as directed. This will then be ad hoc and where required in future, but all data and definitions are being checked as a one-off exercise as above. Service improvement team to review survey methodology used by Gasway as part of existing service improvement plan. This project will undertake a comprehensive review of the current approach to transactional satisfaction surveys. It consists of 2 stages:	*Mar 21* *Mar 21*	See audit committee update report

		STAGE 1: This stage is purely exploratory/investigative in nature leading to the production of a report which includes recommendations for any potential changes. STAGE 2: This stage will implement any agreed changes set out in the report delivered in Stage 1 Although no specific actions/projects initiated to ensure IT systems used to record contractor data are fit for purpose ensure the requirements have been incorporated into work on implementing the new housing IT system. Continue to review any remaining KPI definitions derived from contractor data with NPS to ensure all definitions are clear, unambiguous and in line with contracted obligations ***Responsible Officer – Head of Neighbourhood Housing***	*Dec 20* *Mar 21* *Mar 21*	

Appendix B: Overview of Implementation of internal audit recommendations

Directorate	Audit	Date of report	Audit Opinion	Recommendations Made			Status of recommendations due				% Implemented (% high & medium only)
							Actioned				
				High	Med	Low	High	Med	Low	Rejected	
Resources	**Information security and GDPR**	**Sep 2019**	Control environment: **Satisfactory** Compliance: **Limited**	**3**	**7**	**4**	**0** **(1 not due yet)**	**2**	**0**	**1** **(low priority)**	22%
Finance	**E5 Finance System IT Controls**	**Sep 2019**	Control environment: **Satisfactory** Compliance: **Satisfactory**	**3**	**6**	**5**	**3**	**6**	**1**	**0**	100%
People and neighbourhoods	**Contract management -** **Housing repairs & responsive maintenance**	**Sep 2020**	Control environment: **Limited** Compliance: **Limited**	**1**	**9**	**8**	**0**	**1**	**0**		10%

Resources	**Contract extensions**	**Jun 2019**	Control environment: **Satisfactory** Compliance: **Good**	**0**	**1**	**2**	**n/a**	**0**	**2**		**0%**
Cross-cutting	**Scheme of delegation compliance**	**Oct 2019**	Control environment: **Good** Compliance: **Substantial**	**0**	**2**	**1**	**n/a**	**tbc**	**0**		**tbc**
Cross-cutting	**Project management**	**Jan 2019**	Control environment: **Good** Compliance: **Satisfactory**	**0**	**3**	**4**	**n/a**	**0**	**0**		0%
Resources	**Procurement compliance**	**May 2019**	Compliance: **Satisfactory**	**0**	**2**	**4**	**n/a**	**0**	**1**		0%
N/A	**NRL**	**Mar 2019**	Control environment: **Limited** Compliance: **Satisfactory**	**5**	**3**	**2**	**5**	**3**	**1**	**1** **(low priority)**	100%
Resources	**Payroll**	**Dec 2019**	Control environment: **Satisfactory** Compliance: **Substantial**	**0**	**3**	**2**	**n/a**	**1**	**1**		33%

Resources	**Purchase Cards**	**Aug 2020**	**Reasonable**	**0**	**3**	**1**					Not yet due
Cross-cutting	**Policies & Procedures**	**Sep 2020**	**Limited**	**0**	**6**	**3**					Not yet due
People and neighbourhoods	**Licensing**	**Oct 2020**	**Reasonable**	**0**	**6**	**0**		**1**			Not yet due

Appendix C: Audit Opinions & Definitions

Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, in support of the objectives of the Council.

The annual audit plan is prepared to take into account key areas of risk and was approved by the Audit Committee. The internal audit plan has been delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

With the exception of project support work, all audit reports include an assurance rating on the basis of the definitions shown below. Individual assurance ratings help to determine the overall annual audit opinion.

Opinion		Definition
Substantial Assurance		Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance		Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Limited Assurance		There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance		Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Key to priority of recommendations

Risk Priority	Definition
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Report to	Audit Committee	**Item**
	24 November 2020	6
Report of	Interim Audit Manager	
Subject	Risk Management Update	

Purpose

To provide an update on progress in relation to risk management.

Recommendation

To note the risk management report.

Corporate and service priorities

The report helps to meet support corporate priorities through supporting a healthy organisation.

Ward/s: All wards

Cabinet member: Councillor Kendrick – Resources

Contact officers

Gavin Jones, Interim Audit Manager

Background documents

None.

Introduction

1. The purpose of this report is to provide an update on the progress made so far on the refresh of the risk management process and a revised corporate risk register.

2. The council has identified a need to reconstitute its arrangements for managing risk as a priority action included in the 2020 Annual Governance Statement. Whilst the council has in place an established strategy and policy that conforms to best practice, the need to improve the application of these processes was identified to ensure that risk management is operating effectively at every level of its operations.

Action Taken

3. To facilitate a full refresh of the risk management process and corporate risk register, internal audit has worked with directors and the Corporate Leadership Team (CLT) through a mix of discussion and workshops to reset risk registers from scratch.

4. The grace risk management system previously used by LGSS to record and manage risks has been replaced by a new manual format with a view to making presentation clearer to all interested parties. The revised corporate register is shown in Appendix A.

5. The corporate register will be reviewed each quarter by the CLT as part of its quarterly performance review. It is intended to provide a risk management report to the audit committee twice yearly at the request of the audit committee chair so that the committee can fulfill its oversight function.

6. A review of risk management also identified that there were no effective arrangements operating at directorate and service level. Work is near completion to ensure that each directorate operates a service risk register in the same format as the corporate register with the intention that these are reviewed by the lead officer for risk to highlight any emerging risks that CLT need to be aware of and to ensure a systematic and fluid process exists to feed risks up to the corporate risk register where warranted.

7. The risks shown in Appendix A reflect the considerable challenges and risks associated with covid-19 and its impacts on the financial resilience of the council and its ability to support the community through continuing times of uncertainty.

Role of Audit Committee

8. CIPFA's Position Statement on Audit Committees in Local Authorities and Police identifies the following core functions in relation to oversight of risk management arrangements:

   - ensuring there is assurance over the governance of risk and top level ownership and accountability
   - keeping up to date with the organisation's risk profile and the effectiveness of risk management actions
   - monitoring the effectiveness of risk management arrangements and supporting the development of good risk management practice.

Summary

9. In summary, revised processes are in their infancy and there is still more work needed to ensure that risk management is truly embedded across all operations.

10. Arrangements will continue to be monitored closely by CLT and a full internal audit review will be included as part of the 2021-22 audit plan.

Appendix A: Corporate Risk Register

Risk: 1. Council Funding Short Term (covid-19 related)	Owner: Interim Director of Resources	Category: Finance & Resources	Risk Direction:

Description/Triggers	Impact	Mitigation	Date Raised	Target Risk: Consequence	Target Risk: Likelihood	Target Risk: Score	Risk Strategy	Current Residual Risk: Consequence	Current Residual Risk: Likelihood	Current Residual Risk: Score
• Council's financial position goes into significant deficit resulting in reserves falling below the prudent minimum level • Insufficient general and earmarked reserves to address shortfall • Or use of earmarked reserves impacts on ability to deliver other council projects (invest to save funded) • Non-delivery of in-year saving to mitigate financial deficit	• Initial indications is that in 20-21 the general fund will overspend by £7.2 million without further action. • Relying solely on the general fund reserve to offset this would leave the reserve at an unsustainable level and below the £4.3m prudent minimum level. • Without significant action and consideration of reserves the council will be at serious risk of being in a S114 position. • Without a clear plan of action the council will have to begin engaging with CIPFA and the MHCLG.	• £3.9m unallocated reserves available to offset deficit whilst maintaining prudent level of reserve. • To date (22/10/20), awarded £2.8m of Covid-19 funding from government	Jun 20	4	2	8	Manage	4	3	12

Risk Control Action

Action	Owner	Target Date	Update
Continue to lobby Government to fully compensate Norwich against the financial impacts of C19'	Chief Executive	Ongoing	• The Leader of the Council has written to the Prime Minister and Chancellor asking for the council to be fully compensated • The Leader has also lobbied the local MPs • Both the Leader and CEO are in regular discussion with other Norfolk Leaders and CEOs to lobby on this point, and are active members of the Key Cities network and are lobbying through that route • The CEO has been in touch directly with the Chief Executive of the LGA to lobby for a fair settlement for Norwich and the wider sector. • The CEO has also published articles in the MJ to lobby Government on this point • The s151 officer ensures that all financial returns setting out the impact of Covid on the council's budget are sent to MHCLG in a timely manner.
Review the capital programme to ensure that the schemes still reflect the council's current priorities and that these are affordable in the new financial landscape.	Interim Director of Resources	Dec 20	Services have reviewed the programme and submitted opening briefs for options for the revised programme to be approved Feb 2021. Projects have been prioritised for review
Conduct a corporate review of all 2020-21 revenue budgets to identify areas for immediately reducing in-year expenditure through additional controls on non-essential spend and recruitment.	Interim Director of Resources	Jul 20	Completed

Appendix A: Corporate Risk Register

Risk: 2. Council Funding Medium- Long Term	Owner: Interim Director of Resources	Category: Finance & Resources	Risk Direction: ↔

Description/Triggers	Impact	Mitigation
• Council fails to identify and plan for enough savings over the medium term. • Non-delivery of identified savings • New national funding arrangements reduce government funding (Fairer Funding, Business Rates Retention, New Homes Bonus) • Economic uncertainty increase volatility on business rates and council tax • Risk of inflation on costs and pension deficit increases. • Lack of capital resources to fund the council's asset base – implications	• Councils financial position goes into deficit, reducing confidence in financial strength and governance • Unplanned use of reserves reducing capacity and flexibility and compromising stability. • Section 114 notice • Government intervention • Failure to deliver Council Plan • Adverse comments by poorer perception of Council by stakeholders. • Overspends arising from activity not in service plans.	• Review all the assumptions within the MTFS • Corporate budget planning guidance issued • CLT review of budget options and MTFS refresh • Cabinet give due consideration to latest forecasts and options to close any gap identified during the review of MTFS assumptions. • Consultation launched if required prior to budget approval in Feb 2021 • Restructure senior management team to improve service delivery and drive forward transformation programme. • Started process of service reviews to generate efficiencies • Utilising invest to save reserve to deliver transformation programme

	Target Risk				Current Residual Risk		
Date Raised	Consequence	Likelihood	**Score**	**Risk Strategy**	Consequence	Likelihood	**Score**
Jun 20	5	2	**10**	**Manage**	5	3	**15**

Risk Control Action

Action	Owner	Target Date	Update
Update the council's Medium-Term Financial Strategy, to understand the short to medium implications for savings requirements and use of reserves.	Interim Director of Resources	Sep 20	Complete
Commence the process for setting the budget for 2021/22 and provide further detail to Cabinet in July on the approach and timeline.	Strategic Finance Business Partner	Jul 20	Complete
Cabinet briefed on the MTFS refresh	Interim Director of Resources	Nov 20	Leader and Portfolio holder briefings complete prior to publication of report.
Cabinet approve the revised MTFS at Full Council	Interim Director of Resources	Feb 20	

Comments: The Council is working towards a sustainable budget that does not utilise reserves. Current plans incorporate the use of reserves to bring the general fund reserve back to the risk assessed minimum requirement.

Appendix A: Corporate Risk Register

<table>
<tr><th colspan="3">Risk: 3. Commercialisation (investment property, NRL, other commercial income sources)</th><th colspan="4">Owner: Interim Director of Resources</th><th colspan="2">Category: Finance & Resources</th><th colspan="2">Risk Direction: ↔</th></tr>
<tr><td></td><td></td><td></td><td></td><td colspan="3">Target Risk</td><td></td><td colspan="3">Current Residual Risk</td></tr>
<tr><td>Description/Triggers</td><td>Impact</td><td>Mitigation</td><td>Date Raised</td><td>Consequence</td><td>Likelihood</td><td>Score</td><td>Risk Strategy</td><td>Consequence</td><td>Likelihood</td><td>Score</td></tr>
<tr><td rowspan="8">• Lack of depth of skills and knowledge to manage commercial activities (reliance on several key staff)
• Uncertainty over the future government direction on commercial activity (PWLB consultation ongoing)</td><td rowspan="8">• NRL – losses in the company result in additional revenue costs to the General Fund
• Non-delivery of budgeted income levels to support general fund
• Ineffective management of the property portfolio leads to reducing income and poor use of assets</td><td rowspan="8">• Asset Management Strategy
• Commercial Strategy</td><td>Jun 20</td><td>4</td><td>2</td><td>8</td><td>Manage</td><td>4</td><td>2</td><td>8</td></tr>
<tr><td colspan="8">Risk Control Action</td></tr>
<tr><td colspan="2">Action</td><td colspan="2">Owner</td><td>Target Date</td><td colspan="3">Update</td></tr>
<tr><td colspan="2">Address recommendations from the internal audit review of NRL governance.</td><td colspan="2">Director of Resources</td><td>Aug 20</td><td colspan="3">Actioned</td></tr>
<tr><td colspan="2">Complete a thorough review of the Council's approach to housing commissioning and look to establish and revise structures as agreed. A report to be taken to Cabinet to agree the principle of the approach.</td><td colspan="2">Director of Place</td><td>Nov 20</td><td colspan="3"></td></tr>
<tr><td colspan="2">Following Cabinet approval, new and revised structures will be put in place.</td><td colspan="2">Director of Place</td><td>Mar 21</td><td colspan="3"></td></tr>
<tr><td colspan="2">Produce a new asset management strategy.</td><td colspan="2">Director of Place</td><td>Mar 21</td><td colspan="3"></td></tr>
<tr><td colspan="8">Comments:</td></tr>
</table>

Appendix A: Corporate Risk Register

<table>
<tr><th colspan="3">Risk: 4. Health & safety in the workplace</th><th colspan="4">Owner: Director of People & Neighbourhoods</th><th colspan="2">Category:</th><th colspan="2">Risk Direction: ↔</th></tr>
<tr><td></td><td></td><td></td><td></td><td colspan="3">Target Risk</td><td></td><td colspan="3">Current Residual Risk</td></tr>
<tr><td>Description/Triggers</td><td>Impact</td><td>Mitigation</td><td>Date Raised</td><td>Consequence</td><td>Likelihood</td><td>Score</td><td>Risk Strategy</td><td>Consequence</td><td>Likelihood</td><td>Score</td></tr>
<tr><td rowspan="7">• Covid-19 and risk of spreading infection across the workplace.</td><td rowspan="7">• New way of working has the potential to change the council's culture and make it a more modern organisation which supports a flexible approach to work/life balance for staff.
• Impact of Covid-19 and duties to ensure social distancing and requirements to ensure safety in the workplace are addressed</td><td rowspan="7">• Improved IT capabilities to allow more staff to work from home were developed and rolled out quickly, which has enabled the majority of staff to work from home since March.
• Virtual council meetings are being held in order to limit the risk of spreading the disease through close contact, although the organisation will revert to 'face to face' meetings in the council chamber and committee rooms when it is appropriate to do so.
• Hand sanitiser dispensers introduced across workplace.
• Desk policy to ensure limited capacity adhered to & 2m social distancing observed.
• Mandatory e-learning modules for staff.</td><td>May 20</td><td>4</td><td>2</td><td>8</td><td>Manage</td><td>4</td><td>2</td><td>8</td></tr>
<tr><td colspan="8">Risk Control Action</td></tr>
<tr><td colspan="2">Action</td><td colspan="2">Owner</td><td>Target Date</td><td colspan="3">Update</td></tr>
<tr><td colspan="2">Implement changes to the internal layout and other safety measures within city hall to support social distancing as more staff return to the office when it is appropriate to do so, with a risk assessment of the building carried out and unions engaged.</td><td colspan="2">Director of Resources</td><td>Jun 20</td><td colspan="3">Actioned</td></tr>
<tr><td colspan="2">Develop greater employee wellbeing and resilience including the formation of a mental health working group</td><td colspan="2">Director of People & Neighbourhoods</td><td>Aug 20</td><td colspan="3">Actioned</td></tr>
<tr><td colspan="2">Continue to allow staff to work from home where possible, striking a balance between home and office-based working and allowing flexibility for staff.</td><td colspan="2">Director of People & Neighbourhoods</td><td>Ongoing</td><td colspan="3">Actioned</td></tr>
<tr><td colspan="8">Comments:</td></tr>
</table>

Appendix A: Corporate Risk Register

Risk: 5. Second wave of Covid-19:			Owner: Chief Executive				Category: Customer		Risk Direction:	
				Target Risk				Current Residual Risk		
Description/Triggers	**Impact**	**Mitigation**	**Date Raised**	Consequence	Likelihood	**Score**	**Risk Strategy**	Consequence	Likelihood	**Score**
• Adverse impacts associated with further restrictions and pressures associated with Covid-19 that will have on the city, council and local services	• Lack of government funding to support local businesses resulting in local business failures • Economic uncertainty increase volatility on business rates and council tax • Insufficient government funding to local authorities to support the delivery of additional Covid - 19 related activities • Financial pressure due to down turn in income leading to financial instability • Increase in unemployment • Increase in claims for benefits and consequential impact on staff workloads	• Delivery of business support grants. • Ongoing work with the Norwich BID and Norfolk Chambers of Commerce • Norfolk wide response being managed through Norfolk Resilience Forum (NRF) attend by leader of the council and Chief Executive • Covid operational group continues to oversee response and actions deployed to reduce the number of cases. • A gold command structure was put in place with the chief executive chairing daily meetings and the director of strategy and culture leading the response • C-19 Support Officer provided in the city to give and advice and support to businesses and the public • Silver command group: ○ Promote and disseminate information and toolkits to local businesses ○ Provide advice & engagement with track and trace ○ Deployment of covid-19 support officers ○ Collaboration with police on enforcement actions	Jun 20	4	3	12	**Manage**	5	4	20

Risk Control Action			
Action	**Owner**	**Target Date**	**Update**
Work with the Norwich BID, Norfolk Chambers of Commerce, police and Norfolk County Council to review and implement physical measures and signage in the city centre to support social distancing.	Director of People & Neighbourhoods	Ongoing	
Use its licensing powers to support businesses – particularly those in the hospitality sector – where appropriate to vary the use of outside space, whilst ensuring that people with disabilities can move around the city safely.	Director of People & Neighbourhoods	Ongoing	
Continue to deliver grants and wider support to businesses.	Interim Director of Resources	Ongoing	
To work effectively with partners through effective networks to minimise spread of virus, provide clarity of local message and for us to provide an effective local track and trace service	Chief Executive	Ongoing	Operational Group convened with key stakeholders including County Council Director of Public Health, East Anglia University. Action plan in place including deployment of Covid safe advisors, more visible communications e.g. regular press conferences, continued review of data to identify hotspots and continued local contact tracing system.

Comments: Scoring takes account of growing threat/spread of Covid 19 nationally

Appendix A: Corporate Risk Register

Risk: 6. Impact of Brexit	Owner: Stephen Evans	Category: Customer	Risk Direction:

	Target Risk				Current Residual Risk		
Date Raised	Consequence	Likelihood	**Score**	**Risk Strategy**	Consequence	Likelihood	**Score**
Apr 20	3	5	**15**	**Manage**	3	5	**15**

Description/Triggers	**Impact**	**Mitigation**
• Continued uncertainty over the nature of the UK's exit from European Union. • Risks associated with potential no deal scenario	• Public disorder events • Food availability (panic buying/ stockpiling) - Increased prices for food and fuel • Possible disruption to fuel supplies • Staffing issues (EU nationals) • Inclement weather may have increased impacts • Flood season September – April (impacts on Costal Districts – provision of mutual aid) • Staffing resilience managing concurrent events (e.g. Covid, Brexit, severe weather) • Potential political developments (elections/referendums) – these would place increased pressure on some district councils. • Increases in environmental crimes i.e. fly tipping etc., as advised by the Environment Agency	• Membership & participation in Norfolk Resilience Forum (NRF) • NRF multi-agency plans to deal with significant events • NRF Brexit Strategy • Business Continuity Plans • Brexit Communications Plan • National guidance/ toolkits

Risk Control Action

Action	Owner	Target Date	Update
Monitor the situation, awaiting further government guidance	Emergency Planning Manager/ Environmental Health & Protection Manager	Oct 20	
Information sharing through NRF structures	Emergency Planning Manager	Unknown	
Participation in NRF Brexit planning meetings	Emergency Planning Manager	Unknown	
Nominate strategic Brexit Lead Officer	CLT		

Comments: Impacts from NRF Brexit Strategy

Currently lots of unknowns. The country is in a transition year during which the future terms for the relationship between the UK and EU is to be decided. These negotiations will need to conclude in their entirety by 31 December 2021 or the UK will leave with No Deal.

Appendix A: Corporate Risk Register

Risk: 7. Failure to respond to a critical, business continuity or emergency planning event	Owner: Director of People & Neighbourhoods	Category: Processes & Systems	Risk Direction:

Description/Triggers	Impact	Mitigation

• Occurrence of a significant event:
  ○ Loss city hall
  ○ ICT failure
  ○ Contractor collapse
  ○ Severe weather events
  ○ Sea level rise
  ○ Fuel shortages
  ○ Communications failure
  ○ Pandemic
  ○ Loss of power
• The Council, businesses and members of the public in the city will also be at risk from the local effects of climate change in the medium to long term.
	• Council unable to function.
	• Increase in demand on Council services
	• Vulnerable Service Users unable to access services
	• Reputational Damage
		• Draft Corporate Business Continuity Plan
		• Service areas Business Impact Analysis and Business Continuity Plans
		• Work Area Recovery location for Customer Contact
		• ICT Disaster Recovery Plan
		• Incident Management Team response to business continuity incidents.
		• BMG TTX - Exercise Appleyard 1 (14/12/16)
		• BMG TTX - Exercise Appleyard 2 (26/7/17)
		• Service area business continuity exercises
		• Insurance policies
		• Asset register
		• Emergency Management Strategy
		• Incident specific response plans
		• Rest centre and community centre plans
		• Full participation in Norfolk Resilience Forum meetings
		• Review of NRF risk assessments and Norfolk Community Risk Register
		• Norfolk Emergency Response Guidance NRF multi-agency plans for specific risks
		• Participation in training and exercises
		• Services areas to raise at supplier engagement meetings potential risk of contractor for early warning.

	Target Risk				Current Residual Risk		
Date Raised	Consequence	Likelihood	**Score**	**Risk Strategy**	Consequence	Likelihood	**Score**
Apr 20	4	3	**12**	**Manage**	4	3	**12**

Risk Control Action			
Action	**Owner**	**Target Date**	**Update**
Completion of audit review (20/2/18) actions	CLT to determine lead officers	TBA	
Consider reinstating Business Continuity Steering Group for effective business continuity management to provide a mechanism for monitoring and implementing measures to enhance business resilience	CLT to consider	TBA	
Completion of outstanding recommendations/actions from previous EP and BC exercises	CLT to consider and determine way forward	TBA	
Work with emergency planning team in respect to plans for elections in May 2021 and include in plans specific covid-19 planning	Democratic & Elections Manager	May 21	
Flag with contract managers risk of supplier collapse due to Covid or issues with supply change due to Brexit	Business Relationship & Procurement Manager	Nov 20	

Comments: :

Appendix A: Corporate Risk Register

Risk: 8. Sustained increase in homelessness and temporary accommodation	Owner: Director of People & Neighbourhoods	Category: Customer	Risk Direction:

	Target Risk				Current Residual Risk		
Date Raised	Consequence	Likelihood	**Score**	**Risk Strategy**	Consequence	Likelihood	**Score**
Jun 20	3	3	9	**Manage**	4	4	16

Description/Triggers	Impact	Mitigation
• Failing to fulfil statutory responsibility to assess people who present as homeless or at risk and to develop an appropriate way forward to prevent their being homeless. • With the developing economic downturn there will be more families living in poverty, with the risk of homelessness once the 3 months ban on evictions is lifted. • Failing to fulfil responsibility to clients presenting at risk of domestic abuse	• Increase in costs to council. • Increase in social issues for the city. • Legal action against the council for not fulfilling statutory obligations • Increase in domestic abuse	• Greater Norwich homelessness strategy 2020 – 25 • Norwich tackling rough sleeping strategy 2017-22 • The council worked quickly to ensure that accommodation was – and continues to be - available to all rough sleepers in Norwich. • Additional accommodation is continuing to be sourced where it is required. • The Pathways partnership programme continues to provide outreach support to those who need it, drawing on a wide range of expertise. • From August 20 a specialist tenancy relations adviser is employed from government funding to deal with PRS tenants threatened by homelessness • The council is recognised as a 'gold standard' authority in dealing with the prevention and relief of homelessness • Government funding has been used to increase the 'homelessness prevention fund'. • The council employs a specialist domestic abuse housing adviser to deal with DA victims threatened with homelessness

Risk Control Action

Action	Owner	Target Date	Update
Work proactively with partners through the Pathways programme to develop a sustainable approach to tackling homelessness in the city.	Head of Neighbourhood Housing	Ongoing	CLT to consider recommendations to re commission of service. Next steps fusing in excess of £1m secured to increase supply and support functions for 'people who would eb sleeping rough.
Over the longer-term, work with Pathways and the voluntary and community sector to look at pathways out of poverty for the most vulnerable. This will include training and skills opportunities and measures to move people closer to the labour market and into employment.	Head of Neighbourhood Housing	On going	
Given increased volumes of presentation and workload, it may be necessary to use government homelessness funding held in existing budgets to take on additional resource in the homelessness relief team. This to be monitored.	Housing Options Manager	On going	Watching brief. Change to winter provision being developed.

Comments:

Appendix A: Corporate Risk Register

Risk: 9. Cyber Security & GDPR compliance	Owner: Director of Strategy, Communications & Culture	Category: Processes & Systems	Risk Direction:

Date Raised	Target Risk: Consequence	Target Risk: Likelihood	Target Risk: Score	Risk Strategy	Current Residual Risk: Consequence	Current Residual Risk: Likelihood	Current Residual Risk: Score
Jun 20	4	3	**12**	**Manage**	4	3	**12**

Description/Triggers	Impact	Mitigation
• Old and unsupported operating systems, • lack of staff awareness and training, • Cyber-attack etc. • Non-compliance with GDPR legislation	• Data breaches and fines from the Information Commissioners Office (ICO)Mishandling sensitive information • IT systems don't meet service transformational expectations. • data loss or loss of systems for a period of time. • Customer services disrupted • Financial impact of prolonged IT shutdown • Political & reputational risk	• Mandatory e-learning modules on systems security & GDPR • Corporate Information Group – monitor data breaches GDPR related issues.

Risk Control Action

Action	Owner	Target Date	Update
Address recommendations from the internal audit review of GDPR -.including Information asset register	Data Protection & Security Team Leader	Dec 20	Action Taken: Sent out 89 review requests to officers within the council – one request for each team. Asset owners will be prompted for outstanding returns and progress will be reported and reviewed at the next Corporate Information & Assurance Group (CIAG).
Programme to replace legacy IT systems	Head of Customers, IT & Digital	Sep 23	An extensive programme of work is in place to replace and refresh legacy systems.
Internal audit of cyber security	Interim Audit Manager	Dec 20	In progress
Procure new electoral management system	Democratic & Elections Manager	May 21	Started procurement of new electoral management system as current system not providing adequate support to elections

Comments:

Appendix A: Corporate Risk Register

Risk: 10. Joint Venture contracts	Owner: Director of People & Neighbourhoods	Category: Customer	Risk Direction:

Description/Triggers	Impact	Mitigation
• Ending the joint venture contracts with Norse group for environmental services (April 2021); property management and general fund and housing repairs & maintenance (April 2022) and avoiding significant impacts on services. • Poor relationship management • Joint ventures not managed effectively, and key service outcomes not achieved. • Contracts not managed effectively. • Joint venture arrangements do not run to term or budget	• Key services not delivered • The Council does not get VFM • Benefits of partner and contract management not realised. • Specification not adhered to. • Services not provided at an acceptable level • Customer and staff complaints	• Place project – multi officer project team and board in place to implement insourcing projects • Business as usual workstream to oversee delivery and performance • Revised key performance indicators for property and building maintenance contracts agreed • Regular review of performance

	Target Risk				Current Residual Risk		
Date Raised	Consequence	Likelihood	**Score**	**Risk Strategy**	Consequence	Likelihood	**Score**
Jun 20	3	3	**9**	**Manage**	3	4	**12**

Risk Control Action

Action	Owner	Target Date	Update
Recommendations from the internal audit review of the housing repairs & maintenance contract reviewed and action plan agreed	Director of People & Neighbourhoods	Mar 21	Update report to be reviewed by Audit Committee in November 20
Safe transfer of environmental services to Norwich City Services Limited by 1.4.21	Chief Executive	Apr 21	
Safe transfer of property and building maintenance services to Norwich City Services Limited by 1.4.22	Chief Executive	Apr 22	

Comments:

Appendix A: Corporate Risk Register

Risk: 11. Failure to fulfil statutory or legislative responsibilities, including safeguarding.	Owner: Director of People & Neighbourhoods	Category: Customer	Risk Direction:

Description/Triggers	Impact	Mitigation
• Lack of understanding the statutory and legislative responsibilities. • Lack of awareness of legislative changes and new legislation. • Failure to implement statutory duties and responsibilities. • Lack of required skills knowledge and experience of key officers tasked to fulfil statutory or legislative responsibilities. • Insufficient organisational capacity. • Ineffective procedures and processes. • Lack of clarity of roles and ownership of legislative responsibilities (H&S, safeguarding, equality etc.). • Delegation of responsibilities where services are with a contractor.	• Financial costs in compensation & fines • Intervention if complete failure • Acting illegally • Negative impact on the Council's reputation • Wrong decision being made • Harm, abuse, accident or death linked to failure of the Council to act within safeguarding arrangements • Being held to account by overseeing organisations (e.g. children safeguarding) maybe included in reputation	• Communication Strategy to ensure implementation • Corporate Governance Group in place to oversee compliance • Legal Services in place to provide support • Positive approach to checking compliance with legislation • Professional leads identify legal requirements • Quality assurance processes in place for contracted services • Suitably trained and qualified staff and mandatory reading of key documents for all officers

	Target Risk				Current Residual Risk		
Date Raised	Consequence	Likelihood	**Score**	**Risk Strategy**	Consequence	Likelihood	**Score**
Apr 20	4	**3**	**12**	Manage	5	**3**	15

Risk Control Action

Action	Owner	Target Date	Update
Increase officer confidence in information sharing and understanding of when and how to do so appropriately	Early Intervention & Community Safety Manager	Mar 21	Home office guide on information sharing for professionals re-circulated to safeguarding champions Sept 2020 to discuss at team meetings. Corporate training programme in development; due for agreement Nov 2020.
Safeguarding policy and risk embedded into contractors' and sub contractors' policy and practice	Early Intervention & Community Safety Manager	Mar 21	Contractors to be included in relevant elements of corporate training programme; due for agreement Nov 2020.
Maintain safeguarding champion knowledge, understanding, confidence	Early Intervention & Community Safety Manager	Mar 21	Safeguarding meetings maintained. Training knowledge shared amongst safeguarding champions.
Embed learning across council teams	Early Intervention & Community Safety Manager	Mar 21	Safeguarding issues logs reviews to be undertaken by all council team leaders and managers – and discussed with officers at supervision meetings – scheduled from end of November 2020. Training programme to be introduced across the council from early 2021.

Comments:

Risk Scoring matrix

Impact							
Impact	Very High	5	5	10	15	20	25
Impact	High	4	4	8	12	16	20
Impact	Medium	3	3	6	9	12	15
Impact	Low	2	2	4	6	8	10
Impact	Negligible	1	1	2	3	4	5
			1	2	3	4	5
			Very rare	Unlikely	Possible	Likely	Very Likely
			Likelihood				

Report to	Audit Committee	**Item**
	24 November 2020	7
Report of	Interim Audit Manager	
Subject	Annual Governance Statement 2019-20	

Purpose

This report presents the Annual Governance Statement (AGS) for 2019/20 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 support corporate priorities through supporting a healthy organisation.

Ward/s: All wards

Cabinet member: Councillor Kendrick – Resources

Contact officers

Gavin Jones, Interim Audit Manager

Background documents

None.

Report

Background

1. The Audit and Account Regulations 2015 requires the council to produce an Annual Governance Statement (AGS). It 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.

2. The draft AGS is considered by the corporate leadership team, and then presented to the audit committee in order to ensure that it reasonably reflects the committee's knowledge and experience of the council's governance and controls. It accompanies the draft statement of accounts, and may subsequently be amended following review by the external auditor (EY). The final statement is signed by the chief executive and the Leader of the Council and approved by the audit committee.

3. At its meeting on 14 July 2020, the audit committee agreed to note the draft AGS and to recommend that under Section 6, Governance issues and actions, that Brexit and Future partnership working are included as headings and narrative text.

4. The Accounts and Audit Regulations 2015 require that the final version of the AGS is approved by the audit committee in advance of the Statement of Accounts.

The Annual Governance Statement

5. 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;
    - Self-assurance statements prepared by Service Directors;
    - The LGSS Chief Internal Auditor's opinion on the council's internal control environment.
    - A review by the corporate leadership team.

6. 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 agreed actions taken, or proposed, to deal with significant governance issues;
    - A conclusion demonstrating a commitment to monitoring implementation through the next annual review.

7. '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.

Summary of key revisions made from the draft statement

8. In addressing the comments made by the audit committee at its July meeting, as set out in paragraph 3 above:

    - A new section has been added as 'emerging and current issues' (section 6) which includes a note on the council's position relating to Brexit. It is not believed that this represents a significant governance issue to the council but has been included in the corporate risk register and will be monitored and managed by the leadership team.

    - Partnership working is already included in parts 7 and 20 of the 'key elements of the governance framework' (section 5) and there is nothing relating to this area that is regarded as a significant governance issue.

9. Following the last meeting of the audit committee, feedback was received from the external auditors and the following amendments have been made to address their comments;

    - The section on Covid-19 has been moved from the 'governance issues and actions' section to be included as part of 'emerging and current issues' (section 6).

    - Key internal audit findings relating to contract management have been made more explicit and are now included in 'governance issues and actions'. (section 8)

    - The section relating to emerging legislation has been repositioned under 'emerging and current issues' (section 6).

Conclusions

10. The AGS has been prepared, in accordance with professional guidance, and accompanies the Statement of Accounts and the final version will be signed by the Chief Executive and the Leader of the Council.

11. The process demonstrates good governance, it has been based on various sources of assurance, and the committee is asked to approve the final AGS.

NORWICH City Council

Annual Governance Statement 2019-20

1. 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. Through the introduction by the Chief Executive, of the corporate leadership team's assurance group, there will be an increased focus on performance, finance, audit and HR through regular reporting and scrutiny. 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	Stephen Evans
Leader of the Council	Chief Executive
Date:	Date:

2. Scope of responsibility

2.1. 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.

2.2. 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.

2.3. 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.

2.4. 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.

2.5. 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.

2.6 Under the arrangement, some of the roles which the annual governance statement refers to are carried out by officers from LGSS such as the council's chief finance officer and s151 officer and the head of internal audit. From April 2020 these roles will be brought back in-house and carried out by appropriately qualified and experienced officers.

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

3. The purpose of the governance framework

3.1 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.

3.2 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.

3.3 The governance framework has been in place at Norwich City Council for the year ended 31 March 2020 and up to the date of the approval of this statement.

4. The governance framework

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

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

5. Key elements of the Governance Framework

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

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

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

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

    - The chief finance officer is responsible for advising whether decisions of the cabinet and council are in accordance with the policy and budget framework.
    - Budget managers have responsibility for ensuring that all proposals, decisions and actions incurring expenditure were lawful.
    - Corporate policies and strategies, 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.

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 2019-2022, which forms the council's overarching policy framework.
- The changing pace council blueprint (operating model) has been developed as a guide for how Norwich City Council designs services and structures to deliver the vision and priorities within its corporate plan in a way that proactively addresses the financial pressures and changing policy and legislative environment it faces.
- Details of all the above, together with any committee reports referred to in this statement, can be found on the council website at www.norwich.gov.uk

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

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

- The council's vision and mission are:
    - The corporate vision – To make Norwich a fine city for all
    - The corporate mission – To put people and the city first
- The three corporate priorities are:
    - People living well
    - Great neighbourhoods, local environment and housing
    - Inclusive economy

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

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

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

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

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

- A summary of the overall performance of the council in 2019-20 is included in the narrative report to the statement of accounts for the year ending 31 March 2020.
- A key component of the council's performance framework and its drive for quality improvement is the work of internal audit. Their work assists management in an advisory and proactive capacity in addition to providing traditional assurance on systems and the control environment.
- Change and transformation within the council is underpinned by its changing pace blueprint (operating model) to ensure the council meets its savings targets while continuing to improve services and delivery models 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 ongoing process of transformation is driven 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 corporate leadership team's assurance group provides a regular and systematic forum for reviewing performance, finance, HR and audit reporting.

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 (partnering and delegation agreement with service level agreements), NpLaw (delegation agreement and a joint management board with 2 out of 8 places for the council) and NPS Norwich Limited, Norwich Norse Building Limited and Norwich Norse Environmental Limited (shareholders' agreement, 2 places out of 5 on each of the company boards, articles of association of the companies, company business plans and contracts for services).

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 were sourced through a partnership and delegation agreement with LGSS, a public sector shared services organisation. The finance function will be insourced from LGSS to the Council from April 2020.

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

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

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

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

- The role of head of paid service is defined in the Local Government and Housing Act 1989. In Norwich City Council it is assigned to the chief executive as set out in appendix 8 of the constitution and all necessary powers are delegated to him/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 his/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 his/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.
- A new chief executive was appointed by the Council in November 2019, and took on the duties as head of paid service from January 2020.

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

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

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

- The council has a risk management policy and a risk management strategy, which have been approved by cabinet and are published to the council website.
- Individual projects and partnerships are also subject to risk assessments.

- The risk management charter was considered by Audit Committee on 12 March 2019 and by Cabinet on 6 February 2019. The council's risk management policy was updated, approved by Cabinet in January 2017 and was updated in 2019/20 in line with the risk management charter.
- Corporate and directorate risk management arrangements are being refreshed during the year and regular reports are being reviewed by the corporate leadership team assurance group.
- 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 2019-20 LGSS provided a dedicated fraud team to investigate alleged frauds perpetrated against the council. Responsibilities will transfer to the insourced internal audit team from April 2020.
- 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 2019-20 was provided by LGSS internal audit and was 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. Best practice standards will continue to be adhered to following the insourcing of the internal audit function from April 2020.

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

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

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

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

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

- The council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value.
- All key partnerships have been identified and are included in the partnership register. A corporate governance framework and toolkit has been developed for use by all key partnerships, to ensure that effective governance and risk management arrangements are in place.
- The governance arrangements for key partnerships are kept under review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships
- Norwich Regeneration Limited (NRL) has a board consisting of two councillors, and three officers of the council. Two officers resigned from their positions on the board during 2019/20. The council has recently recruited two independent non-executive directors during in June 2020. The board combines a broad range of experience including 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. 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 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.

6. Current & Emerging Issues

COVID-19

The Covid-19 situation that commenced in March 2020 has led to significant changes to the working practices for the council. As soon as the issue became apparent, the council put in place its business continuity/emergency planning procedures. A gold command structure was put in place with the chief executive chairing daily meetings and the director of strategy and culture leading the response. An evaluation of the effectiveness of business continuity/emergency planning will be needed across all service areas to evaluate the effectiveness of arrangements and identify any improvements that can be made for the future.

Amendments have been made to the council's schedule of meetings to only hold meetings where necessary and to hold these remotely using video technology. The planning committee has met remotely to delegate decisions to officers in the short term.

The financial impact on the council will be significant with lost revenue from car parking and potential non-payment of commercial rents, council tax and business rates the key risk areas. Finance have created monitoring information and modelling of scenarios to provide information to the Corporate Leadership Team. Cabinet councillors are regularly briefed on the ongoing situation and the impact on the council. Some government funding has been received but this falls well short of the anticipated loss of income in 2020/21. The medium term financial strategy will be reviewed during the year to address these issues.

The Council has developed a blueprint for recovery which was approved by Cabinet in June 2020. This will focus in part to build on opportunities arising from the pandemic to modernise the organisation and increase flexibility.

Brexit

Uncertainty remains ahead of the United Kingdom's exit arrangements from the European Union. The potential impacts, both internally and for the community are being monitored by the Council and the risks have been added to the corporate risk register, No significant changes to the Council's governance arrangements have been identified pending clarification on the terms of exit arrangements.

The Council through its continued membership & participation in the multi-agency Norfolk Resilience Forum plans to deal with significant events. The Council will ensure that its services are prepared as much as possible for the anticipated impacts of leaving the EU and provide support and advice to the community.

Emerging legislation

- New Financial Management Code from CIPFA will take effect in full from April 2021.
- Code of member conduct from LGA is out for consultation.
- Potential legislative changes associated with Brexit.
- In March 2020 the government released ‘Planning for the Future’ ahead of two proposed white papers originally due in respect of Planning and Social Housing.
- Environmental bill 2020
- Domestic Abuse bill 2020

7. Review of effectiveness

7.1. 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 head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

7.2. 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 2019 the council approved the new corporate plan 2019-2022, 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 2019 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 2019-20, reflecting the changing landscape of local government finance and emerging opportunities and challenges for Norwich.
- The council approves medium term financial plans for the general fund and housing revenue account along with capital, investment and treasury management strategies. These provide the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.
- During 2019-20 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council's savings requirements.
- Section 151 of the Local Government Act 1972 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. Council considered and delegated the decision to appoint a S151 & Chief Finance Officer to the Chief Executive and the Leader.
- Council considered the appointment of Independent Persons for the Council as per the standards framework to be compliant with the Localism act 2011.
- Following the decision made at full council, the Cabinet resolved to not participate in the Norfolk and Suffolk devolution agreement, with the process to establish an elected mayor and combined authority for the East Anglia region.
- Cabinet approved key strategies and policies such as the Procurement Strategy 2016-2020, and the Risk Management Policy. Cabinet approved that all appropriate mitigation had been taken for risks which exceeded the Councils risk appetite.

- Cabinet approved business plans, including joint ventures for NPS Norwich Limited, Norwich Norse Building Limited and Norwich Norse Environmental Limited, plus Norwich Regeneration Ltd and the Norwich and Homes and Communities Agency (HCA) strategic partnership.
- Quarterly performance monitoring reports are presented to scrutiny committee and cabinet – cabinet also receives budget monitoring reports. Performance monitoring reports during 2019-20 covered achievement against the council's detailed priority actions and performance measures detailed in the corporate plan 2019-22.
- 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 2018-19 was presented to scrutiny committee on 21 March 2019 and was presented to Council on 23 July 2019.

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 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 2018-19 was discussed by the audit committee on 11 June 2019 and presented to council on 23 July 2019.

4. The standards committee and monitoring officer

- The council has a standards committee with terms of reference to promote and maintain high standards of conduct by members and co-opted members of the council and to assist members and co-opted members to observe the council's code of conduct.

- The standards committee is supported by the monitoring officer, whose duties include the promotion of ethics and standards across the council, maintaining the constitution, and ensuring compliance with relevant laws, regulations and policies. The monitoring officer is a statutory appointment, and the current responsibilities of this role rest with the nominated officer from NpLaw.
- The monitoring officer's annual report supports the assurance statements included in the annual governance statement. It provides a review of the monitoring officer's work as part of the council's governance arrangements and system of internal control. The report covered the period up to 15 June 2019 and was presented to the Standards Committee on 2 July 2019. 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 2019-20 the responsibilities of this role were sourced through the agreement with LGSS. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council as member of the corporate leadership team, ensuring that expenditure is lawful and within resources, advising on systems of internal financial control, and supporting the audit committee.
- Under the partnership and delegation agreement the council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance. This is evidenced by the fact that the external auditors issued unqualified audit opinions on the financial statements and value for money conclusion each year from 2012-13 to 2018-19.

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 head of internal audit 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 head of internal audit's annual report will be presented to the Audit Committee in July 2020. This report will outline the key findings of the audit work undertaken during 2019-20, including areas of significant weakness in the internal control environment.
- From the audit reviews undertaken during 2019-20, 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. The need to improve risk management and some aspects of contract management were identified and audit reviews will continue to focus in this area. In line with the Chief Executive's vision, future audit coverage will provide increasing focus on value added and proactive advisory work in addition to traditional opinion based reviews. 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. The head of internal audit's opinion has stressed the need to address outstanding recommendations concerning contract management and Norwich Regeneration Ltd.

- It is the opinion of the head of internal audit that, taking into account all available evidence, satisfactory assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2019-20. The detail to support this assessment is 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 resources, 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 people and neighbourhoods and principal auditor.
- The group is overseeing the review and ownership of corporate policies in response to internal audit recommendations issued in September 2020.

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 2018-19 was presented to audit committee on 22 July 2019. The annual audit letter 2018-19 was presented to audit committee on 15 October 2019.
- For 2018-19 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 a risk due to increasing commercialisation activity but concluded proper arrangements were in place for informed decision making.

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
    - Gold award winner in the 'Climate Action of the Year' category, Global Good Awards 2020
    - Achieved silver standard status for the Council's Home Options service by the peer led, National Practitioner Support Service

- The city council's housing development on Goldsmith Street won the RIBA Sterling Prize 2019.

8. Governance issues and actions

8.1. 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.

8.2. 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).

Joint Venture Insourcing

In October 2018 Cabinet endorsed the recommendation to continue negotiations with Norse for the return of the joint ventures to the full control of the council. In September 2019 the Cabinet authorised the termination of the environmental services contract by giving 18 months' notice as allowed in the contract meaning new service provision will start from April 2021. The services include major front facing services such as housing repairs and maintenance, street cleaning and grounds maintenance. A joint venture insourcing project involving officers from neighbourhood housing, city development, citywide services, finance and resources is in place to develop arrangements for the smooth transition of services underpinned by strong governance. This will continue to be a key focus for the council during 2020/21 to ensure that arrangements are in place for the first phase of insourcing from April 2021.

The council will continue to address internal audit recommendations arising from their review of Norwich Regeneration Ltd. These findings will also inform the setup of robust governance arrangements being put in place in respect of the joint venture insourcing project.

Risk Management

Whilst the Council has in place an established strategy and policy that conforms to best practice, the need to improve the application of these processes has been identified to ensure that risk management is operating effectively at every level of its operations. Internal audit will assist services and the corporate leadership team to make improvements and develop a fluid and systematic approach to managing risk at both corporate and service levels.

Internal Audit Reviews

Significant control issues have been identified by Internal Audit in respect of one audit review which requires management resolution:

- Contract Management:

As part of the 2019/20 audit plan, a review of the housing repairs and responsive maintenance contract concluded limited assurance opinions in respect of both the control environment and compliance assurance. Examples of weaknesses identified as part of the audit review included a lack of evidence being retained supporting incentivisation share for the council, annual open book reviews not being completed and multiple issues regarding the collection and monitoring of key performance indicators.

Actions to address internal audit findings will be made by Managers and monitored by the council's audit committee. These are shown in Appendix 1.

9. 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.

NORWICH City Council

APPENDIX 1

ACTION PLAN

Issues & Challenges identified	Lead Officer	Target Implementation Date
Joint Venture Insourcing • Delivery of first phase of project including setting up of new company and associated governance arrangements	Director of People & Neighbourhoods	April 2021
Risk Management: • Overhaul and develop a new Corporate risk register • Develop new Directorate risk registers	Corporate Leadership Team	November 2020 November 2020
Address Internal Audit Findings:: • Housing repairs and responsive maintenance contract.management	Director of People & Neighbourhoods	March 2021

Report to	Audit committee	**Item**
	24 November 2020	8
Report of	Director of Resources (Section 151 Officer)	
Subject	Statement of Accounts and Audit Results Report 2019-20	

Purpose

This report presents the 2019-20 audited statement of accounts, the Audit Results Report, and draft letter of management representation.

Recommendation

The committee is asked to:

(1) approve the statement of accounts presented in Appendix 1 of the report, subject to the completion of any outstanding audit work; and, if any outstanding audit work gives rise to a material adjustment to the accounts, to delegate approval of the statement of accounts, as amended/adjusted in line with audit findings, to the chief finance officer, in consultation with the chair (or vice chair) of the committee;

(2) delegate to the chief finance officer, in consultation with the chair, the signing of the accounts by 30 November 2020.

(3) review and note the Audit Results Report from the council's external auditor (presented in Appendix 2 of the report[1])

(4) review and approve the draft letter of management representation presented in Appendix 3 of the report.

Corporate and service priorities
This report helps to meet all the corporate priorities

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.

Council Ward/s: All wards

Cabinet member: Councillor Kendrick – Resources

Contact officers

Annabel Scholes, interim director of resources (s151 officer)	01603 989201
Hannah Simpson, strategic finance business partner	01603 989569

[1] Appendix 2 – the independent auditors' ***Audit Results Report*** is to follow and will be circulated in advance of the meeting as a supplementary agenda.

Background documents: None

Report

2019-20 Statement of Accounts

1. The interim S.151 officer authorised the unaudited draft statement of accounts on 6 July 2020.

2. There is no requirement for the committee to approve the draft financial statements. These were however presented to the audit committee on 14 July 2020 for review.

3. Appendix 1 shows the audited statement of accounts. There are four changes from the draft accounts to which the Committee's attention is drawn.

   a) **Net Pension Liability** - Updated information was provided by the Norfolk Pension Fund's actuaries in relation to the Council's pension liability. Overall the net pension liability increased by £0.055m therefore increasing other long term liabilities in the balance sheet from £169.684m to £169.739m. The related disclosures in Note 45 have also been updated to reflect the final position.

   b) **Creditor classification adjustment –** There was a misclassification of £0.336m between debtors and creditors as a result of a miscoded journal. There is no overall effect on the bottom line of the council's balance sheet, however it increases both the short-term debtors and short-term creditor balances.

   c) **Going concern disclosure** - The statements have been prepared on a going concern basis. Due to the covid-19 pandemic and the impacts on the council's financial position in 20-21 and beyond, an enhanced disclosure has been included in Note 8 to support management's assessment of the council's going concern status.

   d) **Material Valuation Uncertainty -** To prepare the Statement of Accounts independent valuations have been undertaken on the council's property assets. Due to the timing of the Covid-19 pandemic, and continuing lack of information about the wider impacts on some asset classes, there is a higher degree of uncertainty than usual around these accounting estimates. There has been no adjustment to the value of the council's assets however an expanded disclosure has been included in Note 4 of the accounts. This provides further details on the assumptions and sensitivity of valuations.

4. There were no other material changes to the core statements or narrative disclosures, other than to update Note 8 Events after the Reporting Period.

Audit Results Report

5. The Audit Results Report 2019-20 (Appendix 2) will be circulated ahead of the audit committee meeting and a verbal update on progress provided at meeting.

6. The report will summarise the findings from the 2019-20 external audit. It will include the external auditor's draft opinion, their conclusions on significant risks, their assessment of the control environment, as well as the results of the work undertaken to assess arrangements to secure value for money in the council's use of resources**.**

Letter of Management Representation

7. Appendix 3 contains the draft Letter of Management Representation to be discussed and approved by the audit committee, as those charged with governance of the council, and signed by the chair of the audit committee and the interim director of resources (S.151 officer).

Statement of accounts

for the year ending 31 March 2020

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 2019/20", which is based on International Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.

This narrative report will provide the reader with:

- An understanding of the council, its strategic priorities, and the local and national context in which it operates.

- A summary of the council's financial performance for 2019/20 along with information on how well the Council delivered its key priorities during the year.

- The response and future challenges related to Covid-19.

- An overview of the council's medium term financial plans, future outlook, and key risks going forwards.

- A guide to the key features of the primary statements and notes that make up the financial statements.

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 2019/20 Annual Governance Statement can be found at: *https://www.norwich.gov.uk/downloads/download/1978/statement_of_accounts*

2. Norwich City Council

Norwich City Council is a district city council. It delivers services to the heart of the city, approximately 60% of the urban area, covering a population of some 141,137 (Source: 2018-based population projections, Office of National Statistics, March 2020). 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 2019/20 civic year was as follows:

- Labour 27 seats,
- Green Party 9, and
- Liberal Democrats 3.

Labour had a majority of the seats and therefore had overall control. The Cabinet for the 2019/20 civic year consisted of eight members of the Labour group including the Leader of the Council, as follows:

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

The Council employs 540.62 full time equivalent (FTE) employees (as at 31 March 2020). The actual number of employees is 640 of whom 399 are full time and 241 are part-time employees.

The Council delivers some of its services in partnership with other organisations, the most significant of these being Norse Property Services Norwich Ltd (land and property management), Norwich Norse Environmental Ltd (street and other cleansing, grounds maintenance and tree work), Norwich Norse Building Ltd (housing and non-housing repairs and maintenance), CNC Building Control, LGSS (provision of finance, internal audit, insurance and IT services) and NPLaw (legal services).

The council insourced the LGSS joint venture contracts on 1 April 2020. It also intends the insource the Norse joint venture contracts back into council control, with a view of the first transfer of services from April 2021.

3. Strategic direction of the Council

The corporate plan 2019-2022 sets out the overall strategic direction of the council including its vision, priorities and values. This guides everything the council will do for the city and its residents and visitors for the period. A copy of the Corporate Plan can be downloaded by following: https://www.norwich.gov.uk/info/20277/performance_and_open_data/1859/corporate_plan

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

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

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

Our mission: put people and the city 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. These are:

- People living Well
- Great neighbourhoods, housing and environment
- Inclusive economy

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. These are:

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

4. Local context

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

Detailed statistical information about the city can be found in The State of Norwich report found at https://www.norwich.gov.uk/downloads/file/6623/state_of_norwich

The 2019-22 Corporate Plan was developed in the light of the wider city vision work, which was undertaken under the 'Norwich 2040' banner. This started with a significant piece of resident and stakeholder engagement during 2016/17 and 2017/18 to identify consensus about what the strengths and challenges of Norwich are. It then continued with analysis of the findings to shape a vision for Norwich in 2040 which provides a shared set of aspirations for Norwich.

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

- Analysing information on levels of need in the city such as looking at demographics, economic, environmental and equalities data.
- Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.
- Understanding how other local authorities are responding to similar challenges.
- Looking at the potential future factors that may impact on Norwich and the council.
- Discussions with councillors and officers.
- Reflecting the Medium Term Financial Strategy and transformation programme which helps plan resource allocation.

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

5. National Context & Future Outlook

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

Covid-19

Since setting the 2020-21 budget in February 2020, the global economic environment has fundamentally shifted in light of the Covid-19 pandemic. It has not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21.

Council's Response

Using the established business continuity planning process, the council has been able to suspend certain non-essential services and re-deploy staff into areas and activities that have been critical to our emergency response. Key elements of the response have included:

- Ensuring the IT capabilities to allow staff to work from home;
- Establishing the Norwich Community Response Hub (NCR) which was set up to support the most vulnerable in the city. This has provided emergency food and supplies and made welfare calls;
- Changing the way many services delivered – for example customer contact services are have been delivered over the phone and via the norwich.gov.uk website;
- Continuing to meet statutory requirements with regards to homelessness and providing emergency housing support;
- Working hard to administer grants to thousands of small and retail businesses who are eligible under the government's scheme.

The council has already begun to consider areas of focus for how the council might operate moving forwards and some of the emerging key themes which will drive the wider city recovery plan.

https://www.norwich.gov.uk/news/article/358/ambitious_covid-19_recovery_plan_for_norwich_now_published

Financial Implications

The impacts of the pandemic on the council's financial position will be far-reaching. The full extent of Covid-19 on the council's finances will only become clear as the financial year unfolds. However, it is already apparent that there will be significant adverse impacts on the council's income budgets including from council tax payments, business rates, car parking fees, and rental income from commercial property investments. Initial estimates suggest the combined financial loss to the council could be up to £14m across both the general fund and housing revenue account over the next two years; however this position is constantly being refined as new information emerges. The pace of the economic recovery and level of financial support for local authorities will be key to determining the scale of the impact on the council.

The Government has provided some additional funding to Local Authorities to support them in responding to coronavirus, in particular playing a key role in maintaining critical frontline services, assisting vulnerable people and supporting businesses and individuals. To date, the council has been awarded £1.5m in covid-19 funding. This falls significantly short of the budget pressures the council is facing.

The recovery plan includes the following key financial actions:

- Continue to closely monitor and update budget impact analysis and regularly update members and senior officers;
- Continue to lobby Government to ensure the council and local government more widely is fully compensated for increased spending and loss of income associated with Covid-19;
- Corporate review of all 2020-21 revenue budgets to identify areas for immediately reducing in-year expenditure through additional controls on non-essential spend and recruitment;
- Review of the capital programme to ensure that the schemes still reflect the council's current priorities and that these are affordable in the new financial landscape;
- Update the council's Medium Term Financial Strategy, to understand the short to medium implications for the council's savings requirements and use of reserves. This work will feed into the 21/22 budget setting process.

Alongside these actions the council will need to draw on reserves during 2020-21 to balance its budget and then build them back up over future years. In the longer term, there will be a need to rebase our Medium Term Financial Plan in recognition of the impact of the pandemic and the council's strategic objectives.

Government Funding and Reforms

The financial year 2020/21 is the tenth year of austerity and government-imposed funding cuts. The city council has already made efficiency savings, including the generation of new income streams, of some £37.4m over these ten years and further gross savings/increased income of £2.1m proposed in 2020/21.

The financial settlement covered only 2020/21, with the government implementing a 'roll forward' finance settlement. A further one year delay has been recently announced to the longer-term local government financial reforms including the Fair Funding review, reset of business rates baselines, and changes to the business rates retention system. These all have critical implications for the distribution of funding across local government. At the same time, the council awaits the results of the 2020 Spending Review as this will affect the total level of funding available to local government as a whole from April 2021.

In light of the ongoing uncertainty, local authorities still have no reliable basis on which to appropriately plan their budgets as it is unclear how much funding there will be from April 2021, how it will be distributed, and the means of delivery.

6. Medium Term Financial Plans and Risks

The latest general fund Medium Term Financial Strategy (MTFS), Housing Revenue Account (HRA) Business Plan, and capital, investment & treasury management strategies were approved by Council in February 2020 and can be found at this link: The council's 2020/21 budget and medium term financial strategy.

The medium term financial plans outlined in the budget papers were developed prior to the Covid-19 pandemic. It is unclear at this stage what the final impact of this will be on the financial position of the council and how future savings requirements may be impacted. These will continue to be refined and updated as more information becomes available.

Before the pandemic there was already a significant medium to longer term pressure on the general fund which remains and may be exacerbated by any longer term economic impacts of the pandemic.

General Fund

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

The Medium Term Financial Strategy (MTFS) for the General Fund shows that forecast income is insufficient to fund forecast expenditure over the next five years. This is a result of cost pressures, such as inflation and Pension Fund deficit contributions, growth in demand for services, and reducing grants from central government (in particular Revenue Support Grant (RSG) and New Homes Bonus).

The forecasts in the MTFS, given the caveat that local government still does not know how intended changes to local government funding will impact on individual councils, show that a further £10m of gross savings will need to be found over the four year period from 2021/22. This quantum of savings represents 17% of the 2020/21 proposed gross expenditure budget (excluding the housing benefits budget, which is fully funded via central government housing subsidy).

General Fund MTFS 2020/21 to 2023/24

	2021/22	2022/23	2023/24	2024/25
Budget Requirement	20,789	23,129	25,414	27,474
Budget Resources	(16,149)	(16,580)	(17,024)	(17,479)
Budget Gap	**4,640**	**6,549**	**8,390**	**9,995**
Funding the budget gap:				
Cumulative gross savings needed	(2,490)	(4,980)	(7,470)	(9,960)
Planned use of reserves	(2,150)	(1,569)	(920)	(35)

The council will plan to implement these savings in a controlled manner and by taking a strategic and medium-term rather than a short-term approach. It can do this because it has built-up significant general fund reserves in recent years, both purposefully and through in-year underspending of the approved budget. These will be used to partially fund the budget in a planned way over the next four financial years whilst key Fit for the Future savings programmes are delivered.

There are a number of key themes of work that are being advanced to meet the savings challenge, which are thought at this initial stage, to be able to cover 30% to 40% of the medium term “budget gap”. These include:

- Increasing our income from commercial property and other sources
- Increasing the efficiency of our IT and services
- Supporting people to self-serve where they can
- Bringing some of our external contracts back into the council

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

However, difficult decisions will be required and it is almost inevitable that this council will need to review the nature and level of the services provided from 2021/22. The outcomes of the central government funding review will be critical in understanding the longer-term funding levels for the Council. A significant reduction in funding could require the council to move towards the provision of core statutory services only.

Housing Revenue Account (HRA)

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

The HRA does not face the same financial pressures as the council’s general fund, although the account has lost significant income over the past 4 years from the government’s enforced rent reduction. Additionally, there are significant risks to rental income streams arising from the COVID-19 pandemic along with the roll out of Universal Credit and the continuing Right-to-Buy legislation.

The HRA is forecast to make a surplus of income over expenditure of £6.7m in 2020/21 and it is proposed to use £2.1m of this surplus to fund capital investment in the housing stock. The remainder being transferred to reserves to finance new and replacement stock over the medium term.

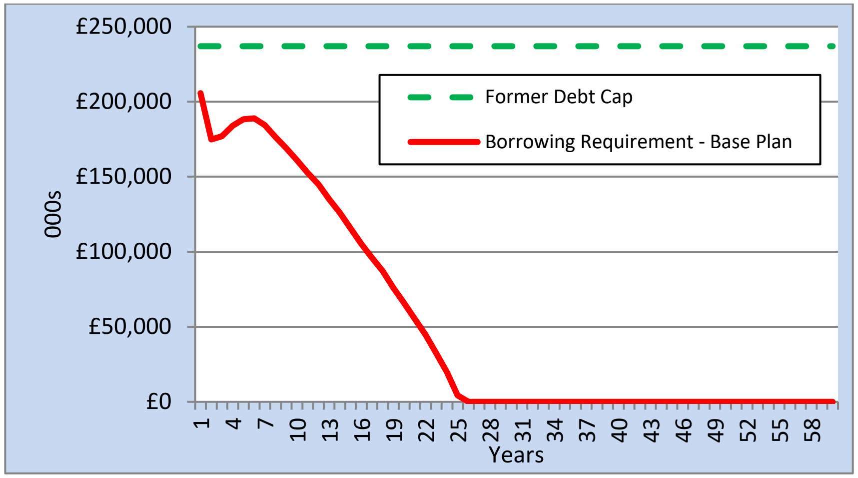
Following a four year period of enforced rent reduction, the Council was able to increase rent annually by up to CPI (Consumer Price Index) plus 1% from April 2020. This has increased the average weekly HRA rent to £78.91.

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

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

The council has developed a Housing Strategy which will help guide future investment decisions. The lifting of the HRA debt gap combined with the council's long term business planning approach and recent experience of house building mean that the council, through its HRA account, will seek to build more affordable homes in the city in the future. It has significant reserves that could be used for this purpose and the HRA Business Plan demonstrates significant "headroom" for the HRA to borrow whilst still ensuring the borrowing is prudent and affordable.

Ability to repay HRA borrowing



Capital Strategy

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

The council's proposed capital programme for 2020/21 is £65.5m. In addition further capital ambition projects may seek approval from council later in the year, subject to viable Business Cases.

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

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

The council's overall financial position

The council has a strong balance sheet and owns some £1 billion of long term assets (mostly land and property). In addition, it has significant general reserves both for the general fund (£9.47m) and HRA (£33.97m) as at 31 March 2020.

CIPFA has produced financial stress indicators for the council which show that it is not currently "at risk" (further detail provided in Section 8 of the budget report).

The council's general fund services are under the most financial pressure, both for revenue and capital expenditure. The huge uncertainties surrounding the economic environment post the Covid-19 pandemic plus the changes in the local government finance regime from 2021/22 hinder robust forward financial planning for the general fund.

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

The council holds £105.68m of investment properties which generate a revenue stream for the council. 14% of the General Fund's gross expenditure budget for 2020/21 will be funded from commercial income (investment property income and interest from lending to the council's wholly owned housing development company). A proportion of the income is set aside into earmarked reserves to mitigate against the risks associated with these commercial activities.

In March 2020 the government commenced a consultation on the Public Works Loan Board (PWLB) future funding terms. The consultation aims to work with local authorities and sector representatives to develop a targeted intervention to stop debt-for-yield activity while protecting the crucial work that local government does on service delivery, housing, and regeneration. The proposals, if implemented, would mean that the Public Works Loan Board would not be a source of lending to local authorities investing in commercial properties to generate income.

The council's 2020-21 capital budget contains £25m for asset investments (for either new properties or investment in the existing portfolio) with the aim of generating additional rental income. The council will await the outcome of the consultation before deciding whether to take forward any further investment.

The funding of non-financial investments along with the proposed capital programme and capital ambition projects will significantly increase the council's capital funding requirement (its indebtedness or underlying need to borrow). If projects and programmes proceed to plan, then the capital financing requirement will increase by £133m from 2018/19 to 2022/23, a 47% increase. The total indebtedness compared to the value of the council's assets (gearing ratio) increases from 27% in 2018/19 to 36% in 2022/23.

The council currently has £72m of cash holdings and will therefore need to borrow externally at some point to fund the capital financing requirement. The strategy for switching from internal to external borrowing is set out in in the Capital Strategy approved by Council in February 2020.

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

The overall proposed direction of travel means more focus is being given to enhanced options appraisal, Business Case preparation, financial modelling, and commercial awareness so that robust decisions can be made.

Financial Risks

Financially the Council faces a large number of challenges in the coming years. The 2020/21 Budget Report identified the key financial risks facing the Council which include:

- **Medium term financial uncertainty:** Given the lack of clarity on future local government funding post March 2021 it is currently not possible to undertake meaningful and robust medium term financial planning for the financial year 2021/22 and onwards.

- **Scale of general fund budget savings required over the medium term**: The proposals show a need, based on current financial planning assumptions, for the council to achieve gross savings totalling £10m over the 4 year period 2021/22 to 2024/25. Current savings and income generation plans, including the fit for the future programme, are thought at this initial stage, to be able to cover 30% to 40% of the medium term "budget gap".

- **Economic environment**: At the moment there is huge uncertainty surrounding the scale of the direct financial impact of the Covid-19 pandemic on the council's finances. The pace and manner of the economic recovery as well as the UK's future relationship with the EU give rise to significant financial uncertainty in the next few years.

- The economic downtown is having adverse impacts on the council's income budgets ranging from council tax payments, Business Rates, car parking fees, and rental income from commercial property investments. The full extent of the impact on the council's budgets will become apparent as the 2020-21 financial year progresses.

- In addition, any long term decrease in private house sales and prices will be financially challenging for the council's wholly owned subsidiary, Norwich Regeneration Limited. From the Council's perspective, there is a risk that the company is unable to repay its loan financing in full.

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

- **Business Rates income**: This is a highly volatile source of revenue and various factors, including business closures, successful appeals against rateable values, changes in property usage from office/industrial to residential, and changes to the health of the local and national economy can cause reductions in business rate revenue. Norwich City Council currently collects some £76m of business rates income and is budgeted to retain some £6.7m in 2020/21. Central government have used Business Rates as a key mechanism to help business in light of the Covid-19 pandemic. As a result of additional reliefs announced, the rates income collected by the council will reduce but it will be compensated through a government grant.

- **Increasing reliance on commercial income and fees and charges:** The council's General Fund revenue budget contains some £7.5m of rental income from investment properties as well as £0.5m generated by lending to Norwich Regeneration Limited. This income currently funds 14% of the General Fund gross revenue budget. In addition, the council receives significant income from car parking and there is a risk associated with such a reliance on a single source of income.

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

The corporate plan 2019-22 established three corporate priorities: people living well; great neighbourhoods, housing and environment; and inclusive economy. It also contained the objective of maintaining a healthy organisation. The performance framework aims to measure progress against these through over 100 outcome and output measures or key performance indicators (KPIs).

The below table summarises the number of KPIs under each corporate priority which are RAG rated red, amber or green and the number where data is not available or is not due to be reported this quarter. Green is on target, amber provides an early warning for possible intervention and red suggests intervention is necessary.

Corporate priority	Number of KPIs RAG rated			Data not available to date	Data not due for reporting in Q4
	Red	Amber	Green		
People living well	1	1	6	9	0
Great neighbourhoods, housing and environment	3	2	6	3	2
Inclusive economy	0	0	2	12	0
Healthy organisation	0	1	4	9	0

Areas to highlight from the performance reporting include:

- Volunteer hours in parks and open spaces has significantly exceeded its target for quarter four, totalling over 16,000 hours for the year. This reflects work to form and support new groups and to develop the skills and confidence of existing groups so that they are enabled to deliver tasks independently.

- The proportion of food premises moving from compliant to non-compliant remains above target at 88% for quarter four. The food safety team has continued to support businesses with advice and training and taking enforcement measures where it has been necessary.

- The proportion of planning appeals won has remained high and significantly above target at 87%; this is also above the national average for planning authorities which varies year on year between 66-70%.

- The digital inclusion project continued with high levels of customers reporting increased skills and confidence for the period January to March 2020.

- Norwich City Council has made an additional 2.5% reduction in its carbon emissions for 19-20 (slightly under the target range of 3-6%) but taking the total reduction to 59.6% saving against its target of 40% by 2019.

- A combination of more complex case work, including HMO enforcement work and a major appeal case, combined with the impact of Covid-19 has meant that the number of private rented sector homes made safe is under target in quarter 4. This area of work and the KPI for it will be reviewed for 2020-21.

- The proportion of council homes rated at energy efficiency rating C or higher stands at 79.84% for 19-20, with the insulation upgrade programme continuing.

- It has not been possible to gather quarter four data for several KPIs as a result of disruption due to Covid-19. Where possible, quarter four data will be included in upcoming Cabinet reporting for 2020-21.

For full details and further information on the Council's performance, please see the report to Cabinet on 8 July which can be accessed here.

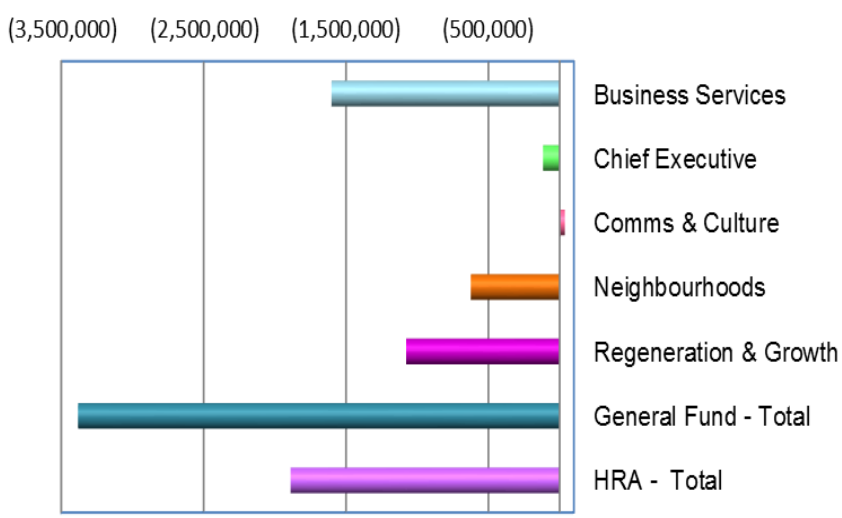
8. 2019/20 Financial Performance

Revenue Expenditure

2019/20 actual against budget for each service area

Cost of Services	Budget £000	Actual £000	Variance £000
Business Services	(12,718)	(14,319)	(1,601)
Chief Executive	368	252	(117)
Communications & Culture	1,731	1,768	37
Neighbourhoods	12,935	12,311	(624)
Regeneration & Growth	(2,316)	(3,393)	(1,077)
Housing Revenue Account	0	(1,889)	(1,889)
Net revenue expenditure	**0**	**(5,271)**	**(5,271)**

2019/20 underspends (£000) for each service area



2019/20 General Fund outturn

General Fund	Budget £000	Actual £000	Variance £000
Expenditure	152,594	152,338	(256)
Income	(57,955)	(58,798)	(843)
Grants and subsidies	(94,639)	(96,922)	(2,283)
Total in year variance	**0**	**(3,382)**	**(3,382)**
Budgeted reserves used in year			1,458
Transfer to NRL from general reserve			730
Transfer to commercial property reserve			989
Transfer to NRL reserve			1,578
Transfer 19-20 repairs underspend to repairs reserve			257
Transfer 19-20 underspend to invest to save reserve			557
Total movement in GF reserve (as shown in the EFA & the movement in reserves statement)			**2,188**

The final outturn for the General Fund is a surplus of £3.4m which represents 2.2% of the gross expenditure budget reflecting sound financial management and good budgetary control.

Detailed information on how service areas performed against budget in 2019/20 is provided in the outturn report to Cabinet on 8 July 2020.

Significant key variances are as follows:

- £1.06m underspend on budgeted external borrowing costs relating to commercial property acquisitions and lending to the Council's wholly owned subsidiary Norwich Regeneration Ltd. This expenditure has been funded in the short term from internal cash resources, with the expectation that external borrowing will be required in the short to medium term.

- £1.04m underspend on revenue contribution to capital as a higher proportion of capital spend has been funded from capital receipts
- £0.40m unrequired corporate contingency budget
- £0.39m underspend on employee costs as a result of staff turnover
- £0.36m unbudgeted dividend from Legislator 1656 Ltd in relation to the sales of shares in Norwich Airport Ltd
- £0.26m underspend due to implementation of a revised and more accurate method of calculating recharges between the GF & HRA
- £0.26m underspend on building repair costs; this will be earmarked to address asset maintenance requirements in 2020/21.
- £0.12m underspend on minimum revenue provision due to later acquisition of investment properties than originally anticipated

The overall underspend was partially offset by:

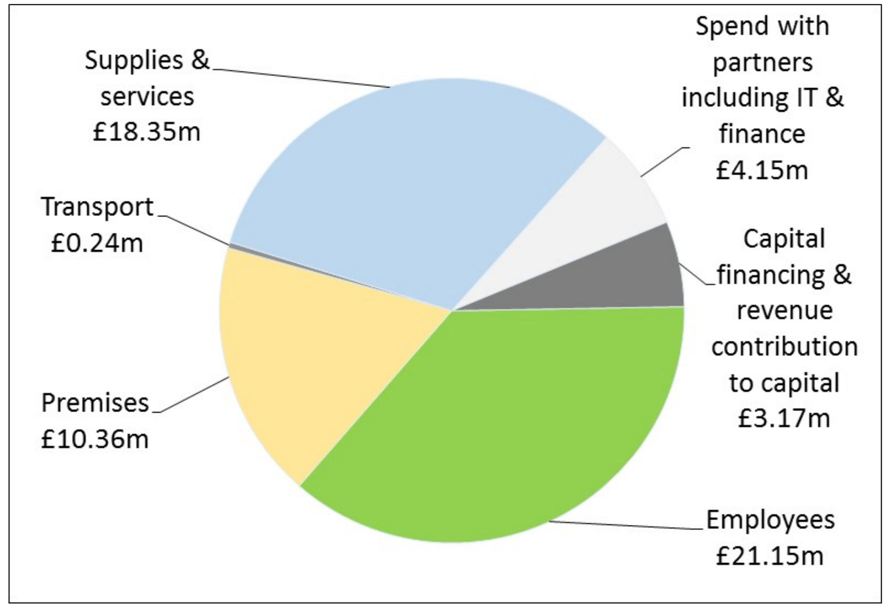
- £0.53m overspend on housing benefit due to slightly lower than anticipated recovery rates

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

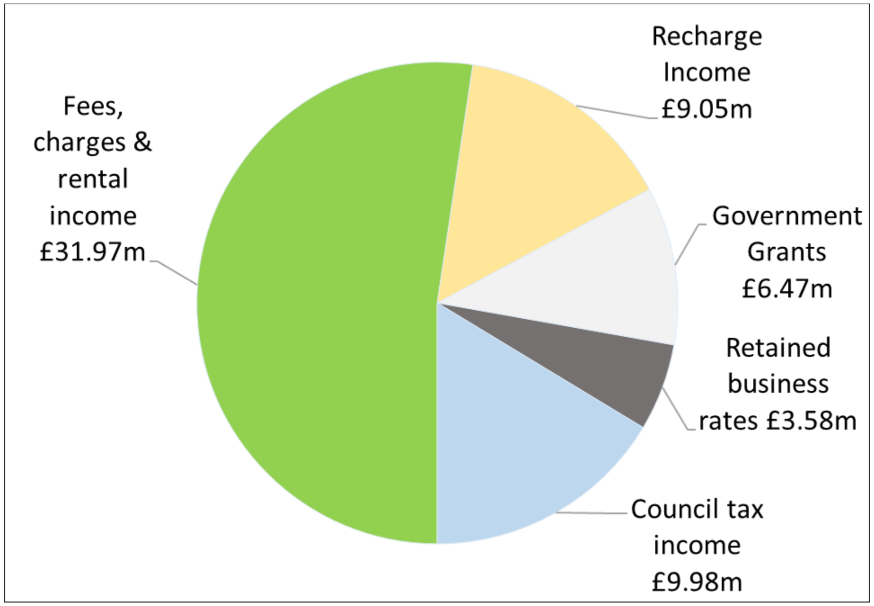
The underspends relating to minimum revenue provision and a proportion of the external borrowing costs have been transferred into the Council's Commercial Property earmarked reserve. This was established to reduce the risks associated with holding commercial property by providing funding for any future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

The following pie charts show how the money was spent (excluding housing benefit payments) and where the money came from in 2019/20.

General Fund – how the money was spent in 2019/20 (£57.67m)



General Fund - where the money came from in 2019/20 (£61.05m)



2019/20 Housing Revenue Account outturn

HRA	Budget £000	Actual £000	Variance £000
Expenditure	68,202	66,277	(1,926)
Income	(68,202)	(68,166)	36
Total in year variance	**0**	**(1,889)**	**(1,889)**
Budgeted contribution to reserves			(2,175)
Transfer to HRA invest to save reserve			1,000
Total movement in HRA reserve (as shown in the EFA & the movement in reserves statement)			**(3,064)**

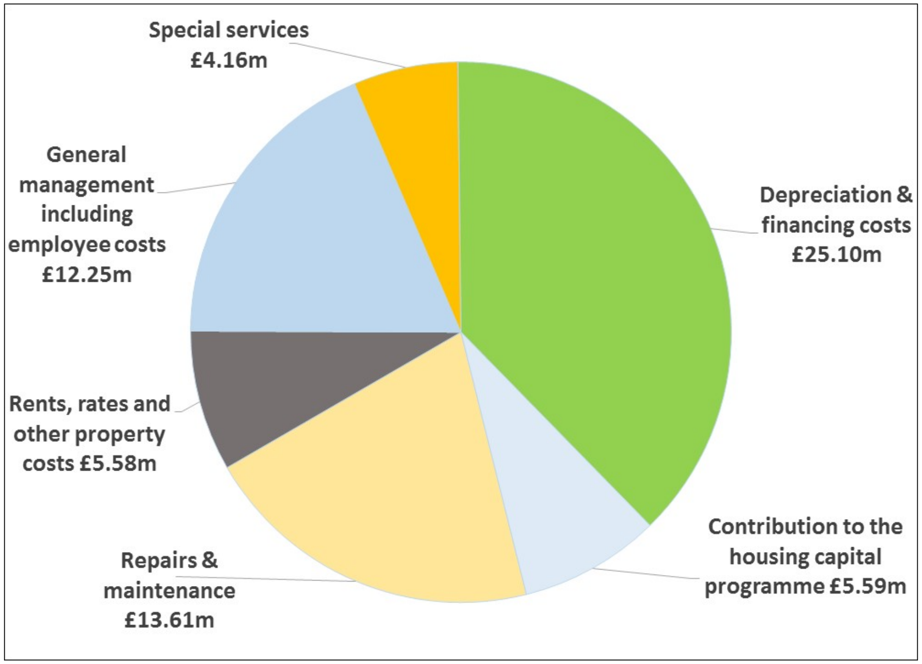
The final outturn position for the HRA is a surplus of £1.89m which represents 2.8% of the total expenditure budget.

The underspend is largely a result of the reduced need for responsive repairs on HRA dwellings and reduced revenue contribution to capital, totalling £0.8m. The other significant area of underspending was in HRA general management including staffing costs and the HRA contingency budget along with reduced recharge expenditure from the GF.

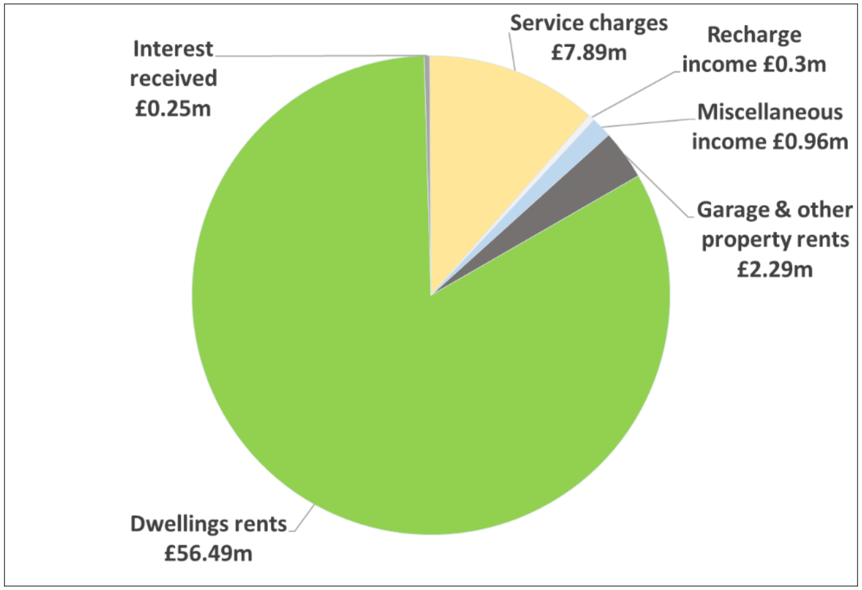
Reserves position

This is shown in the 2019/20 Statement of Accounts section of this narrative report in section 9.

HRA – how the money was spent in 2019/20 (£66.30m)



HRA- where the money came from in 2019/20 (£68.19m)



Capital Expenditure

2019/20 capital outturn

Fund	Budget £000	Actual £000	Variance £000
General Fund capital	59,253	48,760	(10,492)
HRA capital	54,953	28,744	(26,209)
Total	**114,206**	**77,505**	**(36,702)**

2019/20 funding of the capital programme

Source of Funding	£000
Borrowing	42,316
Revenue Contribution (RCCO)	5,797
Major Repairs Reserve (MRR)	16,750
Retained One for One RTB (Right To Buy) Capital Receipts	4,924
Other Capital Receipts	1,972
City Cycle Ambition Grant	1,780
Grants & Contributions funding	2,695
CIL (Community Infrastructure Levy) Strategic Pool	789
Section 106	37
Leaseholder Contributions	445
Funding of 2019/20 Capital Programme	77,505

For 2019/20, a sum of £25m was approved in the General Fund capital budget for commercial property acquisition, along with an additional £20.6m that was carried forward from the previous year. This has enabled the council to continue its programme of upgrading and growing its investment property portfolio by selling smaller, less valuable assets and/or assets that take a lot of management time, and replacing them with better quality and higher yielding investment property.

During the year, a total of £42.1m was spent on acquiring five new investment properties and substantially upgrading four others. This investment has continued to increase the commercial rental income which has more than achieved the net commercial rental income target set in the MTFS of £500k in 2019/20.

During the 2019/20 financial year, the housing capital programme delivered upgrades to over 4,870 council homes, including heating upgrade works to over 750 properties, over 370 new kitchens, 680 new bathrooms and 590 replacement doors. Additionally, over 1,000 properties have benefitted from structural or roofing upgrades whilst 150 properties received renewable energy installations or additional insulation.

The development of council homes has continued, with the completion of the final 50 new Passivhaus homes at the award winning Goldsmith development. In addition, 35 new homes have been completed at Rayne Park by Norwich Regeneration Ltd and purchased by the HRA and 6 new homes created from former council offices at Bullard Road.

Grants of Right to Buy receipts to Registered Providers totalling £2.18m have also enabled the development of further new affordable homes in the city.

Detailed information on 2019/20 performance against the capital budget is provided in the outturn report to Cabinet on 8 July 2020.

New HRA homes at Bullard Road development

9. 2019/20 Statement of Accounts

The Statement of Accounts sets out the financial performance of the Council for the year ended 31 March 2020 and its financial position at that date.

It comprises core and supplementary statements together with disclosure notes.

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

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

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

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

Expenditure and Funding Analysis

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

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

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

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

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

Key figures to note:

Net (Surplus) / Deficit on General Fund and HRA balance in year	*This part of analysis shows how annual expenditure is used and funded from resources (government grants, fees & charges, council tax and business rates).* For the General Fund the year-end outturn position is a surplus of (£1.72m), alongside total transfers to reserves of £3.91m 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 (£4.34m), alongside total transfers to reserves of £1.27m. This results in an overall increase in HRA general reserves of £3.07m.
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 £11.9m 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 deficit of £5.83m.

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 2019/20 cost of services is a deficit of £18.07m compared to a deficit of (£10.38m) in 2018/19.
	The main reason for the movement is an in-year revaluation loss on the Council's HRA dwellings compared to the prior year where there was a revaluation gain.
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 (£5.57m) surplus largely arising from gains on the disposal of HRA dwellings (against the carrying value of the properties) and a profit on the long lease of the airspace above council owned land.
Financing and investment income and expenditure	*Includes interest receivable and payable, net rental income on the properties held purely for investment purposes; and the interest element of the pension fund liability.* The net costs have increased from 2018/19 due an impairment of £4m on the council's loan to its wholly owned subsidiary. This is based on an assessment of how much of the current loan balance may not be recoverable from the company.
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 do3 not impact on the general fund reserve balances, being reversed out through the Movement in Reserves Statement.

Movement in Reserves Statement (MIRS)

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

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

Reserves are analysed into two categories: usable and unusable.

Usable reserves

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

Unusable reserves

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

Key figures to note:

Opening Balances	*These are the same as the previous year's closing balances.*
Total comprehensive income	This is £5.83m 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 (£16.46m) 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, NRL reserve, general fund repairs reserve, commercial property reserve and the insurance reserve.
Closing Balances	These agree with the figures shown in the Balance Sheet with total usable reserves of £123.38m and unusable reserves of £580.73m.

A description of each of the Council's useable reserves and the amount held in the reserve as at the end of 2019/20 is shown below.

Reserve	Purpose	Amount as at 31/3/20 (£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.	**9,464**
Invest to save reserve	The reserve has been set up to support the delivery of savings and efficiencies. The reserve is expected to be utilised to support the implementation of a new ways of working and IT investment over the next 2-3 years.	**3,010**
Revenue grants unapplied reserve	This holds the grants and contributions received which have yet to be applied to meet expenditure. The use of the balance is restricted and can only be used to fund the specific expenditure/service area awarded the grant income.	**1,840**
S31 Earmarked reserve	This holds the unutilised balance of the S31 grant monies received from central government to fund Business Rates relief. These monies will be transferred to the General Fund Reserves as and when required to offset any future Business Rates deficit.	**2,045**

Insurance reserve	This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual review.	**1,085**
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.	**2,047**
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.	**19**
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). It has been increased in year to also provide a buffer in case the company is unable to repay the loan balance in full.	**4,000**
General Fund Repairs Reserve	This is to provide future funding for required maintenance on general fund properties, the costs of which can vary each year according to the differing repairs requirements.	**444**
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.	**33,968**
Invest to save reserve	This will fund the HRA's share of implementing the Fit for the Future programme (see above).	**2,500**
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.	**8,307**
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.	**51,069**

	The breakdown of the reserve is as follows: • £6.9m General Fund – earmarked to fund the 5 year capital programme • £23.2m HRA - included within HRA Business Plan funding (in line with forthcoming housing strategy) for specific schemes • £21m HRA Retained One for One receipts - earmarked for new build social housing but can only fund 30% of total cost of scheme.	
Capital grants unapplied	This holds the grants and contributions received towards capital projects which have yet to be applied to fund expenditure. The use of the balance is restricted and can only be used to fund the specific capital projects awarded the grant income.	**3,462**
TOTAL USEABLE RESERVES		**123,373**

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 2020. 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 £704.16m. With a current ratio (current assets/current liabilities) of 1.7:1, the Council is able to pay all its short term liabilities with current assets and is holding cash and cash equivalents of £35.99m.

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 £930m as at 31 March 2020 – a decrease of £1m the prior year. This is mainly driven by asset additions of £28m, disposals of £9m and downward revaluations of £17m. The Council dwelling valuations are undertaken annually by qualified valuers. As at 31 March 2020 there were 14,657 HRA council dwellings, which is a reduction of 72 units from 2018/19. This is includes the loss 162 dwellings mainly

	through Right to Buy sales and the addition of 90 mainly new build dwellings. Although much smaller in value than property, plant and equipment, the Council has continued to grow its investment property portfolio during 2019/20. There were additions during the year of £43.1m. This is largely due to the acquisition of five new commercial properties (£41.2m) and investment in upgrading four existing properties (£0.9m). Long term debtors total £11.2m at 31 March. This includes the loan balance with the Council's wholly-owned subsidiary Norwich Regeneration Ltd of £9.4m along with a £4.0m provision for doubtful debt to reflect the fact that the company is unlikely to be able to repay the balance in full. Another significant debtor balance relate to Housing Benefit overpayments (£1.5m).
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 £36m at 31 March 2020. The balances have increased by £11.8m from the prior year. Short term investments however total £9m, which is a decrease of £17m from the prior year. The Council has continued to be able to fund a significant proportion of its commercial investment property purchases from existing cash and investments balances. The returns from these activities are higher than the interest income obtainable in the market for short term cash investments. Short term debtors includes housing rent debt, VAT recovery claim, collection fund debtors and trade receivables.
Current Liabilities	*Short term creditors include trade creditors, collection fund shares for central government and Norfolk County Council and year end expenditure accruals. These are amounts which are anticipated to be settled within 12 months.* The short term creditors balance has increased by £3.2m from 18/19 due in part to a higher adjustment for housing rents received in advance of the year end.
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 increased from £201m to £221m due to a new loan being taken out to fund capital expenditure. The Council has not repaid any 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 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 108 rating appeals outstanding from the 2010 rating list.

The provision allowance has been increased in 2019/20 to continue to provide coverage of the new 2017 ratings list. To date only a small number of rating challenges have been received and a provision has therefore been created based on historic appeals trends until further information is available.

Pension Liabilities - *The* Council has net pension liabilities of £170m 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 2019.

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 £11.79m over the year to give a closing balance of £35.99m.

The cash flow adjusts the CIES net surplus for the impact of non-cash transactions including asset revaluations and impairments of £14m, depreciation of £18m, and the movement in debtors and creditors. After adjustments there was a net cash inflow of £28.5m from operating activities.

Within the investing activities the main cash outflows related to the purchase of plant property and equipment (£28m) and the purchase of investment properties (£43m). This was offset by the receipt of £14m of capital proceeds.

The main movement in the financing activities was a cash inflow arising from additional borrowing from the Public Works Loan Board of £20m. This was taken to support capital expenditure incurred.

Housing Revenue Account (HRA)

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

Key figures to note:

The statement shows that the HRA surplus for the year has decreased from £17m in 2018/19 to £8m in 2019/20. This has arisen due to a revaluation loss on local authority housing dwelling compared to a revaluation gain in the previous year.

Collection Fund

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

Key figures to note:

In 2019/20 a total of £79.1m was raised in Business Rates and £70.9m in Council Tax (after council tax reduction scheme).

Overall the non-domestic rates element of the collection fund is in a £2.4m surplus position. This is due to resulting from higher than anticipated gross rateable values and a lower required contribution to the appeals provision. This surplus will be shared across the relevant bodies (Norwich City Council, Central Government and Norfolk County Council) in 2020/21 and 2021/22.

The council tax element of the collection fund is showing a £3.4m surplus. This will be distributed to the relevant bodies in future years.

Group Financial Statements

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

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

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

The company's vision and over-arching objective is to deliver sustainable and balanced communities primarily in Norwich. Its aims are to:

- Accelerate housing delivery in the City
- Catalyse regeneration opportunities
- Generate a return for the council's General Fund.

NRL's first project is a housing development at Rayne Park in Threescore. This commenced on site in May 2017 and to date 79 homes have been completed in Section 1 of the site. In April 2019, 31 units from the site were sold to the HRA for social letting.

Overall however, the first phase of the development has been built at a loss to the company, due partly to lower than expected property sales values and private sector rental returns. This has led to revisions to sections 2-4 of Rayne Park, this is currently under construction and expected to deliver a further 74 homes over the next 12 months.

Alongside this, NRL also managed a renovation scheme for the HRA at Bullard Road to deliver 6 social homes, this completed in July 2019.

The retained losses in Norwich Regeneration Limited are £3.57m at the end of 2019/20. The company however has long term assets - property that it is renting on the private sector market valued at £2.95m and work in progress assets of £5.76m.

Rayne Park Development

In order to finance the development, NRL borrows money at commercial interest rates from the Council. As at 31 March 2020 the company has a loan outstanding with the Council of £9.4m.

Further lending and equity will be required in 2020-21 to meet the company's on-going cash flow requirements to complete Sections 2-4 of Rayne Park. This requirement has been impacted by the Covid-19 pandemic and there are clear risks that sales of properties may not proceed at the pace or value originally forecast.

An increased to the maximum loan facility of up to £21m was approved by Full Council in June 2020 to enable the company to cover all remaining contractual costs and company overheads. Loan financing will only be drawn down as required by the company; and both NRL and the council will continue to work closely to monitor the cash position and reduce costs where appropriate.

The company's Business Plan for the next five years includes further housing development at the Threescore site, and other potential developments on Council-owned land. The Business Plan sets out what is required for the company to grow and return an annual profit over the next five years. This business plan will continue to be kept under review in light of the impact of Covid-19 on the housing market as well as the council approach to commissioning development.

A draft Statement of Accounts for Norwich Regeneration Limited has been prepared and will be subject to audit by Aston Shaw. The accounts will be presented to the company's Board of Directors in July 2020 for approval.

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.

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 2020 and its income and expenditure for the year then ended.

Signed: Date:

Annabel Scholes
Director of Resources (S.151 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 2019/20

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 Comprehensive Income and Expenditure Statements (CIES). The Note shows how the Council has used available funding in providing services, in comparison with those resources that the Council has consumed or earned in accordance with generally accepted accounting practices.

	Net Expenditure Chargeable to the GF & HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000
Business Services	10,775	1,590	12,365
Chief Executive	879	7	886
Communications & Culture	4,652	520	5,172
Regeneration & Growth	(1,648)	6,989	5,341
Neighbourhoods	9,602	939	10,541
Housing Revenue Account	(15,781)	(453)	(16,235)
Net Cost of Services	**8,479**	**9,591**	**18,070**
Other income & expenditure	511	(6,083)	(5,572)
Financing and Investment Income	3,152	12,474	15,626
Taxation and non-specific grant income	(18,196)	(4,098)	(22,296)
(Surplus) or deficit	**(6,055)**	**11,884**	**5,829**
Opening General Fund and HRA balance at 31 March 2019	(42,556)		
Net (Surplus) / Deficit on General Fund and HRA balance in year	(6,055)		
Transfer between reserves	5,179		
Closing General Fund and HRA balance at 31 March 2020	**(43,432)**		
Analysed between General fund and HRA balances	**General Fund**	**HRA**	**Total**
Opening General Fund and HRA balance at 31 March 2019	(11,653)	(30,903)	(42,556)
Net (Surplus) / Deficit on General Fund and HRA balance in year	(1,720)	(4,335)	(6,055)
Transfer between reserves	3,909	1,270	5,179
In year movement in reserves	**2,189**	**(3,065)**	**(876)**
Closing General Fund and HRA balance at 31 March 2020	**(9,464)**	**(33,968)**	**(43,432)**

	Adjustments for capital purposes	Net Changes for Pension adjustments	Other Difference	Total Adjustments
	£'000	£'000	£'000	£'000
Business Services	(1,435)	(160)	5	**(1,590)**
Chief Executive	-	(7)	-	**(7)**
Communications & Culture	(485)	(35)	-	**(520)**
Regeneration & Growth	(6,938)	(50)	-	**(6,989)**
Neighbourhoods	(892)	(47)	-	**(939)**
Housing Revenue Account	508	(54)	-	**453**
Net Cost of Services	**(9,242)**	**(353)**	**5**	**(9,591)**
Other income & expenditure	6,083	-	-	**6,083**
Financing and Investment Income	(7,562)	(4,912)	-	**(12,474)**
Taxation and non-specific grant income	4,127	-	(29)	**4,098**
(Surplus) or deficit	**(6,594)**	**(5,265)**	**(24)**	**(11,884)**

Expenditure Funding Analysis 2018/19

	Net Expenditure Chargeable to the GF & HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000
Business Services	9,709	6,241	15,950
Chief Executive	869	1	870
Communications & Culture	4,412	555	4,967
Regeneration & Growth	(1,900)	6,635	4,734
Neighbourhoods	9,687	930	10,617
Housing Revenue Account	(13,343)	(13,413)	(26,756)
Net Cost of Services	**9,434**	**949**	**10,382**
Other income & expenditure	935	(3,341)	(2,406)
Financing and Investment Income	4,091	7,331	11,422
Taxation and non-specific grant income	(17,101)	(4,416)	(21,516)
(Surplus) or deficit	**(2,642)**	**523**	**(2,119)**
Opening General Fund and HRA balance at 31 March 2018	(43,644)		
Net (Surplus) / Deficit on General Fund and HRA balance in year	(2,642)		
Transfer between reserves	3,730		
Closing General Fund and HRA balance at 31 March 2019	**(42,556)**		
Analysed between General fund and HRA balances	**General Fund**	**HRA**	**Total**
Opening General Fund and HRA balance at 31 March 2018	(13,156)	(30,488)	(43,644)
Net (Surplus) / Deficit on General Fund and HRA balance in year	(1,040)	(1,602)	(2,642)
Transfer between reserves	2,543	1,187	3,730
In year movement in reserves	**1,503**	**(415)**	**1,088**
Closing General Fund and HRA balance at 31 March 2019	**(11,653)**	**(30,903)**	**(42,556)**

	Adjustments for capital purposes	Net Changes for Pension adjustments	Other Difference	Total Adjustments
	£'000	£'000	£'000	£'000
Business Services	(1,214)	(5,119)	93	**(6,241)**
Chief Executive	-	(1)	-	**(1)**
Communications & Culture	(548)	(7)	-	**(555)**
Regeneration & Growth	(6,624)	(10)	-	**(6,635)**
Neighbourhoods	(922)	(8)	-	**(930)**
Housing Revenue Account	13,424	(10)	-	**13,413**
Net Cost of Services	**4,115**	**(5,156)**	**93**	**(949)**
Other income & expenditure	3,341	-	-	**3,341**
Financing and Investment Income	(2,336)	(4,995)	-	**(7,331)**
Taxation and non-specific grant income	2,646		1,770	**4,416**
(Surplus) or deficit	**7,766**	**(10,151)**	**1,863**	**(523)**

Comprehensive Income and Expenditure Statement (CIES)

		2019/20			2018/19		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Business Services		63,727	(51,363)	12,364	74,471	(58,521)	15,950
Chief Executive		913	(27)	886	877	(7)	870
Communications & Culture		6,220	(1,048)	5,172	6,139	(1,172)	4,967
Regeneration & Growth		18,236	(12,895)	5,341	17,443	(12,709)	4,734
Neighbourhoods		18,004	(7,464)	10,540	17,301	(6,684)	10,617
Housing Revenue Account		51,148	(67,382)	(16,234)	40,762	(67,518)	(26,756)
Cost of Services		**158,248**	**(140,179)**	**18,069**	**156,993**	**(146,611)**	**10,382**
Other Operating Expenditure	**11**			(5,572)			(2,406)
Financing and Investment Income and Expenditure	**12**			15,626			11,422
Taxation and Non-Specific Grant Income	**13**			(22,296)			(21,517)
(Surplus) / Deficit on Provision of Services				**5,827**			**(2,119)**
(Surplus) / deficit on revaluation of non-current assets	**14, 15 & 24**			(3,564)			(2,267)
(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	**18**			(1,198)			569
Actuarial (gains) / losses on pension assets / liabilities	**45**			(39,752)			16,057
Other Comprehensive (Income) and Expenditure				**(44,514)**			**14,359**
Total Comprehensive (Income) and Expenditure				**(38,687)**			**12,240**

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 1 April 2019	**11,653**	**10,555**	**30,903**	**1,500**	**43,154**	**9,796**	**5,141**	**112,702**	**552,720**	**665,422**
<u>Movement in reserves during 2019/20</u>										
Surplus/ (deficit) on provision of services	(13,530)	-	7,701	-	-	-	-	(5,829)	-	(5,829)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	44,514	44,514
Total Comprehensive Income & Expenditure	**(13,530)**	**-**	**7,701**	**-**	**-**	**-**	**-**	**(5,829)**	**44,514**	**38,685**
Adjustments between accounting basis & funding basis under regulations (note 9)	15,250	-	(3,366)	-	7,739	(1,489)	(1,679)	16,456	(16,456)	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**1,720**	**-**	**4,335**	**-**	**7,739**	**(1,489)**	**(1,679)**	**10,627**	**28,058**	**38,685**
Transfers to/from Earmarked Reserves (note 10)	(3,909)	4,048	(1,139)	1,000	-	-	-	-	-	-
Transfers between reserves	-	-	(131)	-	176	-	-	45	(45)	-
Other Adjustments	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in 2019/20	**(2,189)**	**4,048**	**3,065**	**1,000**	**7,915**	**(1,489)**	**(1,679)**	**10,672**	**28,013**	**38,685**
Balance at 31 March 2020 carried forward	**9,464**	**14,603**	**33,968**	**2,500**	**51,069**	**8,307**	**3,462**	**123,373**	**580,733**	**704,106**

	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 2018	**13,156**	**7,860**	**30,488**	**500**	**33,997**	**7,000**	**8,079**	**101,080**	**577,083**	**678,163**
Adjustments for the restatement of financial instruments under IFRS 9	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(501)**	**(501)**
Balance at 1 April 2018	**13,156**	**7,860**	**30,488**	**500**	**33,997**	**7,000**	**8,079**	**101,080**	**576,582**	**677,662**
Movement in reserves during 2018/19										
Surplus/ (deficit) on provision of services	(14,832)	-	16,951	-	-	-	-	2,119	-	2,119
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(14,359)	(14,359)
Total Comprehensive Income & Expenditure	**(14,832)**	**-**	**16,951**	**-**	**-**	**-**	**-**	**2,119**	**(14,359)**	**(12,240)**
Adjustments between accounting basis & funding basis under regulations (note 9)	15,872	-	(15,349)	-	9,005	2,796	(2,938)	9,386	(9,386)	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**1,040**	**-**	**1,602**	**-**	**9,005**	**2,796**	**(2,938)**	**11,505**	**(23,745)**	**(12,240)**
Transfers to/from Earmarked Reserves (note 10)	(2,543)	2,695	(1,152)	1,000	-	-	-	-	-	-
Transfers between reserves	-	-	(35)	-	152	-	-	117	(117)	-
Other Adjustments	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in 2018/19	**(1,503)**	**2,695**	**415**	**1,000**	**9,157**	**2,796**	**(2,938)**	**11,622**	**(23,862)**	**(12,240)**
Balance at 31 March 2019 carried forward	**11,653**	**10,555**	**30,903**	**1,500**	**43,154**	**9,796**	**5,141**	**112,702**	**552,720**	**665,422**

Balance Sheet

	Notes	31-Mar-20	31-Mar-19
		£'000	£'000
Property, Plant & Equipment	14	930,027	931,415
Heritage Assets	15	25,553	25,545
Investment Properties	16	105,677	65,931
Intangible Assets	17	621	573
Long term Investments	19	4,852	4,478
Long Term Debtors	20	11,209	18,186
Long Term Assets		**1,077,939**	**1,046,128**
Short Term Investments	21	9,000	26,000
Assets Held for Sale	24	131	380
Short term Debtors	22	13,252	12,840
Inventories		28	28
Cash and Cash Equivalents	23	35,989	24,199
Current Assets		**58,400**	**63,447**
Short Term Borrowing	18	(886)	(806)
Short Term Creditors	25	(33,736)	(30,536)
Capital Grants Receipts in Advance Short Term	39	(488)	(704)
Current Liabilities		**(35,110)**	**(32,046)**
Long Term Creditors	26	(2,805)	(2,688)
Long term Borrowing	18	(220,136)	(199,900)
Other Long Term Liabilities	44	(169,739)	(204,221)
Provisions	27	(3,135)	(3,517)
Capital Grants Receipts in Advance Long Term	39	(1,306)	(1,781)
Long Term Liabilities		**(397,121)**	**(412,107)**
Net Assets		**704,108**	**665,422**
Usable Reserves	28	123,375	112,702
Unusable Reserves	29	580,732	552,720
Total Reserves		**704,107**	**665,422**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Signed: Date:

Annabel Scholes

Director of Resources (S.151 Officer)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities.
The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing by the Council).

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

	Notes	2019/20	2018/19
		£'000	£'000
Net surplus or (deficit) on provision of services		(5,827)	2,119
Adjustments to net surplus or deficit on provision of services for non-cash movements	30	50,750	42,937
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	(16,401)	(17,622)
Net cash flows from Operating Activities		**28,522**	**27,434**
Investing Activities	31	(36,082)	(33,472)
Financing Activities	32	19,349	1,881
Net Increase or (decrease) in cash and cash equivalents		**11,789**	**(4,157)**
Cash and cash equivalents at the beginning of the reporting period	23	24,199	28,356
Cash and cash equivalents at the end of the reporting period	23	**35,988**	**24,199**

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at 31 March 2020. 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 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

Accruals of Income & Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Rental income from the Council's housing stock is accounted for on the basis of a full year, i.e. 365 or 366 days as appropriate.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet; the de Minimis for accruals is £5,000. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash & Cash Equivalents

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

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

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

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

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

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

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

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

Events after the Balance Sheet Date

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

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

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

Exceptional Items

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

Government Grants & Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value. As a non-financial asset, investment properties are measured at highest and best use.

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

Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve

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

Group Accounts

The Code requires local authorities to consider all their interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council has gone through a process in line with the Code guidance flowcharts and concluded Group Accounts are required in 2019/20. Further detail on the Group boundary judgement is included in note 3 and the Group Financial statements.

Leases

The Council as Lessee

Finance Leases

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

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

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

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

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

Operating Leases

All other leases are treated as operating leases.

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

Overheads & Support Services

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

Corporate overhead allocations are made at the year-end and shared between users in proportion to the benefits received. However, during the year the authority reports to budget holders and members the financial performance without the impact of the corporate recharges. In deference to the intentions of CIPFA's review, the 2019/20 accounts have been reported without support cost recharges, showing support and overhead costs within their respective portfolio lines.

Fair Value Measurement

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

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

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

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

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

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

The Collection Fund

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

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

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

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

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

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

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the UK.

- IAS19 Employee Benefits: Amendments on the treatment of curtailment or settlements for defined pension obligation schemes. The effect of these amendments will depend on future actuarial assessments so it is not possible to determine if there will be a material impact on the Council's accounts.

- IAS28 Investments in Associates and Joint Ventures: Clarification that IFRS9 applies to long term interests in an associate or joint venture that forms part of the net investment in the associate or joint venture but to which the equity method is not applied.

- IFRS 16 Leases: This standard will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021. It is too early to give an accurate estimate but this is likely to have a material impact on the council's balance sheet.

- Annual Improvements to IFRS Standards 2015–2017 Cycle

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 18 Financial Instruments details the authority's Investment Strategy and approach to managing risk. None of the authority's investments are impaired;
- The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and assets are recognised or derecognised (as appropriate) as Property, Plant and Equipment in the Council's Balance Sheet
- The Council has reviewed all property assets in accordance with the policy for Investment Properties and classified as appropriate
- The Council has reviewed all property assets in accordance with the policy for Assets Held for Sale and reclassified as appropriate
- Insurance fund levels are maintained on advice from the council's insurance manager

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

Property, Plant and Equipment

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

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

The significant assumptions applied in estimating the fair values are:

- For income producing properties, the Valuers adopted an investment approach where they applied a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice they construct their valuations adopting hardcore methodology where the reversions are generated from regular short-term uplifts of market rent. They would normally apply a term and reversion approach where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation;

- The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in “the Red Book”. Where circumstances dictate that it is necessary to utilise a different rental value in the capital valuation, the valuers will generally set out the reasons for this in their report;

- Vacant buildings, in addition to the above methodology, may also be valued and analysed on a comparison method with other capital value transactions where applicable; and

- Owner-occupied properties are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

Investment Properties

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

Post Retirement Benefits

Pensions liability – the estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The assumptions made and sensitivity analyses are provided in note 45.

Group Boundaries

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

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

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

Due to the material levels of transactions going through Norwich Regeneration Ltd (NRL) in 2019-20, 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.

Covid-19 and Valuation Uncertainty

In applying the Royal Institute of Chartered Surveyors (RICS) Red Book Global, the valuer has declared a 'material valuation uncertainty' in the valuation report used in carrying out this assessment. This is on the basis of uncertainties in markets caused by COVID-19. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available for Norwich City Council.

The council holds other land and buildings with a net book value of £129m – of which £31m are specialised assets on depreciated replacement cost (DRC) basis and the remainder non-specialised assets on either an existing use value (EUV) or fair value (FV) basis. The council holds investment property with a net book value of £106m – all of which is valued on a fair value basis.

EUV is an estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing, DRC refers to specialised assets which are valued on a depreciated replacement cost basis e,g. community centres. Here the valuer bases their assessment on the cost to replacing the service potential of the assets, whereas 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.

In order for the valuer to arrive at their conclusions, the valuer has undertaken a full portfolio review of all investment properties and other land and building within the following categories:

- Offices
- Other
- Parking
- Community centres
- Industrial
- Retail
- Residential
- Development Land

It is the opinion of the valuer that there has been little change in the office sector as there is a sense of 'wait and see', material effects as a result of Covid-19 on the residential sector are considered to be minimal and having no significant impact as at 31st March 2020, within the residential and industrial, time will indicate what impact Covid-19 has had on the rental market and therefore in the opinion of the valuer there has been no change in the short time period to 31st March 2020. There has been no significant reduction in the occupancy, use and demand for Norwich City Council properties as a result of Covid-19.

The review by the valuers has assessed the material valuation uncertainty classification still applies to some properties in the retail and leisure sectors. This is because the use of these premises is still currently restricted and there is an absence of relevant/sufficient market evidence on which to base the judgements. Based on the portfolio review, the conclusion of the valuer and council is that MVU clause is still applied to properties valued at £29.4m.

The other 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 2019/20 and earlier financial years in their proportionate share. As at the 31 March 2020 108 appeals remain outstanding relating to the 2010 rating list. A provision has been recognised for the best estimate of the amount that businesses have been overcharged for the period totalling £2.2m. 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 90 challenges lodged to date (of which 60 are outstanding at 31 March 2020). A provision has been made for the estimated success of future appeals from the 2017 list of £5.15m which equates to 6.5%of annual net rates payable. A 1% increase in the coverage for the 2017 list would increase the provision by £0.8m.	Should the outstanding appeals be successful, the amount owed to businesses may be more than estimated, in which case the proportionate share of this would require an increase to the provision. However there may be appeals that are not successful or they may be successful but the amount owed to businesses be less than estimated, which would result in a reduction in the appeals provision.
Property, Plant and Equipment (excluding Housing Stock) £146.5m	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 £0.319m for every year that useful lives had to be reduced.
Property, Plant and Equipment (excluding Housing Stock) £146.5m	Apart from infrastructure, community and assets under construction, the basis of value for all assets is Current Value. Current value may be either the Existing Use Value, Depreciated replacement Cost or Fair Value depending on the property type and classification. Of the balance £30.936m (21%) of assets are held at depreciated replacement cost (DRC). This method is used where there is no established property market which would enable a reliable valuation by any other method.	Property values are affected by a number of factors and a 1% change in the assumed valuation of other land and buildings and surplus assets totalling £128.698m would equate to £1.28m.

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Pensions Liability £169.6m	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 liability valuation includes a past service cost for the estimated impact of legal rulings on Transitional Protection Arrangements and Guaranteed Minimum Pension (GMP). Further details are provided in Note 45. The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value according to preferred accounting policy. As such values have been rolled over from the end of February with an adjustment and may be inaccurate to the true 31 March 2020 position.	The sensitivities resulting in an impact on the Council's finances are disclosed in Note 45.
Arrears	At 31 March 2020, the Council had a balance of sundry debtors for £3.9m. 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 £783.5m	The housing stock is not individually componentised, for valuation purposes a beacon approach is used with the assumption that the beacon property is fully upgraded. Each property in that beacon is then reduced by percentages for each component that is not upgraded.	The percentages used to reduce the value may not reflect the true depreciated value of the individual components. The valuation of housing stock may be under or overstated Property values are affected by a number of factors - a 1% change in the assumed valuation would equate to £7.835m.

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Housing Stock £783.5m	The housing stock is not individually componentised, for depreciation purposes council dwellings have their individual components identified as to date of upgrade and using the asset life as advised by the council's valuers, the depreciation associated with each properties components is calculated.	The use of standard lives to calculate components and assumption of full depreciation on components not upgraded may not be valid. The depreciation of council dwellings may be under or overstated The depreciation charge is £14.729m. It is estimated that the annual depreciation charge for assets would increase by £0.359m for every year that useful lives had to be reduced.
Fair value measurement of investment property	The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. Further information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in Note 16.	The total value of investment properties is £105.7m. Of this £83.4m (79%) is a Level 2 valuation and £22.3m (21%) Level 3 valuation. Level 3 valuations use significant unobservable inputs to determine the fair value measurements. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for investment properties and financial assets A 1% change in the assumed valuation of investment property would equate to £1.057m
Britain leaving the European Union: asset values and pension liabilities	There is still uncertainty about the implications of Britain's departure from the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

5. Material Items of Income and Expense

During 2019/20 NRL repaid loans of £0.9m and £5.1m (2018/19: £0), and the Council loaned a further £3.0m to NRL (2018/19: £0.9m), leaving a net balance of £9.4m outstanding at the end of the financial year (2018/19 £12.4m).

The Council has made five material purchases of commercial investment properties during the 2019/20 financial year. The total acquisition costs for the three purchases totalled £41.2m. During the period the Council has finished an extension to one of its commercial properties, the costs included with Investment Property additions is £0.8m.

During April 2019 the Council's Housing Revenue Account purchased 31 dwellings at Rayne Park at a cost of £7.0m. The properties were purchased from the Council's wholly-owned subsidiary Norwich Regeneration Limited and will be used as social housing.

6. Expenditure and Income by Nature

The authority's expenditure and income is analysed as follows:		
	2019/20	**2018/19**
Income	**£000**	**£000**
Fees, charges and other service income	(92,631)	(91,543)
Interest and investment income	(6,132)	(5,077)
Authority's share of income from Council Tax and Non-Domestic Rates	(41,981)	(40,332)
Government grants and contributions	(8,495)	(7,405)
Gain on disposal of non-current assets	(6,242)	(3,365)
Housing Benefit contributions and allowances	(49,073)	(56,798)
Total	**(204,553)**	**(204,521)**
Expenditure		
Employee benefits expenses	27,190	30,729
Pension Interest cost and expected return on assets	4,912	4,995
Other service expenses	60,258	55,001
Depreciation, amortisation, revaluation and impairment	30,904	19,453
Interest payments	8,236	8,161
Payments to Housing Capital Receipts Pool	1,097	1,097
Housing Benefit expenditure	49,604	56,745
Non-Domestic rates levy	28,181	26,221
Total	**210,382**	**202,402**
(Surplus) or deficit on the Provision of services	**5,829**	**(2,119)**

7. Segmental Income

Income received on a segmental basis is analysed below:		
	2019/20	**2018/19**
	£000	**£000**
Revenue from External customers	(97,563)	(95,384)
Other Income	(106,990)	(109,137)
Total Income	**(204,553)**	**(204,521)**

8. Events after the Reporting Date

The statement of accounts were authorised for issue by the Director of Resources (S.151 Officer) on [DATE]. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Covid-19 Pandemic

On 23rd March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were 'furloughed' on 80% of their existing salary paid by central government. The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. As the condition did exist at the 31 March 2020, this is therefore an adjusting event, for which a estimate of its financial effect on the reporting entity can be made as at 31 March 2020, particularly with regards to financial impact for 2019/20 in terms of Property Plant and Equipment valuations and impairments, the provision for impairment on receivables and Pension liability valuations as at the balance sheet date.

Expenditure incurred on additional service provision, or reduced Income from services or investments pertaining to 2020/21 will be accounted for within the 2020/21 financial statements in accordance with our accounting policies and accepted accounting practice.

Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis.

The Covid-19 virus restrictions across the UK, have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments or were unable to pay at all. The government has provided some support for lost income and for the additional costs borne by authorities because of the crisis and the Council has received just over £2.778m in this regard.

Our most recent year-end balances, as reported in these statements are as follows.

Date	General Fund	Housing Revenue Account	Earmarked reserves
31/3/20	£9.464m	£33.968m	£17.103m

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to the Council's going concern. Through our assessment we have identified that we expect in 2020/21:

Reductions in revenue relating to:-

- Car parking charges - £3.6m loss for the year
- Commercial Income – £1.6m relating to lost rent or increases in doubtful debts
- Planning fees – £0.45m loss for the year
- Leisure and recreation income - £0.62m loss for the year
- Housing rents and service charges - £2.2m relating to losses or increases in doubtful debts

The government has introduced a sales, fees and charges reimbursement scheme for 2020/21 which will enable the council to reclaim a portion of losses that meet the scheme eligibility criteria. Based on the expected losses approximately £3.1m is estimated to be claimable as part of the scheme.

A particular area of risk continues to relate to Business Rates and Council Tax income. No change is anticipated in 2020/21 as any impact from a reduction in the collection fund will take effect in 2021/22.

Additional costs relating to Covid-19 have been estimated at £1.7m based on the expectations of the Council's Service leads. This incorporates additional costs in IT home-working provision, rough sleeper accommodation costs, increase recycling costs and additional support a leisure centre provider.

While keeping up with the changing demands of the pandemic, and providing key services, a lot of work has been done to review spending commitments and identify savings. This has included cancelling key and savings on interest costs, recruitment, training, travel and supplies. This quick action has enabled the council to reduce spend by over £3m which when combined with the additional government support has improved the forecast position.

Therefore, we expect our 2020/21 outturn to show a breakeven position against the budget – taking into account all the above factors. No reserves would therefore be needed to offset the 2020/21 budget impacts.

The government has announced that the planned Fair Funding Review has been delayed, so we are assuming a flat rate of Government settlement for 2021/22. Medium Term Financial Strategy planning has been based on addressing a net budget deficit in 2021/22 of £5.2m. Service departments have been challenged to identify savings to bridge that gap. Currently general reserve usage is anticipated to address some of the budget shortfall, and as a result the general fund balance at 31 March 2022 is expected to be £7.4m. This still remains above our minimum level of GF balances as set by the CFO of £4.3 million.

Joint Ventures

On 8 July 2020 Norwich City Council took the decision not to extend the current joint venture arrangements with NPS Norwich and Norwich Norse Building beyond March 2022. The property and estates management service will be transferred into the council and the housing and non-housing repairs and maintenance service to be provide through a contract with the wholly owned council company - Norwich City Services Ltd. The total annual value of the spend with the two joint ventures is £15.7m. This follows the decision in 2018-19 to end the joint venture arrangement with Norwich Norse Environmental in March 2021.

Norwich City Services Ltd was incorporated on 9 June 2020. The company will deliver environmental services and repairs and maintenance services. The environmental service operations are due to commence from 1 April 2021.

Loans to Wholly Owned Companies

Since 1 April 2020 the Council has advanced additional loan finance to its wholly owned company, Norwich Regeneration Ltd, of £5.85m. This is to support the construction of new homes at the Threescore development. This increases the overall loan balance with the company to £15.25m.

On 21 July Council approved a loan to Norwich City Services Ltd of £1.140m to create a depot facility, this is yet to be drawn down by the company. A working capital loan facility of £0.7m between Norwich City Council and the company has also been agreed, of which £0.5m has been drawn down by the company.

Equity Investment in Wholly Owned Companies

Since 1 April 2020 the Council has provided additional cash equity to Norwich Regeneration Ltd of £1.55m. This is to support the construction of new homes at the Threescore development. This increases the overall long term equity investment in the company to £4.27m.

On 21 July Council approved a cash equity investment into Norwich City Services Ltd of £0.37m. This payment was made to the company in August 2020.

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.

2019/20	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	(6,811)	(18,035)	-	-	-	(24,846)	24,846
Excess dep'n over HRA MRA	-	-	-	-	-	-	-
Revaluation gains / (Losses) on Property, Plant and Equipment	(422)	(2,178)	-	-	-	(2,600)	2,600
Movement in Market Value of Investment Properties	(3,594)	-	-	-	-	(3,594)	3,594
Capital Grants and Contributions Applied	1,729	227				1,956	(1,956)
Movement in Donated Assets Account	56					56	(56)
Revenue expenditure funded from capital under statute	(6,190)					(6,190)	6,190
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	(875)	(9,658)				(10,533)	10,533
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement							
Statutory provision for the financing of capital investment	567	101				668	(668)
Capital expenditure charged against the General Fund and HRA balances	207	5,590				5,797	(5,797)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,670	445			(2,115)	-	
Application of grants to capital financing transferred to the Capital Adjustment Account					3,793	3,793	(3,793)
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	1,417	12,999	(14,417)			(1)	
Use of Capital Receipts Reserve to finance new capital expenditure			6,897			6,897	(6,897)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(23)	(231)	255			1	
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,097)		1,097			-	

2019/20	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	2,250					2,250	(2,250)
Transfer to the Capital receipts Reserve upon receipt of cash			(1,571)			(1,571)	1,571
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA		15,261		(15,261)		-	
Use of Major Repairs Reserve to finance new capital expenditure				16,750		16,750	(16,750)
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	5					5	(5)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(10,353)	(2,796)				(13,149)	13,149
Employer's pension contributions and direct payments to pensioners payable in the year	6,242	1,642				7,884	(7,884)
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	(29)					(29)	29
Total Adjustments	(15,251)	3,367	(7,739)	1,489	1,678	(16,456)	16,456

2018/19 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	(3,076)	(17,496)	-	-	-	(20,572)	20,572
Revaluation gains / (Losses) on Property, Plant and Equipment	(252)	5,267	-	-	-	5,015	(5,015)
Movement in Market Value of Investment Properties	(2,697)	-	-	-	-	(2,697)	2,697
Capital Grants and Contributions Applied	1,657	-	-	-	-	1,657	(1,657)
Movement in Donated Assets Account	66	-	-	-	-	66	(66)
Revenue expenditure funded from capital under statute	(5,828)	-	-	-	-	(5,828)	5,828
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,356)	(7,972)	-	-	-	(12,328)	12,328
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	316	96	-	-	-	412	(412)
Capital expenditure charged against the General Fund and HRA balances	840	11,144	-	-	-	11,984	(11,984)
Adjustments involving the Capital Grants Unapplied Account	-	-	-	-	-	-	-
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	835	87	-	-	(922)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	3,860	3,860	(3,860)
Adjustments involving the Capital Receipts Reserve:	-	-	-	-	-	-	-
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,027	10,938	(15,965)	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	5,607	-	-	5,607	(5,607)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(67)	(189)	256	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,097)	-	1,097	-	-	-	-

2018/19 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	(77)	-	77	-	-	-	-
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	(78)	-	-	(78)	78
Adjustments involving the Major Repairs Reserve	-	-	-	-	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	14,601	-	(14,601)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	11,805	-	11,805	(11,805)
Adjustments involving the Financial Instruments Adjustment Account	-	-	-	-	-	-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	93	-	-	-	-	93	(93)
Adjustments involving the Pensions Reserve	-	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(14,884)	(2,634)	-	-	-	(17,518)	17,518
Employer's pension contributions and direct payments to pensioners payable in the year	5,860	1,507	-	-	-	7,367	(7,367)
Adjustments involving the Collection Fund Adjustment Account	-	-	-	-	-	-	-
Amount by which Council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	1,770	-	-	-	-	1,770	(1,770)
Total Adjustments	**(15,870)**	**15,349**	**(9,006)**	**(2,796)**	**2,938**	**(9,385)**	**9,385**

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 2019/20 and 2018/19
.

The following sets out a description of the reserves;

Insurance Reserve

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

An evaluation of the balance on the Insurance Reserve has been undertaken and the amount set aside to cover the uninsured risks at 31 March 2020 is based on the assessed liability. Included within this balance is an amount to cover potential liabilities following the trigger of the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement.

S31 Earmarked Reserve

Central government compensates local authorities for changes to business rates reliefs. This compensation is made outside of the rate retention scheme by means of a Section 31 (S31) grant directly to the general fund. The S31 Earmarked Reserve holds the unused balance of the S31 grant monies received in 2018/19 and 2019/20. These monies will be transferred to the General Fund Reserves in future years to mitigate the delayed impact of deficits on the NNDR Collection Fund as properly accounted for under regulation.

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

Revenue Grants Unapplied Reserves

This reserve is the balance of revenue grant income received that has no conditions applied to it, but where the grant has yet to be applied 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 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 a commercial loan of £9.4m (2018/19 £12.4m) with its wholly-owned subsidiary Norwich Regeneration Ltd (NRL). The company is using the loan to finance its house building at the Three Score site and the Council receives an income stream through the loan interest payments.

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 also provide a buffer in case the company is unable to repay the loan balance in full and the council is then required to make minimum revenue provision payments.

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.

General Fund Repairs Reserve

This is to provide future funding for required maintenance on general fund properties, the costs of which can vary each year according to the differing repairs requirements.

	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Insurance Reserve	681	(56)	310	935	(153)	303	1,085
S31 Earmarked Reserve	2,165	(120)	-	2,045	-	-	2,045
Mousehold Conservators Reserve	8	-	1	9	-	10	19
General Fund Invest to Save Reserve	2,648	-	1,614	4,262	(1,809)	557	3,010
Revenue Grants Unapplied Reserve GF	2,072	(245)	14	1,841	(108)	107	1,840
Revenue Grants Unapplied Reserve HRA	-	-	-	-	-	-	-
Commercial Property Earmarked Reserve	123	-	935	1,058	-	989	2,047
Norwich Regeneration Ltd Earmarked Reserve	50	-	243	293	-	3,707	4,000
Elections Earmarked Reserve	113	-	-	113	-	-	113
General Fund Repairs Reserve	-	-	-	-	-	444	444
HRA Invest to Save Reserve	500	-	1,000	1,500	-	1,000	2,500
Total	**8,360**	**(421)**	**4,117**	**12,056**	**(2,070)**	**7,117**	**17,103**

Transfers between other reserves of £175,799 (2018/19 £151,620) in the Movement in Reserves Statement comprise Decent Home Loan & Home Improvement Loan repayments of £45,120 (2018/19 £117,672) and repayment of Right-to-Buy discounts of £130,679 (2018/19 £33,948).

11. Other Operating Expenditure

	2019/20	2018/19
	£'000	£'000
Payments to the Government Housing Capital Receipts Pool	1,097	1,097
(Gains)/Losses on the disposal of non-current assets	(6,242)	(3,365)
Provision Market	(376)	(145)
Livestock Market	(51)	7
Total	**(5,572)**	**(2,406)**

The surplus of £0.427m (2018/19 surplus £0.138m) 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

	2019/20	2018/19
	£'000	£'000
Interest payable and similar charges	8,236	8,161
(Gains)/Losses on the disposal of investment property	(32)	(361)
Pension interest cost and expected return on pension assets	4,912	4,995
Interest Receivable and similar income	(1,199)	(1,237)
Income and expenditure in relation to investment properties and changes in their fair value	(53)	44
Other investment income	(365)	(300)
Impairment losses	4,000	-
Impairment of Soft Loans	127	120
Total	**15,626**	**11,422**

13. Taxation and Non-Specific Grant Income

	2019/20	2018/19
	£'000	£'000
Council tax income	(9,714)	(9,401)
Non domestic rates income and expenditure	(32,266)	(30,931)
Non-ring fenced government grants	(4,368)	(4,760)
Capital grants and contributions	(4,127)	(2,646)
Business Rates - Tariff & Levy	28,181	26,221
Total	**(22,294)**	**(21,517)**

14. Property Plant and Equipment

Accounting Policy

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Componentisation

The 2019/20 CIPFA Code of Practice on Local Authority Accounting states that each part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item shall be depreciated separately, applied from 1 April 2010 onwards. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In adopting the Code, the Authority has developed the following Componentisation Policy using the approach set out in LAAP bulletin 86:

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

This policy excludes land assets which are already identified separately.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings – from 1st April 2012 depreciation is calculated based on the useful life of the individual components of the dwelling (30-60 years)
- Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (30-100 years)
- Vehicles – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (25% carrying amount)
- Infrastructure – straight-line allocation of between 25-40 years.
- Plant, furniture & equipment – straight line allocation over the useful life of asset (3-25 years)

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

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

Disposals & Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Movements in 2019/20	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 2019	**782,152**	**140,890**	**28,147**	**2,812**	**11,809**	**293**	**7,001**	**973,104**
Additions	25,639	1,517	512	49	114	-	152	**27,983**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	364	(1,929)	-	-	-	(40)	-	**(1,605)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(18,711)	(1,026)	-	-	-	-	-	**(19,737)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	4,205	356	-	-	-	-	-	**4,561**
Derecognition – Disposals	(8,469)	-	(119)	-	-	-	-	**(8,588)**
Derecognition - Other	(194)	-	-	-	-	-	-	**(194)**
Demolition	-	(10)	-	-	-	-	-	**(10)**
Assets Reclassified (to) / from Held for Sale	(670)	(25)	-	-	-	-	-	**(695)**
Other Movements in Cost or Valuation	6,305	13	229	-	-	(228)	(6,547)	**(228)**
At 31 March 2020	**790,621**	**139,786**	**28,769**	**2,861**	**11,923**	**25**	**606**	**974,591**
Accumulated Depreciation & Impairment								
At 1 April 2019	(6,141)	(9,880)	(24,442)	(1,220)	-	(7)	-	**(41,690)**
Depreciation charge	(14,729)	(2,493)	(682)	(80)	-	(1)	-	**(17,985)**
Depreciation written out to the Surplus/Deficit on Provision of Services	11,592	104	-	-	-	-	-	**11,696**
Depreciation write-back on revaluation to Revaluation Reserve	3,137	1,784	-	-	-	8	-	**4,929**
Impairment losses / (reversals) recognised in CIES	(1,184)	(616)	-	-	-	-	-	**(1,800)**
Impairment losses / (reversals) recognised in RR	199	(13)	-	-	-	-	-	**186**
Derecognition – Disposals	-	-	100	-	-	-	-	**100**
Derecognition - Other	-	-	-	-	-	-	-	**-**
At 31 March 2020	(7,126)	(11,114)	(25,024)	(1,300)	-	-	-	**(44,564)**
Net Book Value								
At 31 March 2020	**783,495**	**128,672**	**3,745**	**1,561**	**11,923**	**25**	**606**	**930,027**
At 31 March 2019	776,012	131,009	3,705	1,591	11,809	287	7,002	931,415

Comparative Movements in 2018/19	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 2018	762,348	141,255	27,357	2,777	11,708	270	17,760	**963,475**
Additions	24,044	1,551	1,000	35	101	-	760	**27,491**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,987	(8,241)	-	-	-	24	-	**(4,230)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(14,480)	(3,398)	-	-	-	-	-	**(17,878)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	7,888	1,189	-	-	-	-	-	**9,077**
Derecognition – Disposals	(7,430)	-	(196)	-	-	-	-	**(7,626)**
Derecognition - Other	(168)	-	-	-	-	-	-	**(168)**
Demolition	-	(162)	-	-	-	-	-	**(162)**
Assets Reclassified (to) / from Held for Sale	(745)	-	-	-	-	-	-	**(745)**
Other Movements in Cost or Valuation	6,709	8,695	(15)	-	-	-	(11,518)	**3,871**
At 31 March 2019	**782,153**	**140,889**	**28,146**	**2,812**	**11,809**	**294**	**7,002**	**973,105**
Accumulated Depreciation & Impairment								
At 1 April 2018	(5,025)	(11,754)	(23,992)	(1,142)	(109)	(8)	-	**(42,030)**
Depreciation charge	(14,060)	(2,555)	(645)	(79)	-	(7)	-	**(17,346)**
Depreciation written out to the Surplus/Deficit on Provision of Services	12,308	979	-	-	-	-	-	**13,287**
Depreciation write-back on revaluation to Revaluation Reserve	1,754	4,888	-	-	-	8	-	**6,650**
Impairment losses / (reversals) recognised in CIES	(1,176)	(1,373)	-	-	-	-	-	**(2,549)**
Impairment losses / (reversals) recognised in RR	58	(65)	-	-	-	-	-	**(7)**
Derecognition – Disposals	-	-	196	-	-	-	-	**196**
Derecognition - Other	-	-	-	-	109	-	-	**109**
At 31 March 2019	**(6,141)**	**(9,880)**	**(24,441)**	**(1,221)**	**-**	**(7)**	**-**	**(41,690)**
Net Book Value								
At 31 March 2019	**776,012**	**131,009**	**3,705**	**1,591**	**11,809**	**287**	**7,002**	**931,415**
At 31 March 2018	757,322	129,500	3,365	1,636	11,600	262	17,760	**921,445**

Valuations

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

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

HRA Dwellings

The date of valuation is 31 March 2020.

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

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

EUV-SH valuations are arrived at by means of a beacon approach. The beacons are valued on the additional assumptions that there is no potential residential redevelopment of the site or intensification of use. They are then adjusted by a regional adjustment factor, in this case for the Eastern region at 62% (2017/18 62%), to arrive at EUV-SH to reflect the fact that sitting tenants enjoy rents lower than market rents and tenants' rights including Right to Buy.

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

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

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

The valuations are made on the following assumptions:

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

- That no allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.

HRA Non-Dwellings

The date of valuation is 31 March 2020.

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 2019.

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

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

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

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

VALUATION CYCLE '000s	Council dwellings	Other Land & Buildings	Community assets	Infrastructure	Vehicles, Plant, & Equipment	AUC	Surplus properties	Total PPE
Valued at historical cost			11,923	1,561	3,745	606		**17,835**
Valued at current value								**-**
2019-20	783,494	40,689					25	**824,208**
2018-19		38,573						**38,573**
2017-18		46,417						**46,417**
2016-17		1,987						**1,987**
2015-16		1,007						**1,007**
Total	**783,494**	**128,673**	**11,923**	**1,561**	**3,745**	**606**	**25**	**930,027**

15. Heritage Assets

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

Museums collections
The museums are run by the Norfolk Museums & Archaeology Service (NMAS) which is regarded as one of the leaders in the museum sector.

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

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

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

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

Four of the buildings are considered to be heritage assets and in the category of National Treasures. These are assets which are incapable of meaningful valuation, in that there is no recognised method of traditional valuation which gives any degree of accuracy. Therefore these assets are held at nil value.

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

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

Sculptures and Bronzes
The Council owns 25 sculptures and bronzes which are situated in external locations around the city. The Sculptures and Bronzes are reported in the Balance Sheet at insurance value and are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement.

Statues, Architectural Ornamentation, Plaques, Fountains etc
The Council owns 60 of the above which are situated in external locations around the city. The assets are reported in the Balance Sheet at insurance value and are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement

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

	Civic Plate & Regalia	**Paintings**	**Sculptures & Bronzes**	**Statues, Fountain etc**	**Buildings**	**Total Heritage Assets**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Valuation						
1st April 2018	8,078	4,675	6,930	2,457	3,405	**25,545**
Additions	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	**-**
31st March 2019	**8,078**	**4,675**	**6,930**	**2,457**	**3,405**	**25,545**
Valuation						
1st April 2019	8,078	4,675	6,930	2,457	3,405	25,545
Additions	-	-	-	-	8	8
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
31st March 2020	**8,078**	**4,675**	**6,930**	**2,457**	**3,413**	**25,553**

Valuations

The Council’s external valuer (Christopher Hartop and Juliet Nusser) carried out a full valuation of the collection of civic plate and regalia as at 31 January 2014. The valuations were based on commercial markets, including recent transaction information from auctions where similar types of silverware are regularly being purchased. . A review of these valuations was completed as at 31 January 2019 to ensure that they remain current, in accordance with the code requirements. No changes to the valuations were required.

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

- The Reade Salt - A rare and important Elizabeth I silver-gilt standing or drum salt (William Cobbold I 1568), valued by our external valuers as £2.5m

- The Howard Ewer and Basin - An early 17th century silver-gilt ewer and basin or rosewater dish (1617), valued by our external valuers as £2.0m

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

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

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

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

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

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

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

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

16. Investment Properties

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

	2019/20	2018/19
	£000	£000
Rental income from investment property	(4,932)	(3,841)
Direct operating expenses arising from investment property	1,285	1,187
Net (gains)/losses from fair value adjustments	3,594	2,697
Total	**(53)**	**43**

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:

	2019/20	2018/19
	£000	£000
Balance at start of the year	65,931	56,729
Additions	43,112	19,722
Disposals	-	(4,061)
Net gains / (losses) from fair value adjustments	(3,594)	(2,697)
Transfers (to) / from Property, Plant & Equipment	228	(3,871)
Transfers (to) / from Long Term Debtors	-	109
Balance at end of year	**105,677**	**65,931**

The Additions figure in the table above includes expenditure on new investment property and on an extension to a current investment property Barnet House, Corby.

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 2020

Recurring fair value measurements using:	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2020
	£000	£000	£000
Industrial	30,632	10,226	40,858
Offices	12,622	3,583	16,205
Other	26,144	6,799	32,943
Residential	1,131	-	1,131
Retail	12,869	1,672	14,541
Total	83,398	22,280	105,678

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

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

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

	2019/20					
	Industrial	**Offices**	**Other**	**Residential**	**Retail**	**Total**
Investment Properties Level 2	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Opening balance	7,568	6,285	21,863	1,131	14,302	51,149
Reclassification to/from PPE	-	228	-	-	-	228
Transfer between disclosure category	(2,220)	2,220	-	-	-	-
Transfers into Level 2	(61)	(2,712)	(3,186)	-	(1,520)	(7,479)
Transfers out of Level 2	-	-	-	-	-	-
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	(2,008)	(690)	126	-	73	(2,499)
Additions	27,352	7,291	7,342	-	14	41,999
Disposals	-	-	-	-	-	-
Balance at end of year	30,631	12,622	26,145	1,131	12,869	83,398

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

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

	2019/20					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 3	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Opening balance	10,186	920	3,610	-	66	14,781
Reclassification to/from PPE	-	-	-	-	-	-
Transfer between disclosure category	-	-	-	-	-	-
Transfers into Level 3	61	2,712	3,186	-	1,520	7,479
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	(21)	(50)	(1,110)	-	86	(1,095)
Additions	-	-	1,113	-	-	1,113
Disposals	-	-	-	-	-	-
Balance at end of year	10,226	3,582	6,799	-	1,672	22,278

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

Gains or losses arising from changes in the fair value of the investment property are recognised in surplus or deficit on the provision of services – financing and investment income and expenditure line.
The transfers into level 3 followed reassessment by the valuers.

Valuation process for Investment Properties

The fair value of the council’s investment property is valued in a five year rolling programme; except for the year ended 31 March 2016 the whole portfolio was valued as at 1 April 2015 following the introduction of IFRS13.
All valuations are carried out by our external valuers NPS Property Consultants Ltd.
All valuations are carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Current year valuations were carried out by:

Gillian Knox MRICS (NPS)
Deborah O’Shea MRICS (NPS)

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 £167,967 charged to revenue in 2019/20, £159,199 related to software and all charges were made to the General Fund.

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

	2019/20	2018/19
	£000	£000
Balance at the start of the year		
· Net carrying amount	573	603
· Additions	218	227
· Disposals	(2)	-
Amortisation for the period	(168)	(257)
Disposals	-	-
Net Carrying amounts at the end of the year	**621**	**573**
Comprising:		
· Gross carrying amount	2,150	1,934
· Accumulated amortisation	(1,529)	(1,361)
	621	**573**

18. Financial Instruments

Accounting Policy

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

Financial Liabilities

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

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

Financial Assets

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

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

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

Expected Credit Loss Model

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

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

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

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

Financial Assets 2019-20

	Non-Current		Current		Total
	Investments	Debtors	Investments	Debtors	
	£000	£000	£000	£000	£000
Fair value through profit and loss					
Amortised Cost	2,724	14,371	44,300	8,146	69,541
Fair value through other comprehensive income –designated equity instruments	2,128	-	-	-	2,128
Total financial assets	**4,852**	**14,371**	**44,300**	**8,146**	**71,669**
Non-financial assets	0	(3,163)	688	5,106	2,631
Total	**4,852**	**11,208**	**44,988**	**13,252**	**74,300**

Financial Liabilities 2019-20

	Non-Current		Current		Total
	Borrowings	Creditors	Borrowings	Creditors	
	£000	£000	£000	£000	£000
Fair value through profit and loss					
Amortised Cost	220,136	794	886	18,476	240,292
Total financial liabilities	**220,136**	**794**	**886**	**18,476**	**240,292**
Non-financial liabilities	-	2,011	-	15,260	17,271
Total	**220,136**	**2,805**	**886**	**33,736**	**257,563**

Financial Assets 2018-19

	Non-Current		Current		Total
	Investments	Debtors	Investments	Debtors	
	£000	£000	£000	£000	£000
Fair value through profit and loss					
Amortised Cost	2,724	16,790	49,710	8,259	77,483
Fair value through other comprehensive income –designated equity instruments	1,754	-	-	-	1,754
Total financial assets	**4,478**	**16,790**	**49,710**	**8,259**	**79,237**
Non-financial assets	0	1,395	489	4,581	6,465
Total	**4,478**	**18,185**	**50,199**	**12,840**	**85,702**

Financial Liabilities 2018-19

	Non-Current		Current		Total
	Borrowings	Creditors	Borrowings	Creditors	
	£000	£000	£000	£000	£000
Fair value through profit and loss					
Amortised Cost	199,900	902	806	17,684	219,292
Total financial liabilities	**199,900**	**902**	**806**	**17,684**	**219,292**
Non-financial liabilities	-	1,787	-	12,852	14,639
Total	**199,900**	**2,689**	**806**	**30,536**	**233,931**

Soft Loans

The Council has made a number of loans to residents in respect of decent home loans and home improvement loans at less than market rates (soft loans). There are a number of small loans making up the balance owing of £2.793m.

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

Decent Homes Loans

	31-Mar-20	31-Mar-19
	£000	£000
Opening Balance	642	2,240
Remeasured carrying amounts at 1 April 2018 under IFRS 9	-	(1,500)
Fair value Adjustments	8	20
Loans Repaid	(45)	(118)
Balance Carried Forward	**605**	**642**
Nominal Value caried forward	**2,547**	**2,592**

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

Valuation Assumptions

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

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

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

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

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

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

	Nominal	Fair Value	Change in fair value during 2019/20	Dividends
	£000	£000	£000	£000
Norwich Airport Ltd shares	-	-	-	-
Legislator 1656 Ltd shares	-	2,028	634	365
Legislator 1657 Ltd shares	-	-	-	-
Municipal Bonds Agency shares	100	100	-	-
	100	**2,128**	**634**	**365**

The dividend relates to the sale of Legislator 1656's shareholding in Norwich Airport during 2019/20 and has been treated as other investment income.

Items of income, expense, gains or losses

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

	2019/20		2018/19	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				
financial assets measured at amortised cost	(1,199)	-	(1,237)	-
investments in equity instruments designated at fair value through other comprehensive income	-	(1,198)	-	569
financial liabilities measured at amortised cost	8,236	-	8,161	-
Total net gains/losses	**7,037**	**(1,198)**	**6,924**	**569**
Interest revenue:				
financial assets measured at amortised cost	(1,199)	-	(1,237)	-
Total interest revenue	**(1,199)**	-	**(1,237)**	-
Interest expense:				
financial liabilities measured at amortised cost	8,236	-	8,161	-
Total interest expense	**8,236**	-	**8,161**	-

Fair Value of Financial Assets

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31-Mar-20	31-Mar-19
Fair Value through Other Comprehensive Income				
Norwich Airport Ltd shares	Level 3	Market approach – earnings based		260
Legislator 1656 Ltd shares*	Level 3	Market approach – adjusted net assets	2,028	1,394
Legislator 1657 Ltd shares	Level 3	Market approach – adjusted net assets	-	-
Total			2,028	1,654

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

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

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB premature repayment rates/prevailing market rates (choose which one is being used) have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment/borrowing rates (the alternative to the above), highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, PWLB premature repayment rates/prevailing market rates (choose which one is being used) have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial instruments measured at amortised cost

Finacial Liabilities	31-Mar-20		31-Mar-19	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Long term PWLB debt	214,107	236,515	194,107	227,223
Long term non-PWLB debt	6,029	8,823	5,793	8,724
Short term Borrowing	886	0	806	806
Short term creditors	18,369	18,369	17,583	17,583
Short term finance lease liability	107	107	101	101
Long term creditors	-	-	-	-
Long term finance lease liability	794	794	902	902
Total Liabilities	**240,292**	**264,608**	**219,292**	**255,339**

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

Financial Assets	31-Mar-20		31-Mar-19	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Short term investments	44,300	44,331	49,710	49,779
Long term investments	2,128	2,128	1,754	1,754
Short term debtors	8,146	8,146	8,259	8,259
Long term debtors	14,371	14,371	16,790	16,790
Total Assets	**68,945**	**68,976**	**76,513**	**76,582**

The long-term investment classified as Amortised Cost has not been included in the table above. This is because as the Council has no immediate plans to sell its subsidiary, the Council believes that the cost of obtaining valuations for this investment would be disproportionate to the benefits to users of the financial statements. The investment is fully consolidated into the Group Accounts.

As at 31 March 2020 the Council held £15m in Money Market Funds (shown within the comparative short term investments). At the inception of the investments, the purpose was solely to collect the repayment of interest and principle. The business model for the Money Market Funds is therefore not based on any other objective of generating profit. The investments have therefore been held at amortised cost.

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

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

Nature and Extent of Risks Arising from Financial Instruments

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

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

Overall procedures for managing risk

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 13 February 2019. The key issues within the strategy were:

- The Authorised Limit for 2019/20 was set at £373.9m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £343.9m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit ratings from the three major credit ratings agencies. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each rating category and country. The Annual Investment Strategy is contained within the Council's approved Treasury Management Strategy.

The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criterion is applied. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

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

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

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

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

	Amount	Historical experience of default	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	£000	£000
	31-Mar-20		31-Mar-20	31-Mar-19
Customers	3,855	12%	463	399

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

The Council does not generally allow credit for its customers, such that £3.855m of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31-Mar-20	31-Mar-19
	£000	£000
Less than three months	2,194	1,828
Three to six months	508	285
Six months to one year	196	166
More than one year	957	1,043
Total	**3,855**	**3,322**

The current provision of £1.285m for sundry debt covers 33% of the balance.

Amounts Arising from Expected Credit Losses

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

	12mth Expected Credit losses	Lifetime Expected Credit Losses – simplified approach	Total
	£000	**£000**	**£000**
Opening balance as at 1 April 2019	-	**(6,385)**	**(6,385)**
Movement in loss allowance	-	**(4,432)**	**(4,432)**
Other changes	-	-	-
As at 31 March 2020	-	(10,817)	(10,817)
Opening balance as at 1 April 2018	**-**	**(6,290)**	**(6,290)**
Movement in loss allowance	-	(95)	(95)
Other changes	-	-	-
As at 31 March 2019	**-**	**(6,385)**	**(6,385)**

Liquidity risk

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

	2019/20	2018/19
	£000	£000
Repayable between:		
less than one year	44,300	49,710
Between 1 & 2 years	-	-
	44,300	**49,710**

Refinancing & Maturity Risk

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

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

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

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

	Approved Maximum Limit	Approved Maximum Limit	Actual	Actual
			31-Mar-20	31-Mar-19
			£000	£000
Less than 1 year	0%	10%	886	806
Between 1 & 2 years	0%	10%	2,552	-
Between 2 & 5 years	0%	40%	57,642	57,459
Between 5 & 10 years	0%	70%	115,200	117,700
10 years and above	0%	70%	44,231	24,231
			220,511	**200,196**
Perpetually irredeemable loan stock	0%	10%	510	510
			221,021	**200,706**

Market risk

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

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

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

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

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

	£000
Increase in interest payable on variable rate borrowings (all Norwich City Council borrowing is at fixed rate)	-
Increase in interest receivable on variable rate investments	392
Impact on Surplus or Deficit on Provision of Services	392
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	(17,591)

The impact of a 1% fall in interest rates on interest receivable would be £ (296)k – where the fall of 1% would take the interest lower than zero, this interest received has been taken as zero. The impact of a 1% fall in interest rates on the fair value of fixed rate borrowing liabilities would be as above, but with the movement being reversed.

Price risk - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However it does have shareholdings at a cost of £0.824m in Norwich Airport. Whilst these holding are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

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

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

19. Long Term Investments

		2019/20	2018/19
		£000	£000
Norwich Regeneration Ltd		2,724	2,724
Norwich Airport Ltd		-	260
Municipal Bonds Agency		100	100
Legislator 1656		2,028	1,394
		4,852	**4,478**

Equity Shareholding in Subsidiary

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

Norwich Airport Ltd

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

During 2019/20 Norwich City Council, Norfolk County Council and Legislator 1656 sold their remaining shareholding in Norwich Airport Ltd.

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.

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

In 2018/19, as part of the implementation of IFRS 9, the shareholdings in Norwich Airport Ltd, Legislator 1656 and Legislator 1657 were subject to an independent professional valuation and held in the accounts at fair value. In 2019/20 these valuations have been updated to reflect the latest fair value information available.

20. Long Term Debtors

	2019/20			2018/19
	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	635	-	**635**	731
Deferred Capital Receipt Sale of Airport Shares	-	-	**-**	-
Deferred Capital Receipt – Livestock Market	-	-	**-**	-
Decent Home Loans	605	-	**605**	642
Finance Lease > 1 year	1,808	-	**1,808**	1,183
Home Improvement Loans	203	-	**203**	203
Local Authority Mortgage Scheme	-	-	**-**	-
Housing Benefit Overpayments	5,947	(4,496)	**1,451**	2,074
Shared Equity Dwellings	248	-	**248**	237
SALIX	294	-	**294**	330
Debts with legal charge over property	207	-	**207**	42
Wholly owned subsidiary	9,400	(4,000)	**5,400**	12,400
Other Long Term Debtors	355	-	**355**	341
Total	**19,705**	**(8,496)**	**11,209**	**18,186**

Long Term Debtors include:

Wholly Owned Subsidiary Loan – the Council has advanced a loan to its wholly owned subsidiary Norwich Regeneration Ltd. The balance outstanding on the loan at 31 March 2020 was £9.4m. The company is using the loan to finance its house building at the Threescore site.

The authority recognises expected credit losses on all of its financial assets. Current analysis of the company's financial position shows that the council's loan to the company might not be fully recoverable. Under accounting standards an assessment of the expected loss has been estimated and an allowance of £4m has been recognised.

21. Short Term Investments

The amounts invested at 31 March were as follows:

		2019/20	2018/19
		£000	£000
Banks		4,000	11,000
Building Societies		-	3,000
Local Authority		5,000	12,000
Total Short Term Investments		**9,000**	**26,000**

22. Short Term Debtors

		2019/20	2018/19
		£000	£000
Central Government Bodies		2,581	4,360
Other entities & individuals		8,511	5,825
Other Local Authorities		2,160	2,655
Total Short Term Debtors		**13,252**	**12,840**

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

		2019/20	2018/19
		£000	£000
Cash held by Council		12	14
Bank current accounts		1,977	6,185
Short term deposits with banks		10,000	8,000
Short term deposits with building societies		-	-
Short term deposits with Debt Management Office		-	6,000
Short term deposits with local authorities		9,000	4,000
Money Markets		15,000	-
Total Cash & Cash Equivalents		**35,989**	**24,199**

24. Assets Held for Sale

		Current	
		2019/20	2018/19
		£000	£000
Balance outstanding at 1 April		**380**	**199**
Assets newly classified as held for sale:			
Property, Plant & Equipment		695	745
Assets declassified as held for sale:			
Property, Plant & Equipment		-	-
Asset disposals		(985)	(575)
Other movements		41	11
Balance outstanding at 31 March		**131**	**380**

25. Short Term Creditors

	2019/20	2018/19
	£000	£000
Central Government Bodies	7,053	5,119
Other Local Authorities	14,030	11,201
National Health Bodies	3	9
Trade Creditors	5,808	9,542
Receipts in Advance	4,336	1,661
Other entities & individuals	2,506	3,004
Total Short Term Creditors	**33,736**	**30,536**

26. Long Term Creditors

	2019/20	2018/19
	£000	£000
Developer Contributions	1,533	1,507
Lease Liability	794	902
Rent Prepayments	387	199
SALIX	91	81
Total Long Term Creditors	**2,805**	**2,689**

27. Provisions

Accounting Policy

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

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

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

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

	2019/20	2018/19
	£000	£000
Balance at 1 April	3,517	2,561
Movement in provisions	(383)	956
Balance at 31 March	**3,134**	**3,517**

The provision includes £3.1348m (2018/19: £2.718m) in respect of Non-Domestic Rates appeals following the introduction of Business Rates Retention on 1 April 2013.

The 2018/19 provision balance included £0.8m in respect of Norwich Livestock Market. This was a capital receipt that was paid to the Council in March 2017 following the surrender of the lease on the Norwich Livestock Market. A judicial review concluded that Norwich City Council must have a property interest in a livestock market in order to fulfil its statutory obligations under the Norwich City Council Act 1984. As a result of the judicial review findings the Council's lease with Norwich Livestock Market was re-established. Following the re-establishment of the lease the capital receipt was repaid in 2019/20. No further provision remains in relation to this.

28. Usable Reserves

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

29. Unusable Reserves

		2019/20	2018/19
		£000	£000
Revaluation Reserve		76,632	74,600
Financial Instruments Revaluation Reserve		2,028	830
Capital Adjustment Account		669,398	679,756
Financial Instruments Adjustments Account		(822)	(826)
Deferred Capital Receipts		1,635	956
Pensions Reserve		(169,617)	(204,103)
Collection Fund Adjustment Account		1,477	1,507
Total Unusable Reserves		**580,731**	**552,720**

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.

	2019/20		2018/19
	£000	£000	£000
Balance at 1 April		74,600	**73,434**
Upward revaluation of assets	8,644		15,444
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5,080)		(13,178)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**3,564**	**2,266**
Difference between fair value depreciation & historical cost depreciation	(632)		(749)
Accumulated gains on assets sold or scrapped	(702)		(351)
Amount written off to the Capital Adjustment Account		**(1,334)**	**(1,100)**
Other movements		(198)	-
Balance at 31 March		**76,632**	**74,600**

Financial Instruments Revaluation Reserve

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

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

	2019/20		2018/19
Financial Instruments Revaluation Reserve	**£000**	**£000**	**£000**
Balance at 1 April	830		1,399
Upward revaluation of investments	-		
Downward revaluation of investments	1,198		(569)
Change in impairment loss allowances			
		2,028	**830**
Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-		
Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balances for financial assets designated to fair value through other comprehensive income	-		
Balance at 31 March		**2,028**	**830**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides detail of the source of all the transactions posted to the Account, apart from those involving the Revaluation reserve.

Capital Adjustment Account	2019/20		2018/19
	£000	£000	£000
Balance at 1 April		**679,756**	**681,293**
IFRS9 adjustment			(1,500)
Revised Balance at 1 April		**679,756**	**679,793**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(24,846)	-	(20,572)
Revaluation gains / (losses) on Property, Plant & Equipment	(2,600)		5,015
Revenue expenditure funded from capital under statute	(6,190)		(5,828)
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	(10,533)		(12,329)
Difference between historic cost & carrying value depreciation	632		749
Net written out amount of the cost of non-current assets consumed in the year		**(43,537)**	**(32,965)**
Adjusting amounts written out of the Revaluation Reserve		702	351
Net written out amount of the cost of non-current assets consumed in the year		**(42,835)**	**(32,614)**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital Expenditure	6,897		5,607
Use of the Major Repairs Reserve to finance new capital expenditure	16,750		11,805
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,956		1,657
Application of grants to capital financing from the Capital Grants Unapplied Account	3,793		3,860
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	669		412
Capital expenditure charged against the General Fund & HRA balances	5,797		11,984
		35,862	**35,325**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(3,594)	(2,697)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		56	67
HRA Self Financing Debt		-	-
Other		153	(118)
Balance at 31 March		**669,398**	**679,756**

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.

	2019/20	2018/19
	£000	**£000**
Financial Instruments Adjustment Account		
Balance at 1 April	**826**	**919**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-	(81)
	826	**838**
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	(4)	(12)
Balance at 31 March	**822**	**826**

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.

	2019/20	2018/19
	£000	**£000**
Deferred Capital Receipts Reserve		
Balance at 1 April	**956**	**1,433**
IFRS9 Adjustment		(399)
Balance at 1 April	**956**	**1,034**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,250	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(1,571)	(78)
Balance at 31 March	**1,635**	**956**

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.

	2019/20	2018/19
	£000	£000
Pensions Reserve		
Balance at 1 April	**(204,103)**	**(177,895)**
Actuarial gains or (losses) on pensions assets & liabilities	39,752	(16,057)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(13,149)	(17,518)
Employer’s pensions contributions & direct payments to pensioners payable in the year	7,346	6,738
Non-Council Employer’s pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	538	628
Balance at 31 March	**(169,616)**	**(204,103)**

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.

	2019/20	2018/19
Collection Fund Adjustment Account	£000	£000
Balance at 1 April	**(1,507)**	**(263)**
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	269	(15)
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	(239)	1,785
Balance at 31 March	**(1,477)**	**1,507**

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:

	2019/20	2018/19
	£000	£000
Interest received	(1,090)	(1,125)
Interest paid	8,184	8,220
	7,094	**7,095**

	2019/20	2018/19
	£000	£000
Depreciation	17,987	17,346
Amortisation	168	257
Impairment and revaluations	14,370	8,323
Reductions in the fair value of soft loans (non Subsidiary) made in the year	102	91
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	(120)	(121)
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	1,044	(447)
Increase/(Decrease) in Interest Creditors	55	(62)
Increase/(Decrease) in Creditors	5,677	353
(Increase)/Decrease in Debtors	(2,221)	1,367
Contributions to Provisions	416	956
Carrying amount of non-current assets sold	9,678	12,286
Movement in Investment Property values	3,594	2,588
	50,750	**42,937**

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

	2019/20	2018/19
	£000	£000
Capital grants credited to surplus or deficit on the provision of services	(1,984)	(1,657)
Proceeds from the sale of property, plant and equipment and investment properties	(14,417)	(15,965)
	(16,401)	**(17,622)**

31. Cash Flow Statement – Investing Activities

	2019/20	2018/19
	£000	£000
Purchase of property, plant & equipment, investment property & intangible assets	(72,951)	(47,508)
Other Capital Payments	(800)	(24)
Purchase of short term & long-term investments	(201,760)	(110,524)
Other payments for investing activities	(3,021)	(921)
Other receipts from investing activities	6,000	-
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	14,417	15,965
Other Capital Cash Receipts	781	1,313
Capital grants received	1,294	1,227
Proceeds from short term & long-term investments	219,958	107,000
Net cash flows from investing activities	**(36,082)**	**(33,472)**

32. Cash Flow Statement – Financing Activities

	2019/20	2018/19
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(101)	(96)
Cash receipts of short and long term borrowing	20,262	-
Repayments of short- & long-term borrowing	-	(2,000)
Other receipts /(payments) for financing activities	(812)	3,977
Net cash flows from financing activities	**19,349**	**1,881**

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:

	2019/20			2018/19
	Expenditure	Income	(Surplus) / Deficit	(Surplus) / Deficit
	£000	£000	£000	£000
Car Parks	3,853	(6,042)	(2,189)	(3,398)
Industrial Estates	(72)	(589)	(661)	(925)
Corporate Estates	3,404	(4,806)	(1,402)	311
Civic Halls	533	(209)	324	805
Markets	701	(827)	(126)	708
Net (Surplus) / Deficit	**8,419**	**(12,473)**	**(4,054)**	**(2,499)**

The decrease in surplus on Car Parks during 2019/20 is related to higher capital charges.

The increase in surplus on Corporate Estates in 2019/20 is related to a reduction in capital charges and the increase of income due to new acquisitions during the year.

The higher deficit in 2018/19 on Markets was the result of the prior year provision detailed in note 27.

34. Associates

Norwich City Council has three associate companies; NPS Norwich Limited, Norwich Norse Environmental Limited and Norwich Norse Building Limited– see disclosure of services produced in note 47. In line with the service level agreements, Norwich City Council is entitled to an amount equivalent to 50% of any pre-tax profits as a discount on charges. An estimate of the pre-tax discounts has been accrued in the accounts. There is no other entitlement to the Council in terms of dividends or rights to retained earnings. The performance of the associates is shown below.

		NPS (Norwich) Ltd		Norwich/Norse Environmental Ltd		Norwich Norse Building Ltd	
		2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
		£000	£000	£000	£000	£000	£000
Profit & Loss Account							
Operating Profit		73	89	119	113	124	123
Interest (Payable) /Receivable		-	-	(2)	-	-	-
Profit on Ordinary Activities before Corporation Tax		**73**	**89**	**117**	**113**	**124**	**123**
Corporation Tax		(13)	(17)	(21)	(15)	(23)	(34)
Retained Profit for the financial year		**60**	**72**	**96**	**98**	**101**	**89**
Balance Sheet							
Profit & Loss b/f		**885**	**813**	**508**	**410**	**390**	**301**
Profit & Loss for the financial year		60	72	96	98	101	89
Profit & Loss reserve c/f		**945**	**885**	**604**	**508**	**491**	**390**

35. Agency Services

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

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

The Norwich Highways Joint Committee oversees the operation of the Highways Agency Agreement providing the services for highways, traffic management and on-street car parking. The Council acts as agent for the County in relation to the work governed by the Joint Committee. The amounts of income and expenditure for 2019/20 and 2018/19 are as follows:-

Highways	**2019/20**	**2018/19**
	£000	**£000**
Expenditure	2,342	2,426
Income	(2,223)	(2,384)
(Surplus) / Deficit	**119**	**42**
On-Street Car parking	**2019/20**	**2018/19**
	£000	**£000**
Expenditure	1,267	1,101
Income	(1,334)	(1,448)
(Surplus) paid over to Norfolk County Council	**(67)**	**(347)**

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	2019/20	2018/19
	£000	£000
Billed	907	913
Collected	(889)	(938)
Paid over to Norwich BID	881	876

36. Members' Allowances

The total of members' allowances paid in the year was £377,399 (2018/19 £368,445) 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 2019/20 [1]	29,972	-	-	29,972	4,346	34,318
Chief executive officer 2019/20 [2 3]	102,576	-	-	102,576	13,369	115,945
Chief executive officer 2018/19 [2 3]	117,306	-	-	117,306	16,966	134,272
Interim Director of place 2019/20 [4]	42,131	-	-	42,131	6,037	48,168
Director of regeneration & development 2019/20 [5]	34,030	-	-	34,030	4,859	38,889
Director of regeneration & development 2018/19	83,391	-	-	83,391	12,055	95,446
Director of strategy & culture 2019/20	95,308	-	-	95,308	13,819	109,127
Director of customers & culture 2018/19	91,455	-	-	91,455	13,261	104,716
Director of people & neighbourhoods 2019/20	85,280	-	-	85,280	12,297	97,577
Director of resources 2019/20 [2]	87,438	-	-	87,438	12,297	99,735
Director of business services 2018/19 [2]	84,171	-	-	84,171	12,055	96,226
Interim chief finance officer (S151) 19/20 [6]	22,884	-	-	22,884	5,012	27,896
Chief finance officer (S151) 19/20 [7]	55,961	-	-	55,961	5,829	61,790
Chief finance officer (S151) 18/19	79,669	-	-	79,669	-	79,669
TOTAL 2019/20	**555,580**	**-**	**-**	**555,580**	**77,865**	**633,445**
TOTAL 2018/19	**539,331**	**-**	**-**	**539,331**	**66,392**	**605,723**

[1] Chief executive officer started full time in January 2020

[2] Remuneration includes payments made in respect of election duties for the Chief executive and Director of business services

[3] Chief executive officer worked 4 days; and retired December 2019.

[4] Interim Director of place started September 2019.

[5] Director of regeneration & development retired August 2019.

[6] Interim chief finance officer (S151) started December 2019, and is employed by LGSS shared services.

[7] Chief finance officer (S151) officer finished November 2019, and was employed by LGSS shared services.

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

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

Remuneration Band		**2019/20**	**2018/19**
£50,000 to £54,999		9	5
£55,000 to £59,999		2	1
£60,000 to £64,999		2	1
£65,000 to £69,999		4	5
£70,000 to £74,999		1	-
£75,000 to £79,999		-	-
£80,000 to £84,999		-	3
£85,000 to £89,999		2	-
£90,000 to £94,999		-	1
£95,000 to £99,999		1	-
£100,000 to £104,999		1	-
£105,000 to £109,999		-	-
£110,000 to £114,999		-	-
£115,000 to £119,999		-	1
£120,000 to £124,999		-	-
		22	**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:-

2019/20					
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		-	-	-	-
£20,001 - £40,000		-	-	-	-
£40,001 - £60,000		-	-	-	-
£60,001 - £80,000		-	-	-	-
£80,001 - £100,000		1	-	1	95,820
£100,001 - £150,000		-	-	-	-
£150,001 - £200,000			1	1	181,975
Total		**1**	**1**	**2**	**277,795**

2018/19					
Exit package cost band (including special payments)		Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000		1	9	10	59,116
£20,001 - £40,000		-	-	-	-
£40,001 - £60,000		-	-	-	-
£60,001 - £80,000		-	-	-	-
£80,001 - £100,000		-	-	-	-
£100,001 - £150,000		-	-	-	-
Total		**1**	**9**	**10**	**59,116**

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 2019/20 and 2018/19 the following fees were payable by the Council to our external auditors.

	2019/20		2018/19
	£000		£000
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year	100		66
Fees payable to external auditors for the certification of grant claims and returns for the year	25		27
Fees payable in respect of any other services provided by external auditors during the year	-		-
Total	**125**		**93**

The scale fee set by Public Sector Audit Appointments Ltd (PSAA) for 2019/20 is £62k. An additional £38k has been recognised in year based on likely further costs associated with audit work on the group consolidation and migration to a new accounting system. The final scale fee will be subject to agreement with the external auditors and PSAA.

39. Grants Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20	2018/19
	£000	**£000**
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	-	(982)
Local Strategic Partnership - Second Homes	(12)	(61)
New Homes Bonus	(676)	(837)
NNDR Administration Grant	(273)	(268)
Small Business Rate Relief Grant	(2,931)	(2,253)
Other Grants (Non Capital)	(475)	(359)
Sub-Total inc NNDR	**(4,367)**	**(4,760)**
Capital Grants & Contributions		
Community Infrastructure Levy (Funding from developers)	(1,220)	(417)
Community Infrastructure Levy (Funding from GNGB Strategic Pool)	(93)	(98)
Disabled Facilities Grant	(1,133)	(1,203)
Capital Grant Income (Government bodies)	(610)	(385)
Capital Grants & contribution income (non Government)	(1,005)	(472)
Sub Total	**(4,061)**	**(2,575)**
Capital Grants & Contributions(REFCUS expenditure)		
Capital Grants & contribution income (from Non Government Bodies)	(10)	(5)
Sub Total	**(10)**	**(5)**
Total	**(8,438)**	**(7,340)**
Credited to Services		
Rent Allowance Subsidy	(22,539)	(25,615)
Rent Rebate Subsidy	(24,764)	(29,472)
Discretionary Housing Payments	(389)	(470)
Housing Benefit Administration Grant	(627)	(752)
Homelessness & Rough Sleeping Initiatives	(1,257)	-
Other Revenue Grants & Contributions (from Government)	(1,263)	(1,604)
Other Non Govt revenue grants and contributions	(155)	(255)
Sub Total	**(50,994)**	**(58,168)**

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		2019/20	2018/19
		£000	£000
Grants Receipts in Advance (Capital Grants)			
Home and Communities Agency Capital Grant		(12)	(12)
DECC Green Deal Community Fund		(6)	(6)
Developers Contributions (S.106)		(470)	(686)
Total		**(488)**	**(704)**
Grants Receipts in Advance (Revenue Grants)			
MHCLG NNDR S31 grant 20-21 (CGBC)		(3,098)	-
Other Government Grants & Contributions		(486)	(617)
Other Non Government Grants & Contributions		(1,310)	(398)
LEGI Re Guildhall		(50)	(50)
SALIX		(18)	-
Developers Contributions (S.106)		(331)	(326)
Total		**(5,293)**	**(1,391)**
LONG TERM LIABILITIES			
		£000	£000
Grants Receipts in Advance (Capital Grants)			
Disabled Facilities Grant		-	-
Land Release Fund Grant		(71)	(627)
Other Government Grants & Contributions		(28)	(28)
Developers Contributions (S.106)		(1,147)	(1,029)
Other Non-Government Grants & Contributions		(60)	(97)
Total		**(1,306)**	**(1,781)**
Grants Receipts in Advance (Revenue Grants)			
Local Enterprise Growth Initiative re Guildhall		(50)	(100)
Other Non Government Grants & Contributions.		(337)	(99)
SALIX		(90)	(80)
Developers Contributions (S.106)		(1,533)	(1,508)
Total		**(2,010)**	**(1,787)**

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	2019/20 £000	2018/19 £000
Opening Capital Financing Requirement 1st April		282,779	264,635
Correction of prior years error		-	-
Adjusted Opening Capital Financing Requirement		**282,779**	**264,635**
Property, Plant & Equipment	14	27,831	26,731
Assets under Construction	14	152	760
Investment Property	16	43,112	19,722
Heritage Assets	15	8	-
Intangible Assets	17	217	227
Decent Home Loans granted net of repaid		(45)	(118)
Local Authority Mortgage Scheme		-	(1,000)
Transferred debt net of repaid		(96)	(92)
Norwich Regeneration Ltd loan net of repaid		(3,000)	900
Norwich Preservation Trust loan net of repaid		(10)	(13)
Revenue Expenditure Funded from Capital Under Statute		6,190	5,828
Equity Investment in Norwich Regeneration Ltd		-	524
		357,138	**318,104**
Sources of Finance			
Capital Receipts		(6,897)	(5,607)
Government Grants & Other Contributions		(5,749)	(5,517)
Housing Revenue Account Major Repairs Allowance		(16,750)	(11,805)
Revenue Contributions & Minimum Revenue Provision *		(6,465)	(12,396)
Closing Capital Financing Requirement 31 March		**321,277**	**282,779**
Increase (decrease) in underlying need to borrow (unsupported by government financial assistance)		38,498	18,144
Increase (decrease) in Capital financing Requirement		**38,498**	**18,144**

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

* The Minimum Revenue Provision 2019/20 is £0.567m (2018/19 £0.316m) and this represents a provision against the Council's underlying debt that has been acquired to finance capital expenditure.

41. Leases

Council as Lessee

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

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

	31-Mar-19		31-Mar-19	
	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings
	£000	£000	£000	£000
Future Rental Liabilities				
Not later than one year	111	1,438	117	1,281
Later than one year & not later than five years *	211	1,955	303	1,495
Total	**322**	**3,393**	**420**	**2,776**

* based on Pool Car contract extension to March 2022

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 £1.880m (2018/19 £1.894m)

	2019/20	2018/19
	£000	£000
Sublease payments receivable	1,931	1,837
Total	**1,931**	**1,837**

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 £0.649m (2018/19 £0.742m)

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.

	2019/20	2018/19
Finance Lease Liabilities	£000	£000
Current	107	101
Non-Current	794	902
Financing Costs payable in future years	228	288
Minimum Lease Payments	**1,129**	**1,291**

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

	2019/20	2018/19
	£000	£000
Future Rental Liabilities		
No later than one year	161	161
Later than one year & not later than 5 years	645	646
Over 5 years	323	484
Total	**1,129**	**1,291**

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:

	2019/20	2018/19
	£000	£000
Tenants Future Rental Liabilities		
Not later than one year	6,095	4,404
Later than one year & not later than five years	22,733	17,108
Over five years	95,774	60,511
Total	**124,602**	**82,023**

In addition to the above, there are 93 properties (85 in 2018/19) where the rent is in perpetuity that amounts annually to £0.311m per annum (2018/19 £0.310m).
The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Finance Leases

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

	2019/20	2018/19
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	15	15
Non-current	1,809	1,184
Unearned finance income	1,844	1,875
Unguaranteed residual value of property	-	-
Gross investment in the leases	**3,668**	**3,074**

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-20	31-Mar-19	31-Mar-20	31-Mar-19
	£000	£000	£000	£000
Future Rental Liabilities				
Not later then one year	123	17	24	24
Later than one year & not later than five years	213	69	95	95
Later than five years	3,332	2,987	3,236	3,236
Total	**3,668**	**3,073**	**3,355**	**3,355**

42. Impairment Losses

During the year the Council carried out adaptations at a cost of £828,186 (2018/19 £588,050) to a number of council dwellings under Disabled Facilities legislation. As advised by our valuer, these adaptations added no value to the dwellings; therefore this expenditure was impaired as shown in note 14 (combined with the impairments detailed below).

The Council also impaired the cost of works to flats within blocks for which the lease has been sold £632,526, of which structural work constituted £381,830, door access controls £85,839, work to tower blocks £56,243, roofing £84,244 and lift upgrades £17,584.

The Council also impaired the cost of works to district heating boiler houses £619,646, housing alarms £113,912, HRA shops £71,814, lift upgrades £47,307 and enhancement of HRA estates £361,535 as it was deemed not to add value.

Heigham Park tennis pavilion was severely damaged by fire in the year; an impairment of £24,752 was charged on advice of the Valuer, to hold the asset at nil value until such time that repairs can be carried out.

43. Termination Benefits

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £277,796 (2018/19 £59,116). These were payable to 2 (10 in 2018/19) officers who were made redundant as part of the Council's rationalisation of Services and include amounts payable in respect of early retirement to the pension fund.

44. Other Long Term Liabilities

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

	2019/20	2018/19
	£000	£000
Pension Fund Liability	169,617	204,103
Other	123	117
	169,739	204,221

45. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

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

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

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

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

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

Transactions relating to Retirement Benefits

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

Discretionary Benefits

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

	2019/20		2018/19
	£000		**£000**
Comprehensive Income & Expenditure Statement			
Cost of Services			
Current service cost	8,127		7,413
Past service cost (including curtailments)	110		3,610
Past service cost - effect of business combinations	-		1,500
Financing and Investment Income and expenditure			
Net Interest expense	4,912		4,995
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**13,149**		**17,518**
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)	24,902		(10,067)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	(11,718)		-
Actuarial (Gains) and Losses arising on changes in financial assumptions	(33,911)		24,957
Other experience	(19,025)		1,167
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(26,603)**		**33,575**
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code and HRA balances for pensions in the year	(13,149)		(17,518)
Total Remeasurements recognised in Other Comprehensive Income	**(39,752)**		**16,057**

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

The past service costs arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years. For 2019/20 the past service costs include bulk transfer of members into the fund from Cambridgeshire County Council and the estimated impact of rulings on Transitional Protection Arrangement and Guaranteed Minimum Pension (GMP). Further details on the impact of the ruling are shown in the section ‘Basis for Estimating Assets & Liabilities’.

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

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

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

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2020 is a loss of £122.660m (31 March 2019 loss of £162.412m)

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:

	2019/20		2018/19
	£000		£000
Present Value of funded liabilities	(421,383)		(479,206)
Present Value of unfunded liabilities	(18,281)		(20,741)
Fair Value of plan assets	270,061		295,856
Net Liability arising from defined benefit obligation	**(169,603)**		**(204,091)**

	2019/20		2018/19
Reconciliation of present value of the scheme liabilities:	**£000**		**£000**
At 1 April	(499,947)		(458,744)
Total service Cost	(8,127)		(7,413)
Interest Cost	(11,933)		(12,203)
Contributions by Members	(1,231)		(1,240)
Effect of business combinations	-		(6,232)
Remeasurement (gains)/Losses			
- actuarial gains/losses arising from changes in demographic assumptions	11,718		-
- actuarial gains/losses arising from changes in financial assumptions	33,911		(24,957)
- other	19,025		(1,167)
Benefits Paid	17,030		15,619
Past Service Cost (including curtailments)	(110)		(3,610)
At 31 March	**(439,664)**		**(499,947)**

	2019/20		2018/19
Reconciliation of fair value of the scheme assets	**£000**		**£000**
At 1 April	295,856		280,861
Interest Income	7,021		7,208
Remeasurement Gain/(loss) the return on plan assets excluding amount included in net interest expense	(24,902)		10,067
Employer Contributions	6,699		6,182
Contributions by Members	1,231		1,240
Contributions in respect of unfunded benefits	1,186		1,185
Effect of business combinations	-		4,732
Benefits Paid	(15,844)		(14,434)
Unfunded benefits paid	(1,186)		(1,185)
At 31 March	**270,061**		**295,856**

Local Government Pension Scheme assets comprised:

		2019/20				2018/19			
		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			7,430	7,430	2.8%		9,028	9,028	3.1%
Equity Instruments									
by industry type									
Consumer		12,397		12,397	4.6%	21,982		21,982	7.4%
Manufacturing		9,828		9,828	3.6%	18,160		18,160	6.1%
Energy and Utilities		2,997		2,997	1.1%	7,939		7,939	2.7%
Financial institutions		8,402		8,402	3.1%	19,228		19,228	6.5%
Health and care		7,764		7,764	2.9%	8,534		8,534	2.9%
Information Technology		10,323		10,323	3.8%	17,353		17,353	5.9%
Other		5		5	0.0%	12		12	0.0%
Sub-total Equity Instruments		**51,716**		**51,716**		**93,208**		**93,208**	
Private equity			20,130	20,130	7.5%		21,893	21,893	7.4%
Bonds									
by sector									
Corporate									
Other		2,520		2,520	0.9%	3,417		3,417	1.2%
Sub-total Bonds		**2,520**		**2,520**		**3,417**		**3,417**	
Property									
by geographical location									
UK property			17,116	17,116	6.3%		22,467	22,467	7.6%
Overseas property			3,920	3,920	1.5%		4,337	4,337	1.5%
Sub-total Property			21,036	21,036			26,804	26,804	
Investment Funds & Unit Trusts									
Equities		96,679		96,679	35.8%	61,020		61,020	20.6%
Bonds		65,464		65,464	24.2%	80,549		80,549	27.2%
Infrastructure			5,556	5,556					
Sub-total Investment Funds & Unit Trusts		**162,143**	**5,556**	**167,699**		**141,569**		**141,569**	
Derivatives			(470)	(470)	-0.2%	(63)		(63)	0.0%
Other									
Total Assets		**216,379**	**53,682**	**270,061**		**238,131**	**57,725**	**295,856**	

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 2019.

The principle assumptions used in their calculations have been:

Mortality Assumptions:		**2019/20**	**2018/19**
Longevity at 65 for current pensioners			
Men		21.7yrs	22.1yrs
Women		23.9yrs	24.4yrs
Longevity at 65 for future pensioners			
Men		22.8yrs	24.1yrs
Women		25.5yrs	26.4yrs
Rate of inflation		2.30%	2.50%
Rate of increase in salaries		2.60%	2.80%
Rate of increase in pensions		1.90%	2.50%
Rate for discounting scheme liabilities		2.30%	2.40%
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%)	2,785
Rate of increase in pensions (increase by 0.5%)	33,163
Rate for discounting scheme liabilities (decrease by 0.5%)	36,207

Transition Arrangements Age Discrimination

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an ‘underpin’ which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.
In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The

implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied.

The impact of the ruling is uncertain. It is looking likely that benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. However, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Norfolk Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The council first included the potential additional liabilities, as advised by its actuary Hymans Robertson, in the 2018-19 accounts as a constructive obligation. These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

In the 2019-20 accounts the council has recognised changes in the liability arising from changes in assumptions within the re-measurement of the defined benefit liability and reported in Other Comprehensive Income and Expenditure Statement within the Comprehensive Income and Expenditure Statement.

Guaranteed Minimum Pension (GMP)

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Norwich City Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The council first included the potential additional liabilities, as advised by its actuary Hymans Robertson, in the 2018-19 accounts as a constructive obligation. In the 2019-20 accounts the council has recognised changes in the liability arising from changes in assumptions within the re-measurement of the defined benefit liability and reported in Other Comprehensive Income and Expenditure Statement within the Comprehensive Income and Expenditure Statement.

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 2022.

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 2021 is £6.781m

The weighted average duration of the defined benefit obligation for scheme members is 17 years, (2018/19 16.2 years)

46. Contingent Assets and Liabilities

Liabilities

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

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

NHS Trusts

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

In December 2019 the High Court ruled that NHS Trusts and Foundation Trusts are not eligible for business rates relief. A number of NHS trusts have however applied for permission to appeal the High Court ruling. The view of the council is that the claim is unfounded, but as the decision could be subject to appeal it is appropriate to continue to disclose a contingent liability. The timing, probability and amount of any relief is uncertain at the current time.

Dispute

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

Water Charges

The Authority has acted as a collection agent on behalf of Anglia Water in respect of Housing Revenue Account (HRA) tenants' water and sewerage charges. In return for this service the Authority has received a commission which has been treated as an income stream to the HRA. The treatment of this arrangement has been called in to question due to a Court ruling (Kim Jones versus London Borough of Southwark). Traditionally this has been viewed as an agency arrangement, but the Court ruling concluded that the Authority concerned was acting as a water reseller and that commission amounts could be reclaimed by tenants. In light of the ruling a contingent liability is disclosed while the council assesses any potential impact on its own current and previous contractual arrangements.

Assets

Contractual Rebate

Discussions remain ongoing with a supplier in relation to the level of contractual rebate owed to the council. The council's position is that a rebate is owed to the council as a result of contractual adjustments to the fees. As the discussions have not yet concluded, the final sums owed are still uncertain and have therefore been disclosed as a contingent asset.

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 2020 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 2019/20 and 2018/19 is shown in Note 36. During 2019/20, no works and services (2018/19 £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 £264,500 (2018/19 £268,000) and officer working parties a further £4,200 (2018/19 £5,781) as grants to voluntary organisations in which six members had an interest. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at City Hall during office hours.

During 2019/20, no grants were made to any organisations (2018/19 £Nil) in which members of senior management had interests.

During 2019/20, there were no works and services commissioned (2018/19 Nil) from entities in which officers had interests.

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 £472,359 (2018/19 £503,348). 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.

Companies and joint ventures – the council has interests in:

I. Two companies, Legislator 1656 and 1657 Ltd, which the Council has shares in and are related to developments at Norwich Airport.
II. Norwich Norse (Environmental) Ltd – provides a range of facilities, management, and contract services to Norwich and surrounding areas.

III. Norwich Norse (Building) Ltd – provides maintenance, repairs and upgrades to housing and non-housing buildings for Norwich City Council.
IV. NPS Norwich Ltd – provides property management services to Norwich City Council.
V. Norwich Regeneration Ltd – a wholly owned subsidiary company set up by the council to carry out redevelopment projects.
VI. Norwich City New Co Ltd – a wholly owned subsidiary company set up to manage all private rental sector properties built by Norwich Regeneration Ltd (NRL) or those that the new company may purchase itself as a business opportunity.
VII. Three Score Open Space Management Ltd – a company set up to manage the open spaces around the Three Score development.

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

Legislator Companies

The 2019/20 accounts include a dividend declared by Legislator 1656 of £364,000. The dividend was declared by Legislator 1656 following the sales of its shareholding in Norwich Airport Ltd in July 2019.

The 2018/19 accounts included a dividend of £567,000. The dividend was declared by Legislator 1656 following the receipt of deferred sale proceeds on the sale of Norwich Airport in 2004.

No amounts of money have been paid to or from Legislator 1657 during 2019/20 (2018/19 £0).

Norse Joint Ventures

£6,026,494 (2018/19 £6,419,045) has been spent with Norwich Norse Environmental Ltd, and £12,223,879 (2018/19 £10,939,818) with Norwich Norse Building Ltd during 2019/20 and £3,532,277 (2018/19 £3,753,150) has been spent with NPS Norwich Ltd.

Amounts due to Norwich Norse Environmental Ltd are £136,305, Norwich Norse Building Ltd are £3,963,860 and NPS Norwich Ltd are £81,771. Amounts due from Norwich Norse Environmental Ltd are £242,908, Norwich Norse Building Ltd are £246,744 and NPS Norwich Ltd are £264,174.

Norwich Regeneration Ltd

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

During 2019/20 NRL repaid loans of £900,000 and £5,100,000, and the Council loaned £3,000,000 to NRL, leaving a balance of £9,400,000 outstanding at the end of the financial year. During 2018/19 the council loaned NRL £900,000, bringing the total amount loaned to £12,400,000.

During 2019/20 the council’s Housing Revenue Account (HRA) purchased properties from NRL for social housing totalling £7,217,831 (2018/19 £1,607,062). The HRA incurred further expenditure with NRL for the redevelopment of a site in Bullard Road into social housing totalling £553,594 (2018/19 £546,406) and consultancy fees in relation to the redevelopment of the former Mile Cross depot site totalling £178,323 (2018/19 £0).

During the year the Council received income from the company of £497,504 relating to the interest on the loan, and £357,264 for services provided by the Council to the company under a service level agreement (2018/19 £779,153 in total). The Council recharged an additional £129,686 to the company for salary costs paid out on the company’s behalf (2018/19 £70,386).

As at 31 March 2020, the amount due to NRL was nil (2018/19 £247,656). Amounts due from NRL are short term £487,950 (2018/19 £199,010) and long term £9,400,000 (2018/19 £12,400,000).

Threescore Open Space Management Ltd

The Council's HRA made a payment of £3,688 (2018/19 £2,099) to Threescore Open Space Management Ltd for management fees on the properties purchased at the Threescore development. During the year the Council received no income from the company.

No amounts of money have been paid to or from Norwich City New Co Ltd during 2019/20 (2018/19 £0).

Housing Revenue Account Income & Expenditure Statement

	Notes	2019/20 £000	2018/19 £000
Expenditure			
Repairs & Maintenance		12,470	11,159
Supervision & Management		16,607	15,676
Rents, Rates, Taxes & Other Charges		5,368	5,588
Depreciation & Impairment of Non-current Assets	HRA 10&11	18,034	17,496
Local Authority Housing - Revaluation loss (gain) on Dwellings		2,178	(5,267)
Debt Management Costs		136	173
Movement in Allowance for Bad Debts		236	200
Total Expenditure		55,029	45,025
Income			
Dwelling Rents		(56,491)	(56,862)
Non-dwelling Rents		(2,309)	(2,277)
Charges for Services & Facilities		(2,755)	(2,480)
Contributions towards expenditure		(6,018)	(6,346)
Total Income		(67,573)	(67,965)
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		**(12,544)**	**(22,940)**
HRA services share of Corporate & Democratic Core		771	735
Net (Income)/Cost of HRA Services		**(11,773)**	**(22,205)**
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Expenditure		(3,474)	(2,999)
Financing & Investment Income & expenditure		8,217	8,340
Taxation & Non-Specific Grant Income		(672)	(87)
(Surplus)/deficit for the year on HRA services		**(7,702)**	**(16,951)**

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)

	2019/20	2018/19
	£000	£000
Balance at 1 April	30,903	30,488
Movement in reserves during Year		
Surplus/ (deficit) on provision of services	7,702	16,951
Other Comprehensive Income & Expenditure	-	
Total Comprehensive Income & Expenditure	**7,702**	**16,951**
Adjustments between accounting basis & funding basis under regulations (note 9 main accounts)	(3,366)	(15,349)
Net Increase/ Decrease before Transfers to Earmarked Reserves	4,336	1,602
Transfers to/from Earmarked Reserves (note 10 main accounts)	(1,139)	(1,152)
Transfers between reserves	(131)	(35)
Increase/Decrease in Year	3,066	415
Balance at 31 March carried forward	**33,969**	**30,903**

Notes to Housing Revenue Account Income & Expenditure Statement

1. Other Operating (Income) / Expenditure

	2019/20	2018/19
	£000	£000
(Gains)/Losses on the disposal of non-current assets	(3,474)	(2,999)
Total	**(3,474)**	**(2,999)**

2. Financing and Investment Income and Expenditure

	2019/20	2018/19
	£000	£000
Interest payable and similar charges	7,311	7,618
Pension interest cost and expected return on pension assets	1,100	1,117
Interest receivable and similar income	(194)	(221)
Total	**8,217**	**8,514**

3. Taxation and Non-Specific Grant Income

	2019/20	2018/19
	£000	£000
Capital Grants and contributions	(672)	(87)
Total	**(672)**	**(87)**

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 £7.311m being charged to the HRA in 2019/20 (2018/19 £7.553m).

5. HRA Council Dwellings

At 31 March 2020 there were 14,657 HRA Council dwellings, of which 923 were sheltered housing units.

	31-Mar-20	31-Mar-19
	Total Stock	**Total Stock**
Parlour houses	297	299
Non-parlour houses	4,963	5,028
Non-traditional houses	627	630
Bungalows	336	336
Cottage properties	188	196
Flats	6,292	6,359
Maisonettes	476	490
Flats in tower blocks	407	407
Sheltered/Good Neighbour housing units	923	923
Passivhaus flats	73	21
Passivhaus houses	75	40
	14,657	**14,729**
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	**14,729**	**14,807**
Right to Buy sales	(156)	(138)
Other Dwelling Sales	(6)	(3)
Conversions	2	2
Housing acquisitions	1	-
New Build Housing	87	61
Stock as at 31 March	**14,657**	**14,729**

6. Housing Valuation

	31-Mar-20	31-Mar-19
	£000	**£000**
Operational Assets:		
Council Dwellings (HRA)	783,494	776,011
Other Land & Buildings	22,710	22,924
Vehicle, Plant & Equipment	809	747
Infrastructure & Community Assets	2,197	2,197
Assets Under Construction	441	6,689
Surplus assets	(204)	58
Sub Total	**809,447**	**808,626**
Assets held for Sale - Current	130	380
Sub Total	**130**	**380**
Intangible Assets	(2)	-
Sub Total	**(2)**	**-**
Total	**809,575**	**809,006**

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

As set out in the Statement of Accounting Policies, Council dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This value is less than the Vacant Possession Value to reflect the fact that Local Authority Housing is let at sub-market rents and, in broad terms, is arrived at after applying a regional adjustment factor of 62% (2018/19 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 2020 was £2,021.09m (31 March 2019 £2,001.79m).

7. Major Repairs Reserve

	2019/20	2018/19
	£000	£000
Balance brought forward at 1 April	(9,796)	(7,000)
Depreciation charge for the year	(15,261)	(14,601)
Financing of capital expenditure for the year	16,750	11,805
Balance for the year	**1,489**	**(2,796)**
Balance Carried forward	**(8,307)**	**(9,796)**

8. HRA Capital Expenditure

	2019/20	2018/19
	£000	£000
Capital Investment		
Opening Capital Financing Requirement 1st April	205,716	205,716
Operational Assets	26,269	24,629
Other Land & Buildings	72	327
Vehicles, Plant & Equipment	73	-
Assets under Construction	152	627
Revenue Expenditure Financed as Capital	2,179	804
Appropriation to General Fund	-	-
	234,461	**232,103**
Sources of Finance		
Capital Receipts	(5,143)	(3,351)
Government Grants & Other Contributions	(1,262)	(87)
Major Repairs Allowance	(16,750)	(11,805)
Revenue Contributions	(5,590)	(11,144)
Closing Capital Financing Requirement 31 March	**205,716**	**205,716**

9. HRA Capital Receipts

In 2019/20 total capital receipts from the disposal of HRA assets were:

	2019/20	2018/19
	£000	£000
Land	50	93
Council dwellings	13,070	10,961
Total	**13,120**	**11,054**

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 £15.357m (2018/19 £14.699m).

	2019/20	2018/19
	£000	£000
Operational Assets		
Council dwellings	14,731	14,060
Other land & buildings	532	545
Vehicles, Plant & Equipment	94	94
Intangible Assets	-	-
Total	**15,357**	**14,699**

11. Impairment Costs

During the year there were £2.680m of impairment costs (2018/19 £2.800m) relating to HRA assets, which are detailed in the table below.

	2019/20	2018/19
	£000	£000
Council Dwellings	(2,604)	(2,304)
Other Property	(76)	(496)
Total	**(2,680)**	**(2,800)**
Disabled Facilities adaptations not adding value	(828)	(588)
Lift installations not adding value	(47)	-
Housing alarm upgrades not adding value	(114)	-
Upgrades to District Heating schemes not adding value	(620)	(918)
Enhancement of HRA estates not adding value	(362)	(195)
Structural work to flats where lease has been sold not adding value	(382)	(312)
Other work to flats where lease has been sold not adding value	(251)	(291)
Other	(76)	(496)
Total	**(2,680)**	**(2,800)**

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 2020 were £5.63m (2018/19 £5.03m). The provision for doubtful debts (rents) at 31 March 2020 was £3.34m (2018/19 £3.08m). Amounts written off during the year amounted to £0.45m (2018/19 £0.58m).

The Collection Fund Revenue Account

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

	31-Mar-20			31-Mar-19
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
INCOME				
Council Tax receivable		84,776	84,776	80,664
Business rates receivable	79,050		79,050	79,890
Council Tax Reduction Scheme		(13,858)	(13,858)	(13,965)
Interest	-		-	(2)
	79,050	**70,918**	**149,968**	**146,587**
EXPENDITURE				
Precepts & Demands:				
Central Government	18,693		18,693	37,680
Norfolk County Council	24,301	49,483	73,784	54,473
Norfolk Police Authority		9,193	9,193	8,131
Norwich City Council	31,778	9,595	41,373	39,245
Distribution of Estimated Surplus / (Deficit) for Previous Years:				
Central Government	310		310	(1,248)
Norfolk County Council	62	2,004	2,066	1,331
Norfolk Police Authority		347	347	275
Norwich City Council	248	389	637	(683)
Charges to Collection Fund				
Transitional Protection Payment	684		684	668
Costs of Collection	273		273	268
Increase/decrease in Bad Debt Provision	1,013	937	1,950	(478)
Increase/decrease in Provision for Appeals	580		580	492
Write Offs of uncollectable amounts	580	826	1,406	2,030
	78,522	**72,774**	**151,296**	**142,184**
Collection Fund Balance b/fwd at 1 April	1,917	5,264	7,181	2,778
Surplus / (Deficit) for the year	528	(1,856)	(1,328)	4,403
Collection Fund Balance c/fwd at 31 March	**2,445**	**3,408**	**5,853**	**7,181**

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. However, for 2019/20, Norwich was part of the 75% Norfolk Pilot Scheme and so, for this year only, the percentages are 25%, 42.5% and 32.5% respectively.

The total non-domestic rateable value on 31 March 2020 was £200,536,024 (31 March 2019 £200,208,594). The national non-domestic rate multiplier for 2019/20 was 50.4p in the £ (2018/19 49.3p in the £). The small business multiplier for eligible businesses in 2019/20 was 49.1p in the £ (2018/19 48.0p 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	2019/20	2018/19
		Calculated Number of Properties in Band	Calculated Number of Properties in Band
Up to £40,000	A	10,321.30	10,013.96
£40,001 to £52,000	B	13,060.64	12,642.31
£52,001 to £68,000	C	6,192.58	6,085.91
£68,001 to £88,000	D	3,066.95	3,058.75
£88,001 to £120,000	E	2,381.13	2,391.77
£120,001 to £160,000	F	1,180.76	1,160.83
£160,001 to £320,000	G	953.92	941.83
Over £320,000	H	99.00	99.50
		37,256.28	**36,394.86**
Collection Rate		0.975	0.975
Tax Base		**36,325.00**	**35,485.00**

The tax rate per Band D property was £1879.45 (2018/19 £1,808.33).

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.

	2019/20	2018/19
	£000	£000
Norfolk County Council	2,477	3,815
Norfolk Police Authority	460	709
Norwich City Council	471	740
Surplus Carried Forward	**3,408**	**5,264**

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. These percentages apply to any prior year surplus. However, for 2019/20, Norwich was part of the 75% Norfolk Pilot Scheme and so, for current year surplus only, the percentages are 25%, 42.5% and 32.5% respectively.

	2019/20	2018/19
	£000	£000
Central Government	935	958
Norwich City Council	1,007	767
Norfolk County Council	503	192
Surplus /(deficit) Carried Forward	**2,445**	**1,917**

Group Financial Statements

1. Introduction

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

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

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

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

2. Basis of Identification of the Group Boundary

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

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

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

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

3. Norwich Regeneration Limited (NRL)

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

The company accounts are subject to audit by Aston Shaw. Copies of the accounts may be obtained from Companies House or by request to the Council.

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

NRL has prepared 2019/20 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 NPS Norwich Limited (NPSN) and Norwich City Council. The principle activities of the company are provision of streets, buildings and other cleaning, grounds maintenance, arboriculture and associated services for NCC, which is managed under a service agreement.

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

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

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

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

6. Norwich Norse (Building) Limited

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

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

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

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

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

7. Three Score Open Space Management Ltd

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

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

There are no material transactions in 2019/20 or 2018/19 therefore it is not included in the Group Accounts.

8. Norwich City New Co Ltd

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

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

No transactions have occurred in the company in 2019/20, therefore the company will not be consolidated into the 2019/20 Consolidated Group Statements.

9. Basis of Consolidation

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

Group Movement in Reserves Statement

	Council's usable Reserves	Subsidiary usable Reserves	Total Group usable Reserves	Council's unusable Reserves	Subsidiary unusable Reserves	Total Group unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019 carried forward	**112,702**	**(1,391)**	**111,311**	**552,720**	**-**	**552,720**	**664,031**
Movement in reserves during 2018/19	-	-	-	-	-	-	-
Surplus/ (deficit) on provision of services	(2,489)	(1,519)	(4,008)	-	-	-	(4,008)
Other Comprehensive Income & Expenditure	-	-	-	44,514	-	44,514	44,514
Total Comprehensive Income & Expenditure	**(2,489)**	**(1,519)**	**(4,008)**	**44,514**	**-**	**44,514**	**40,506**
Adjustments between group accounts and authority accounts	660	(660)	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (note 9)	12,456	-	12,456	(12,456)	-	(12,456)	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**10,627**	**(2,179)**	**8,448**	**32,058**	**-**	**32,058**	**40,506**
Transfers to/from Earmarked Reserves (note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between reserves	**45**	**-**	**45**	**(45)**	**-**	**(45)**	**-**
Other Adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase/(Decrease) in 2019/20	**10,672**	**(2,179)**	**8,493**	**32,013**	**-**	**32,013**	**40,506**
Balance at 31 March 2020 carried forward	**123,374**	**(3,570)**	**119,804**	**584,733**	**-**	**584,733**	**704,537**

	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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018	**101,080**	**(690)**	**100,390**	**577,083**	**-**	**577,083**	**677,473**
Adjustments for the restatement of financial instruments under IFRS 9	-	-	-	(501)	-	(501)	(501)
Balance at 1 April 2018	**101,080**	**(690)**	**100,390**	**576,582**	**-**	**576,582**	**676,972**
Movement in reserves during 2018/19	-	-	-	-	-	-	-
Surplus/ (deficit) on provision of services	1,269	51	1,320	-	-	-	1,320
Other Comprehensive Income & Expenditure	-	-	-	(14,359)	-	(14,359)	(14,359)
Total Comprehensive Income & Expenditure	**1,269**	**51**	**1,320**	**(14,359)**	**-**	**(14,359)**	**(13,039)**
Adjustments between group accounts and authority accounts	850	(752)	98	-	-	-	98
Adjustments between accounting basis & funding basis under regulations (note 9)	9,386	-	9,386	(9,386)	-	(9,386)	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**11,505**	**(701)**	**10,804**	**(23,745)**	**-**	**(23,745)**	**(12,941)**
Transfers to/from Earmarked Reserves (note 10)	-	-	-	-	-	-	-
Transfers between reserves	117	-	117	(117)	-	(117)	-
Other Adjustments	-	-	-	-	-	-	-
Increase/(Decrease) in 2018/19	**11,622**	**(701)**	**10,921**	**(23,862)**	**-**	**(23,862)**	**(12,941)**
Balance at 31 March 2019 carried forward	**112,702**	**(1,391)**	**111,311**	**552,720**	**-**	**552,720**	**664,031**

Group Comprehensive Income and Expenditure Statement

		2019/20			2018/19		
	Group Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Business Services		63,727	(51,238)	12,489	74,471	(58,374)	16,097
Chief Executive		913	(27)	886	877	(7)	870
Communications & Culture		6,220	(1,043)	5,177	6,139	(1,172)	4,967
Regeneration & Growth		18,236	(12,863)	5,373	17,443	(12,578)	4,865
Neighbourhoods		18,004	(7,464)	10,540	17,301	(6,684)	10,617
Housing Revenue Account		51,148	(67,382)	(16,234)	40,762	(67,518)	(26,756)
Norwich Regeneration Ltd		4,201	(2,667)	1,534	1,874	(1,919)	(45)
Cost of Services		**162,449**	**(142,684)**	**19,765**	**158,867**	**(148,252)**	**10,615**
Other Operating Expenditure				(5,572)			(2,406)
Financing and Investment Income and Expenditure	**10**			12,109			11,987
Taxation and Non-Specific Grant Income				(22,296)			(21,517)
(Surplus) / Deficit on Provision of Services				**4,006**			**(1,321)**
(Surplus) / deficit on revaluation of non-current assets				(3,564)			(2,267)
(Surplus)/deficit from investments in equity instruments designated at fair value from other comprehensive income				(1,198)			569
Actuarial (gains) / losses on pension assets / liabilities				(39,752)			16,057
Other Comprehensive (Income) and Expenditure				**(44,514)**			**14,359**
Total Comprehensive (Income) and Expenditure				**(40,508)**			**13,038**

Group Balance Sheet

	Group Notes	31-Mar-20	31-Mar-19
		£'000	£'000
Property, Plant & Equipment	11	930,286	932,460
Heritage Assets		25,553	25,545
Investment Properties	12	108,630	71,331
Intangible Assets		621	573
Long term Investments	13	2,128	1,754
Long Term Debtors	14	5,809	5,786
Long Term Assets		**1,073,027**	**1,037,449**
Short Term Investments		9,000	26,000
Assets Held for Sale		131	380
Short term Debtors	15	12,802	12,674
Inventories	16	5,783	7,332
Cash and Cash Equivalents	17	37,399	24,826
Current Assets		**65,115**	**71,212**
Short Term Borrowing		(886)	(806)
Short Term Creditors	18	(35,110)	(31,013)
Capital Grants Receipts in Advance Short Term		(488)	(704)
Current Liabilities		**(36,484)**	**(32,523)**
Long Term Creditors		(2,805)	(2,688)
Long term Borrowing		(220,136)	(199,900)
Other Long Term Liabilities		(169,739)	(204,221)
Provisions		(3,135)	(3,517)
Capital Grants Receipts in Advance Long Term		(1,306)	(1,781)
Long Term Liabilities		**(397,121)**	**(412,107)**
Net Assets		**704,537**	**664,031**
Usable Reserves		119,804	111,311
Unusable Reserves		584,732	552,720
Total Reserves		**704,536**	**664,031**

Signed: Date:

Annabel Scholes

Director of Resources (S.151 Officer)

Group Cash Flow Statement

	Group Notes	2019/20 £'000	2018/19 £'000
Net (surplus) or deficit on provision of services		(4,006)	1,321
Adjustments to net surplus or deficit on provision of services for non-cash movements		49,480	41,324
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(16,401)	(17,622)
Net cash flows from Operating Activities		**29,073**	**25,023**
Investing Activities		(35,849)	(34,455)
Financing Activities		19,349	1,881
Net Increase or (decrease) in cash and cash equivalents		**12,573**	**(7,550)**
Cash and cash equivalents at the beginning of the reporting period	17	24,826	32,376
Cash and cash equivalents at the end of the reporting period	17	**37,399**	**24,826**

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 2019/20 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies.

There is only one addition to the stated accounting policies for the Council which needs to be included for NRL. This is the accounting policy for Inventories. There is no stated policy on Inventories within the council's accounting policies as these are immaterial for the Council. However Inventories are material for NRL.

The accounting policy is that Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula. The policy is consistent for both the Council and NRL.

Both entities have a financial year end of 31 March. Disclosure notes have only been restated in the group accounts section where they are materially different from those of the Council's single entity accounts.

10. Financing and investment Income and Expenditure

	2019/20	2018/19
	£'000	£'000
Interest payable and similar charges	8,237	8,161
(Gains)/Losses on the disposal of investment property	(32)	(361)
Pension interest cost and expected return on pension assets	4,912	4,995
Interest Receivable and similar income	(716)	(672)
Income and expenditure in relation to investment properties and changes in their fair value	(53)	44
Other investment income	(365)	(300)
Impairment of Soft Loans	127	120
Total	**12,110**	**11,987**

11. Property Plant and Equipment

Movements in 2019/20	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 2019	**782,152**	**141,935**	**28,147**	**2,812**	**11,809**	**293**	**7,001**	**974,149**
Additions	25,639	1,517	512	49	114	-	152	**27,983**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	364	(1,929)	-	-	-	(40)	-	**(1,605)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(18,711)	(1,026)	-	-	-	-	-	**(19,737)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	4,205	356	-	-	-	-	-	**4,561**
Derecognition – Disposals	(8,469)	-	(119)	-	-	-	-	**(8,588)**
Derecognition - Other	(194)	-	-	-	-	-	-	**(194)**
Demolition	-	(10)	-	-	-	-	-	**(10)**
Assets Reclassified (to) / from Held for Sale	(670)	(25)	-	-	-	-	-	**(695)**
Other Movements in Cost or Valuation	6,305	13	229	-	-	(228)	(6,547)	**(228)**
Other reclassifications	-	-	-	-	-	-	-	**-**
At 31 March 2020	**790,621**	**140,831**	**28,769**	**2,861**	**11,923**	**25**	**606**	**975,636**
Accumulated Depreciation & Impairment								
At 1 April 2019	**(6,141)**	**(9,880)**	**(24,442)**	**(1,220)**	**-**	**(7)**	**-**	**(41,690)**
Depreciation charge	(14,729)	(2,493)	(682)	(80)	-	(1)	-	**(17,985)**
Depreciation written out to the Surplus/Deficit on Provision of Services	11,592	104	-	-	-	-	-	**11,696**
Depreciation write-back on revaluation to Revaluation Reserve	3,137	1,784	-	-	-	8	-	**4,929**
Impairment losses / (reversals) recognised in CIES	(1,184)	(616)	-	-	-	-	-	**(1,800)**
Impairment losses / (reversals) recognised in RR	199	(13)	-	-	-	-	-	**186**
Derecognition – Disposals	-	(786)	100	-	-	-	-	**(686)**
Derecognition - Other	-	-	-	-	-	-	-	**-**
At 31 March 2020	(7,126)	(11,900)	(25,024)	(1,300)	-	-	-	**(45,350)**
Net Book Value								
At 31 March 2020	**783,495**	**128,931**	**3,745**	**1,561**	**11,923**	**25**	**606**	**930,286**
At 31 March 2019	776,012	132,054	3,705	1,591	11,809	287	7,002	932,460

Comparative Movements in 2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2018	**762,348**	**142,300**	**27,357**	**2,777**	**11,708**	**270**	**17,760**	**964,520**
Additions	24,044	1,551	1,000	35	101	-	760	**27,491**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,987	(8,241)	-	-	-	24	-	**(4,230)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(14,480)	(3,398)	-	-	-	-	-	**(17,878)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	7,888	1,189	-	-	-	-	-	**9,077**
Derecognition – Disposals	(7,430)	-	(196)	-	-	-	-	**(7,626)**
Derecognition - Other	(168)	-	-	-	-	-	-	**(168)**
Demolition	-	(162)	-	-	-	-	-	**(162)**
Assets Reclassified (to) / from Held for Sale	(745)	-	-	-	-	-	-	**(745)**
Other Movements in Cost or Valuation	6,709	8,695	(15)	-	-	-	(11,518)	**3,871**
Other reclassifications	-	-	-	-	-	-	-	**-**
At 31 March 2019	**782,153**	**141,934**	**28,146**	**2,812**	**11,809**	**294**	**7,002**	**974,150**
Accumulated Depreciation & Impairment								
At 1 April 2018	**(5,025)**	**(11,754)**	**(23,992)**	**(1,142)**	**(109)**	**(8)**	**-**	**(42,030)**
Depreciation charge	(14,060)	(2,555)	(645)	(79)	-	(7)	-	**(17,346)**
Depreciation written out to the Surplus/Deficit on Provision of Services	12,308	979	-	-	-	-	-	**13,287**
Depreciation write-back on revaluation to Revaluation Reserve	1,754	4,888	-	-	-	8	-	**6,650**
Impairment losses / (reversals) recognised in CIES	(1,176)	(1,373)	-	-	-	-	-	**(2,549)**
Impairment losses / (reversals) recognised in RR	58	(65)	-	-	-	-	-	**(7)**
Derecognition – Disposals	-	-	196	-	-	-	-	**196**
Derecognition - Other	-	-	-	-	109	-	-	**109**
At 31 March 2019	**(6,141)**	**(9,880)**	**(24,441)**	**(1,221)**	**-**	**(7)**	**-**	**(41,690)**
Net Book Value								
At 31 March 2019	776,012	132,054	3,705	1,591	11,809	287	7,002	**932,460**
At 31 March 2018	757,323	130,546	3,365	1,635	11,599	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 property, plant and equipment asset included in NRL's Balance Sheet at the 31 March 2020 is land held by the NRL which is as yet undeveloped. It has been valued at cost £0.259m. 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	-	259	11,923	1,561	3,745	606	-	**18,094**
Valued at current value	-	-	-	-	-	-	-	**-**
2018-19	783,494	40,689	-	-	-	-	25	**824,208**
2017-18	-	38,573	-	-	-	-	-	**38,573**
2016-17	-	46,417	-	-	-	-	-	**46,417**
2015-16	-	1,987	-	-	-	-	-	**1,987**
2014-15	-	1,007	-	-	-	-	-	**1,007**
Total	**783,494**	**128,932**	**11,923**	**1,561**	**3,745**	**606**	**25**	**930,286**

12. Investment Properties

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

	2019/20	2018/19
	£000	**£000**
Balance at 1 April	71,331	59,625
Additions:	1,704	2,504
Purchases	43,112	19,722
Transfers	-	-
Disposals	(4,151)	(4,061)
Net gains / (losses) from fair value adjustments	(3,594)	(2,697)
Transfers (to) / from Property, Plant & Equipment	228	(3,871)
Transfers (to) / from Long Term Debtors	-	
Balance at 31 March	**108,630**	**71,331**

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.

13. Long Term Investments

		2019/20	2018/19
		£000	**£000**
Equity Shareholding in Subsidiary		-	-
Norwich Airport Ltd		-	260
Municipal Bonds Agency		100	100
Legislator 1656		2,028	1,394
Total Long Term Investments		**2,128**	**1,754**

14. Long Term Debtors

	2019/20			2018/19
	Debtors	Provision for Bad Debt	Net Debtors	Net Debtors
	£000	£000	£000	£000
Advances for House Purchase: Council Houses Sold	3	-	**3**	3
Housing Act Advances	-	-	**-**	-
Norfolk County Council Transferred Debt	635	-	**635**	731
Deferred Capital Receipt Sale of Airport Shares	-	-	**-**	-
Deferred Capital Receipt – Livestock Market	-	-	**-**	-
Decent Home Loans	605	-	**605**	642
Finance Lease > 1 year	1,808	-	**1,808**	1,183
Home Improvement Loans	203	-	**203**	203
Local Authority Mortgage Scheme	-	-	**-**	-
Housing Benefit Overpayments	5,947	(4,496)	**1,451**	2,074
Shared Equity Dwellings	248	-	**248**	237
SALIX	294	-	**294**	330
Debts with legal charge over property	207	-	**207**	42
Wholly owned subsidiary	-	-	**-**	-
Other Long Term Debtors	355	-	**355**	341
Total	**10,305**	**(4,496)**	**5,809**	**5,786**

15. Short Term Debtors

	2019/20	2018/19
	£000	£000
Central Government Bodies	2,581	4,385
Other entities & individuals	8,548	5,833
Other Local Authorities	1,673	2,456
Total Short Term Debtors	**12,802**	**12,674**

16. Inventories

	Property Acquired or Constructed for Sale	Property Acquired or Constructed for Sale
	2019/20	2018/19
	£000	£000
Balance at start of year	**7,332**	**5,864**
Purchases	10,222	5,865
Recognised as an expense in year	177	
Transfers	(11,929)	(4,397)
Balance at end of year	**5,802**	**7,332**

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.

17. Cash and Cash Equivalents

	2019/20	2018/19
	£000	£000
Cash held by Council	12	14
Bank current accounts	3,387	6,812
Short term deposits with banks	10,000	8,000
Short term deposits with building societies	-	-
Short term deposits with Debt Management Office	-	6,000
Short term deposits with local authorities	9,000	4,000
Money Markets	15,000	-
Total Cash & Cash Equivalents	**37,399**	**24,826**

18. Short Term Creditors

	2019/20	2018/19
	£000	£000
Central Government Bodies	7,055	5,119
Other Local Authorities	13,852	10,954
National Health Bodies	3	9
Trade Creditors	7,358	10,266
Receipts in Advance	4,336	1,661
Other entities & individuals	2,506	3,004
Total Short Term Creditors	**35,110**	**31,013**

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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COM12376

Draft Letter of Management Representation

30 November 2020

Mark Hodgson
Executive Director
Ernst & Young LLP
United Kingdom

Dear Mark,

Norwich City Council – 2019/20 financial year
Letter of Management Representation

This letter of management representation is provided in connection with the audit of the consolidated and council financial statements of Norwich City Council ("the Group and Council") for the year ended 31 March 2020.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Norwich City Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20*.*

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

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

A. Financial Statements and Financial Records

1. That we have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. That we acknowledge as members of management of the Group and Council, our responsibility for the fair presentation of the group and council's financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. That the significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. There are no unadjusted audit differences.

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

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with law and regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including, with limitation, allegations by "whistleblowers") including non-compliance matters:

    - involving financial statements;

    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group or Council's financial statements;

    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;

    - involving management, or employees who have significant roles in internal controls, or others; or

    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

    - Additional information that you have requested from us for the purpose of the audit; and

    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Group and Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 24 November 2020.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated or council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter to you, through to the date of this letter, we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than described in Note 8 to the consolidated and council financial statements, there have been no events including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Accounting Estimates

1. We believe that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

    - We believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.

- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- The assumptions used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

1. We confirm that the financial statements reflect the operating segments reported internally to the Group and Council.

H. Going Concern

1. The Group and Council has prepared the financial statements on a going concern basis and that Note 8 to the financial statements discloses all of the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our future financial plans and the veracity of the associated future funding allocations from the Ministry of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group or Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheets.

J. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

K. Valuation of Property, Plant and Equipment Assets

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

2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

3. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated or council financial statements due to subsequent events.

6. We confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. We confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

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

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

3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

4. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

5. We confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

M. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and glossary of terms included in the Norwich City Council Statement of Accounts 2019/20.

2. We confirm that the content contained within the other information is consistent with the financial statements.

N. Group Audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

3. We confirm that entities excluded from the consolidated financial statements are immaterial on a

quantitative and qualitative basis.

Yours sincerely,

Annabel Scholes
Interim Director of Resources (S.151 officer)
Norwich City Council

Cllr Ben Price
Chair of Audit Committee