NORWICH City Council

Audit committee

Date: Tuesday, 20 June 2017
Time: 16:30
Venue: Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH

Committee members:

Councillors:
Price (chair)
Bradford
Bremner
Driver
Jones (B)
Lubbock
Maxwell
Schmierer

For further information please contact:

Committee officer: Jackie Rodger
t: (01603) 212033
e: jackierodger@norwich.gov.uk

Democratic services
City Hall
Norwich
NR2 1NH

www.norwich.gov.uk

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Agenda

Date of publication**: Monday, 12 June 2017**

Minutes

Audit committee

16:30 to 17:35 **14 March 2017**

Present: Councillors Price (chair), Wright (vice chair), Driver, Harris, Jones (B), Kendrick and Schmierer

Apologies: Councillor Stonard

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

There were no declarations of interest.
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3. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 24 January 2017.

4. External Audit Plan 2016-17

The chief finance officer presented the report and explained that the plan set out how the external auditors would carry out the audit of the council's 2016-17 accounts.

The external auditors (Ernst & Young) presented the external audit plan, and together with the chief finance officer answered members' questions. Members were advised that there had been a good assessment of the key financial risks during the planning stage. The risks of fraud in revenue reconciliation and management override applied to any local authority and were not specific to the city council.

In reply to a question the external audit manager said that the outcome of the review of the assessment of the group boundary would be included in their report to the committee in September.

The vice chair referred to the uncertainty of government and other external funding and asked the external auditors how they could assess that the council "had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The external auditor referred to section 3 of the report and said that how the council put together its medium term financial strategy (MTFS) and its approach to remove uncertain funding streams would affect their value for money conclusion. The external auditors reassured members that the message was "comforting" in that they considered the risk was "low". They had also taken into account their knowledge of the city council's previous good financial statements and its low level of errors, when setting the level of materiality for the financial statement 2016-17 at £3.6 million based on 2% gross expenditure. The work of the internal audit team, corporate leadership and the officers' reaction to risk was also a factor.

The chair thanked the external auditors for the "robust" audit plan. He said that the level of materiality demonstrated that external audit was working well with the finance team and internal audit. The concerns about the MTFS were common to all councils and reflected the high state of flux where government policies were uncertain and subject to change.

During discussion members were advised that the external audit plan was prepared as the accounts for 2016-17 were about to be audited. The external auditors assured members that any issues of concern that arose during the audit would be brought to the immediate attention of the chief finance officer.

RESOLVED having reviewed the report from the council's external auditor, to agree the approach and scope of the external audit as proposed in the audit plan 2016-17.

5. Risk Management Report

The principal audit manager (LGSS) presented the report and explained the changes to the risk register as set out in appendix 1 and shown as tracked changes. He pointed out that there were two areas where the residual risk score remained above the council's risk appetite: B1 public sector funding and A8 housing investment strategy, and assured members that the council had put as many controls in place as it could to mitigate the risk but that the risk was due to external factors and therefore out of the control of the council. The changes to the risk register did not affect the overall risk to the council. The risks were regularly reviewed by the corporate leadership team, cabinet members and this committee. Cabinet would consider the risk register at its April meeting[1].

Discussion ensued in which members considered the risk register. A member pointed out that under A3, Relationship management with key service delivery partners and the management of contracts, Norwich NORSE should be included in the list of key partners. It was also noted that under B3, Capital developments, the risk mitigation of not committing to capital schemes until resources were available was very important.

Members then discussed the uncertainty surrounding government policies and housing and public sector funding. The principal audit manager said that the risks at

[1] Cabinet had approved the risk register in January 2017 and therefore as there were no further changes to the risk profiles, cabinet subsequently agreed that a report to the April meeting was not required.

strategic level tended to remain static as there were a lot of controls in place. The chief finance officer referred to the Housing Revenue Account (HRA) business plan and said that there was an expectation that “pay to stay” where higher earners had to pay more rent would not be implemented. The government was still piloting the high value voids with registered social landlords and whilst this indicated that the scheme was more difficult to implement than it had expected and would not be implemented in 2017-18 it remained a concern going forwards.

RESOLVED to endorse the proposed amendments to the corporate risk register and recommend to cabinet for approval.

6. Draft Internal Audit Plan for Norwich City Council 2017-18

The principal audit manager presented the report. He explained that the audit plan covered two years and that it realistically could not cover all work areas in a single year. The plan was therefore indicative of the internal audit work over the next two years and would be responsive to change. The chair and vice chair had been consulted on the plan. They had suggested that work on fees and charges should include income generation and that work on the waste management contract should be brought forward from next year.

A member said that she had no idea that the council employed agency staff or how many. The principal audit manager said that it might be necessary to employ agency staff whilst the authority was under a period of change. He explained that one of the team had completed a piece of work to ensure that there was compliance with council policies and that it had been considered prudent to put in for 2018-19.

Members were advised that audits not completed in one year would be covered in the next financial year. The number of days allocated to the internal plan remained at the level attained in 2016-17. The number of days had been reduced in 2016-17 to 400 but the corporate leadership team and committee had considered that this was too much of a reduction and after review 50 more days had been added back. In reply to a question, the principal audit manager said that the internal audit needed to provide an opinion at the end of the year and would discuss the content of the audit plan with the corporate leadership team. The chair pointed out that service areas would flag up areas of concern to the corporate leadership team. Members noted that the corporate leadership team reviewed the internal audit plan every quarter and reported to the committee regularly throughout the year.

Discussion ensued on the detail in the audit plan. A member suggested that “payroll” did not give him sufficient information about what the internal audit entailed. The principal audit manager said that he could provide more detail on the key financial systems in future.

The committee considered whether there were any aspects of the internal audit plan that should be brought forward or conversely was too much. The vice chair said that he had been advised that the scrutiny committee could call on internal audit as a resource. A member said that he was pleased to see that the audit plan was robust and that there were good anti-fraud measures in place.

In reply to a member’s question, the principal audit manager said that there was an element of risk when the new General Data Protection Regulations were brought in.

Internal audit would be involved in policy work and compliance and could give assurance that the work had gone ahead.

The chair thanked the officers for their work on the internal audit plan. The assurance block approach ensured that vast areas were covered and gave the opportunity to drill down into areas where it was required. The amount of days allocated to the plan remained static as the internal audit plan 2016-17 had been increased to 450 days after a period of review. He was concerned that the potential to realise income from parking and licensing fees and charges would be lost if these aspects were not audited this year, and was interested to hear members' views.

Discussion ensued in which members considered whether the risk of potential loss of income was sufficient to remove other elements from the audit plan. A member pointed out that the management of the council's resources was a cabinet function and that it would be reviewing waste management and fees and charges. The projected use of Rose Lane multi-storey car park was less than expected because the temporary car park next to it was still in operation. St Giles multi-storey car park would be partially closed soon for repairs. In reply to a member's question about waste management and whether the audit could be reviewed, the principal audit manager said that if something happened and the risk profile of an element of the audit plan needed to be reviewed, it could be brought forward following discussion with corporate leadership team and the committee. He said that the audit plan did not specify dates but some audits would be scheduled for the final quarter and there would be some flexibility to bring forward audits into 2017-18.

The committee discussed the robustness of the plan and that if there was any scope for anything to be postponed it would be around compliance. The principal audit manager said that, like the audit of agency staff (allocated five days in 2017-18), these reviews would be conducted for assurance of compliance with policy and that performance and value were achieved. If there were no immediate concerns then there was an opportunity to focus on areas where the risk was greater. The impact of any changes to the plan would be discussed in detail with the corporate leadership team.

The chair commented that the outcome of the audit in 2018-19 would show whether it had been right to hold back the audit of waste management or whether there were savings that could have been achieved earlier. He referred to the agreed approach to the internal audit plan that was introduced in 2016 and said that he was satisfied that all the key areas were covered but pointed out that the overall reduction in allocated days meant that it was necessary to adjust the plan accordingly.

RESOLVED to endorse the Internal Audit Plan for Norwich City Council 2017-18.

CHAIR

Report to	Audit Committee 20 June 2017	**Item** 6
Report of	Chief Internal Auditor, LGSS	
Subject	Draft Annual Governance Statement 2016-17	

Purpose

This report presents the Annual Governance Statement (AGS) for 2016/17 for consideration by the Audit Committee prior to sign off by the Chief Executive and Leader of the Council.

The report also presents an update to the Council's Code of Governance, in line with the 2016 update to the CIPFA/ SOLACE guidance and the Local Government Framework for Delivering Good Governance.

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.

The Committee is asked to review and approve the revised draft Code of Corporate Governance.

Corporate and service priorities

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

Ward/s: All wards

Cabinet member: Councillor Kendrick – Resources

Contact officers

Duncan Wilkinson, Chief Internal Auditor	01908 252089
Neil Hunter, Deputy Head of Internal Audit	01223 715317
Jonathan Tully, Principal Audit Manager	01603 212575

Background documents

None.

Report

Background

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

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

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

The Annual Governance Statement

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

   - A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
   - A review and re-drafting of the Council's Code of Corporate Governance itself, based on the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.
   - Self-assurance statements prepared by Heads of Service;
   - The Chief Internal Auditor's opinion on the Council's internal control environment, which will be formally reported to the Audit Committee on 20th June 2017.

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

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

6. 'Significant governance issues' are those that:

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

The Code of Governance

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

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

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

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

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

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

Conclusions

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

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

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[i] https://www.norwich.gov.uk/downloads/file/2024/15_review_and_revision_of_the_constitution

NORWICH City Council

Annual Governance Statement 2016-17

1. Scope of responsibility

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

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

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

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

1.5. In April 2012 the council transferred the ICT and finance functions to LGSS, a public sector partnership between Northamptonshire and Cambridgeshire county councils. The arrangement is covered by a service level agreement.

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

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

2. The purpose of the governance framework

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

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

2.3. The governance framework has been in place at Norwich City Council for the year ended 31 March 2017 and up to the date of the approval of this statement.

3. The governance framework

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

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

NORWICH City Council

4. Key elements of the Governance Framework

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

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

- Under the Localism Act 2011 the new standards regime, including the members' code of conduct, was adopted by council on 19 June 2012.
- There is a separate code of conduct for employees, which is supported by HR policies and procedures. New employees are given a copy of the code of conduct and other key policies, and there are regular reminders regarding compliance with the policies. Employees are required to confirm that they have read the code of conduct and other key policies.

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

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

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

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

- 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.
- Tenants have a range of ways to be involved and these are detailed on the tenant involvement page of the council website. There is a clear framework with formal group structures for tenants and leaseholders, including seven active tenant and resident associations.
- In addition, a range of other options allows tenants to be involved at a level that suits them. These consist of the 1,200 tenant and leaseholder TalkBack panel used for surveys and focus groups, tenant inspectors, involvement in estate walkabouts and mystery shoppers. Proactive work by the tenant involvement team means that events and road shows are regularly held to encourage more tenants to be involved or simply give their views on services they receive.
- Any public consultations that are planned for the year are included in service plans. All consultations are co-ordinated by the council's business management group and reviewed on a quarterly basis.
- Information on current and closed consultations, including reports and minutes, is available on the council website.

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

- The council has a clear vision of what it is trying to achieve, as set out in its corporate plan 2015-2020, which forms the council's overarching policy framework.
- The changing pace council blueprint (operating model) has been developed as a guide for how Norwich City Council designs services and structures to deliver the vision and priorities within its corporate plan in a way that proactively addresses the financial pressures and changing policy and legislative environment it faces.
- Details of all the above, together with any committee reports referred to in this statement, can be found on the council website at www.norwich.gov.uk
- The corporate plan sets out the city council's strategic direction including its vision, mission and priorities. A new corporate plan 2015-2020 was approved by

council on 17 February 2015. The plan is reviewed regularly and an updated version was approved by Council on 21st Feb 2017.

- The corporate plan was developed through a number of methods including:
    - Analysing information on levels of need in the city such as looking at demographics, strengths, opportunities, inequalities and challenges.
    - Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.
    - Looking at the potential future factors that may impact on Norwich and the council e.g. economic, social, environmental etc.
    - Discussions with councillors including an all councillor workshop.
    - Specific discussions with partner organisations
    - Assessing the future resourcing likely to be available to deliver a new corporate plan.
    - Formal review by scrutiny and cabinet.
- In line with the approach used previously a consultation was carried out on the draft corporate plan framework for 2015-2020 with citizens and organisations.
- The medium term financial strategy (MTFS) is presented to council on an annual basis to support the budget papers and the corporate plan. The MTFS sets out the level of savings that need to be achieved in the coming and each of the following four years. Savings plans and income generation targets are developed to achieve the budget requirement set out in the MTFS. An annual consultation on the budget is also undertaken. The delivery of the corporate priorities is managed through service plans for each service area and monitored through the council's performance management and reporting system.

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

- The council's five priorities are to make Norwich a safe, clean and low carbon city; a prosperous and vibrant city; a fair city; a healthy city with good housing; and to provide value for money services.
- The corporate plan is underpinned by a range of strategic and operational plans, which set out in more detail how the council's vision and priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver.
- Service plans are reviewed every year in line with the changes to the corporate plan priorities and in accordance with the development of the budget to ensure the necessary resources are in place for their delivery.
- The corporate plan 2015-2020 also links closely to the council's risk management strategy and corporate risk register. The council has a comprehensive approach to risk management which ensures all strategic risks are appropriately identified, managed and mitigated against.

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

- The council's decision making framework is set out in the council's constitution including an effective scheme of delegation. The council's constitution is kept under continuous review in line with best practice, with a clear review plan, supported by a corporate governance group consisting of the executive head of business relationship management and democracy, monitoring officer, chief finance officer (section 151 officer), head of HR and learning and local LGSS audit manager. There is also a cross-party constitution working party - where major changes are proposed by the corporate governance group these are considered by the constitution working party before being recommended to council for approval.
- Decision making arrangements in partnerships are guided by the council's comprehensive corporate governance framework and toolkit for partnership working which ensures that effective governance and risk management arrangements are in place. In line with this, all key partnerships have been identified and are included in the council's partnership register. The governance arrangements for key partnerships are kept under regular review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships.

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

- Performance management in the council is based on corporate plan priorities supported by a strategic management framework. The plan has a number of priorities and key performance measures and the service and team planning process is designed to explicitly reflect these priorities. The corporate plan is underpinned by service plans which set out how the top priorities will be delivered, and by operational delivery plans which set out practical steps and performance measures for all teams. Portfolio holders have been brought into the service planning process, and are required to sign off service plans with the relevant service managers.
- The council uses an electronic performance management system which supports the performance management regime by holding high level indicators, risks and actions used to deliver the 2015-2020 corporate plan and supporting plans (service plans). Each service has a high level dashboard charting progress against their service plan priorities. Dashboards showing performance for each cabinet portfolio are also produced for portfolio holders. This approach is used to strengthen performance reporting processes to the cabinet, scrutiny, corporate leadership team and all managers. Performance is reported monthly to portfolio holders, quarterly to cabinet and twice-yearly to scrutiny.
- The council is a member of HouseMark, which is the main benchmarking organisation for social housing. Norwich is a major subscriber and also a member of HouseMark clubs dealing with welfare reform and ASB issues comparing and shaping good practice. The council is also a founder / board member of ARCH (Association of Retained Council Housing) which promotes council housing and shares good practice through the exchange of ideas and seminars. The council

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

- A summary of the overall performance of the council in 2016-17 is included in the narrative report to the statement of accounts for the year ending 31 March 2017.
- Change and transformation within the council is managed through the council's transformation programme guided by its changing pace blueprint (operating model) to ensure the council meets its savings targets while continuing to improve services wherever possible. This approach is supported by a range of tools such as the council's organisational change toolkit to ensure staffing changes are carried out effectively, and its project management toolkit to ensure the effective delivery of projects.
- The transformation programme is kept under regular review by the corporate leadership team and business management group (involving all the heads of service) with regular briefings for the leader and portfolio holders and major change proposals being formally approved by Cabinet and Council as appropriate. There is also a cross party working group which discusses and informs change options on a cross-party basis prior to them reaching the formal proposal stage.
- The council has received significant external recognition for its approach to managing change, transformation and organisational improvement.
- The council won the Gold Award for 'Council of the Year' in the Improvement and Efficiency Awards 2014 and the 'Most Improved Council Award' in the Local Government Chronicle (LGC) awards 2014. It was also a finalist in the Municipal Journal's 'Best Achieving Council' award 2015 and in the LGC 'Council of the Year' award 2016.

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

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

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

- The role of the chief finance officer (CFO) and the finance function are sourced through a partnership and delegation agreement with LGSS, a public sector shared services organisation.
- The governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) are embedded within the agreement and performance against these requirements is regularly monitored to ensure compliance. The council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance.

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

- The monitoring officer is a statutory appointment under section 5 of the Local Government and Housing Act 1989. The current responsibilities of the monitoring officer's and the deputy monitoring officer's roles rest with nominated officers at nplaw, the council's shared legal service. They undertake to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions.
- It is important that members and officers work together to promote good governance within the council. The monitoring officer plays a key role in this and it is vital therefore, that members and officers work with the monitoring officer to enable them to discharge their statutory responsibilities and other duties (as set out in article 12 of the council's constitution).
- There are working arrangements and understandings in place between the monitoring officer, members and the corporate leadership team which are designed to ensure the effective discharge of the council's business and functions. These arrangements are detailed in the monitoring officer protocol, which currently forms appendix 9B of the council's constitution.

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

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

transparency. These proposals are discussed at the corporate leadership team and proposed to cabinet. All cabinet papers are circulated to all members. The council's senior management structure is set out in appendix 17 of the constitution and publicised on the council's web site.

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

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

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

NORWICH City Council

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

- The council has a risk management policy and a risk management strategy, which have been approved by cabinet and are published to the council website.
- The council's corporate risk register is the result of continued review by managers, corporate leadership team and audit committee of the key risks that may have an impact on achieving the council's objectives. Each risk shows the owner and the key controls in place to minimise any impact on the council and its provision of services to stakeholders. Individual projects and partnerships are also subject to risk assessments.
- The council's risk management policy was updated, approved by Cabinet in January 2017 and is available via the website.
- Service risks are included in service plans and are reviewed by departmental management teams. Any risks that are considered to be of a corporate nature are escalated to the corporate leadership team for possible inclusion in the corporate risk register.
- The council has implemented a performance management system which includes risk management, which enables corporate and service risks to be recorded and monitored by management.
- The council has a corporate business continuity plan for the effective management of business continuity issues, in order to ensure the continued delivery of services. Both business continuity and the management of major contracts are included in the corporate risk register. An updated 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 2016-17 LGSS provided a dedicated fraud team to investigate all alleged frauds perpetrated against the council. The team includes a qualified financial investigator who has the power to initiate recovery proceedings under the Proceeds of Crime Act.
- The council fully participates in the Cabinet Office's regular national fraud initiatives (NFI) and regularly reports the results to audit committee.

16. Ensuring an effective scrutiny function is in place.

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

- The council's Deputy Leader is also a member of the Norfolk Health and Wellbeing Board and inputs into the progression of the Norfolk Health and Wellbeing Strategy.
- The council's portfolio holder with responsibility for community safety is 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 scrutiny committee and provides 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 2016-17 was provided by LGSS internal audit and is led by a professionally qualified head of internal audit in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations, Public Sector Internal Audit Standards and the Local Government Application Note.

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

- The council has an audit committee with terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference were reviewed in March 2014 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

5. Review of effectiveness

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

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

1. The council and cabinet

- In February 2015 the council approved the new corporate plan 2015-2020, which is reviewed each year in line with the medium term financial strategy and in parallel to the development of the budget for the following year to ensure the necessary resources are in place for its delivery. This was updated in 2017, with changes to the key performance measures, which had been agreed by cabinet and the scrutiny committee. The council will continue to engage with stakeholders to inform the setting of corporate priorities beyond 2017-18, reflecting the changing landscape of local government finance and emerging opportunities and challenges for Norwich.
- The cabinet approves the medium term financial strategy which provides the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.
- During 2016-17 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council's savings requirements.
- Council approved financial documents including the Four Year Sustainability Plan, the Council Tax Resolution Scheme, the General Fund Revenue budget, the Housing Rents and Budgets, and the Treasury Management Strategy.
- Section 151 of the Local Government Act 1972 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. Council considered and delegated the decision to appoint a S151 & Chief Finance Officer to the Chief Executive and the Leader.
- Council considered the appointment of Independent Persons for the Council as per the standards framework to be compliant with the Localism act 2011.
- Following the decision made at full council, the Cabinet resolved to not participate in the Norfolk and Suffolk devolution agreement, with the process to establish an elected mayor and combined authority for the East Anglia region.
- Cabinet approved key strategies and policies such as the Procurement Strategy 2016-2020, and the Risk Management Policy. Cabinet approved that all appropriate mitigation had been taken for risks which exceeded the Councils risk appetite.

- Cabinet approved business plans, including joint ventures for NPS Norwich Limited, Norwich Norse Building Limited and Norwich Norse Environmental Limited, plus Norwich Regeneration Ltd and the Norwich and Homes and Communities Agency (HCA) strategic partnership.
- Quarterly performance monitoring reports are presented to scrutiny committee and cabinet – cabinet also receives budget monitoring reports.
- Performance monitoring reports during 2016-17 covered achievement against the council's detailed priority actions and performance measures detailed in the corporate plan 2015-20.
- The council's constitution working party recommends to cabinet and council any changes to the constitution.

2. The scrutiny committee

- The overview and scrutiny function is exercised by the scrutiny committee. Procedure rules and terms of reference include the general remit to maintain an overview of the discharge of the council's executive functions and the right to review council policies. Reviews also include delivery of the corporate plan, through performance reports.
- The statutory annual report on the work of scrutiny committee in 2016-17 was presented to scrutiny committee on 6 April 2017 and will be presented to Council.

3. The audit committee

- The council has an audit committee with terms of reference which cover internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts.
- The committee receives reports on corporate risks, the work of internal audit, including the LGSS head of internal audit's annual report, and external audit reports, letters and briefings. It also reviews and approves the annual governance statement.
- The Local Audit and Accountability Act 2014 introduced changes to the appointment process for external auditors. The committee reviewed options for appointing external auditors, and endorsed a recommendation to use PSAA Ltd, who was specified as the sector-led appointing body under the Local Audit (Appointing Person) Regulations 2015. This was recommended to cabinet and approved by full council.
- The committee reviewed counter fraud policies including anti-fraud and corruption, anti-money laundering, and whistleblowing. These were recommended and approved by cabinet.
- In line with good practice, the annual report on the work of the audit committee in 2016-17 will be discussed by the audit committee on 20 June 2017 and will be presented to a future council. The report for 2015-16 was presented to Council on 19 July 2016.

4. The standards committee and monitoring officer

- The council has a standards committee with terms of reference to promote and maintain high standards of conduct by members and co-opted members of the council and to assist members and co-opted members to observe the council's code of conduct.
- The standards committee is supported by the monitoring officer, whose duties include the promotion of ethics and standards across the council, maintaining the constitution, and ensuring compliance with relevant laws, regulations and policies. The monitoring officer is a statutory appointment, and the current responsibilities of this role rest with the nominated officer from npLaw.
- The monitoring officer's annual report supports the assurance statements included in the annual governance statement. It provides a review of the monitoring officer's work as part of the council's governance arrangements and system of internal control. The report covered the period April 2015 to June 2016 April 2013 and was presented to the Standards Committee on 8 July 2016. This concluded that the systems of internal control administered by the monitoring officer, including the code of corporate governance and the council's constitution, were adequate and effective during the period covered by this report for the purposes of the latest regulations.

5. Chief finance officer

- The chief finance officer is a statutory appointment, and during 2016-17 the responsibilities of this role were sourced through the agreement with LGSS. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council as member of the corporate leadership team, ensuring that expenditure is lawful and within resources, advising on systems of internal control, and supporting the audit committee.
- Under the partnership and delegation agreement the council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance. This is evidenced by the fact that the external auditors issued unqualified audit opinions on the financial statements and value for money conclusion each year from 2012-13 to 2015-16.

6. Internal audit

- The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Chief Internal Auditor to give an opinion on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.
- The Chief Internal Auditor's annual report will be presented to the Audit Committee in June 2017. This report will outline the key findings of the audit work undertaken during 2016/17, including areas of significant weakness in the internal control environment.
- From the audit reviews undertaken during 2016/17, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not

complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Resources and Finance Committee.

- It is the opinion of the Chief Internal Auditor that, taking into account all available evidence, good assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2016/17, and this remains at a similar level from 2015/16. The detail to support this assessment will be provided in the Annual Internal Audit Report

7. Corporate governance group

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

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 2015-16 was presented to audit committee on 20 September 2016. The annual audit letter 2015-16 was presented to audit committee on 22 November 2016. The annual report on the certification of claims and returns 2015-16 was presented to audit committee on 24 January 2017.
- For 2015-16 EY issued unqualified audit opinions on the financial statements, value for money conclusion and whole of government accounts. There were no significant risks identified other than the ongoing control weaknesses (e.g. regarding property, plant and equipment accounting records on the fixed assets register) which have previously been reported to audit committee.

Improvement and efficiency.

- The council has been on a significant journey of improvement over recent years which has been recognised by a number of awards including:
    - The Gold award for "Delivering through efficiency" in the iESE improvement and efficiency awards 2013.
    - Highly commended in the Local Government Chronicle awards 2013 where we came second in the Most Improved Council of the Year category.
    - Gold award for overall "Council of the Year" in the iESE improvement and efficiency awards 2014.
    - Local Government Chronicle Award for "Most Improved Council" 2014.

- Selected as a finalist in the MJ Local Government Achievement Awards 2015, for ‘Best Achieving Council’.
- The council was also selected as a finalist in the Local Government Chronicle ‘Council of the Year’ award 2016.
- In addition, during 2015, iESE undertook a corporate health check of the council, and a review of efficiency was undertaken by Newton Europe, both with positive results.

6. Governance issues and actions

6.1. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

6.2. The following is an outline of the significant issues arising from the review of effectiveness and the actions taken or proposed to deal with them (committee reports where mentioned, and minutes, can be found at www.norwich.gov.uk):

External auditors annual letter 2015-16

- EY's annual audit letter was presented to audit committee on 22 November 2016. EY issued an unqualified audit opinion on the council's financial statements, and an unqualified value for money conclusion, which is a positive report for the Council.
- Some significant risks were highlighted in the financial statements audit: weaknesses in the spreadsheets used as a fixed asset register, which could lead to material misstatements; pension valuation and disclosures; the risk of fraud in revenue and expenditure recognition; and the risk of management override to perpetrate fraud. In these cases, following review and testing, EY did not identify any material misstatements.
- The value for money conclusion was unqualified, but EY highlighted the significant financial challenges facing the council in the next three to four years. The main areas of uncertainty are future levels of business rates income, new homes bonus and government funding. EY acknowledged that the council has a good track record of achieving savings, that the Council had secured greater certainty by opting into a four year funding settlement, and the level of general fund reserves reduce the risk of not achieving its budgets over the medium term. The Council needs to continue to review the delivery of identified savings plans and the MTFS should be updated to take account of this delivery. These matters were reported to the budget meeting of the Council on 21 February 2017.

Internal audit assurance reviews

- Internal Audit completed a review of Capital Contracts which resulted in a "limited assurance" opinion, due to concerns with the governance arrangements between NPS and the Council. The Council was prompt to respond to this, has delivered partnership workshops, and is reviewing their financial procedures to improve financial and performance monitoring in this area.
- The following audits resulted in "moderate assurance", further details of which are included in the head of internal audit's annual audit report:
    - Agency Staff
    - Travel & Subsistence

Emerging legislation

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

Progress on the action plan from the previous governance statement

Actions taken to address the significant issues from the 2015-16 governance statement are as follows:

- EY's annual audit letter 2015-16. The issue relating to the accuracy of the fixed asset register is still ongoing. The Council has commenced procurement to replace the current financial and HR IT systems. For the time being spreadsheets continue to be used as a fixed asset register, which increases the risk that asset valuations will contain material misstatements (although none were found by EY in 2015-16). The new IT systems are scheduled for implementation throughout 2017-19.

7. Conclusion

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

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

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8. Statement by Leader of the Council and Chief Executive

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

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

Signed:

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

Appendix 2

NORWICH
City Council

Code of Corporate Governance

INTRODUCTION

Good governance

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the communities it serves, in a timely, inclusive, open, honest and accountable manner.

Our commitment

Norwich City Council is committed to upholding the highest possible standards of good corporate governance, believing that good governance leads to high standards of management, strong performance, effective use of resources, increased public involvement and trust in the Council and ultimately good outcomes.

Good governance flows from shared values, culture and behaviour and from systems and structures. This Code of Corporate Governance is a public statement that sets out the framework through which the Council meets its commitment to good corporate governance.

The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community. 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 cost-effective services.

This local code of governance has been developed in accordance with and is consistent with the *Delivering Good Governance in Local Government* framework, which builds on the seven Principles for the Conduct of Individuals in Public Life (Appendix A).

Core principles of good governance

The core governance principles of the council are:-

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

D. Determining the interventions necessary to optimize the achievement of the intended outcomes.

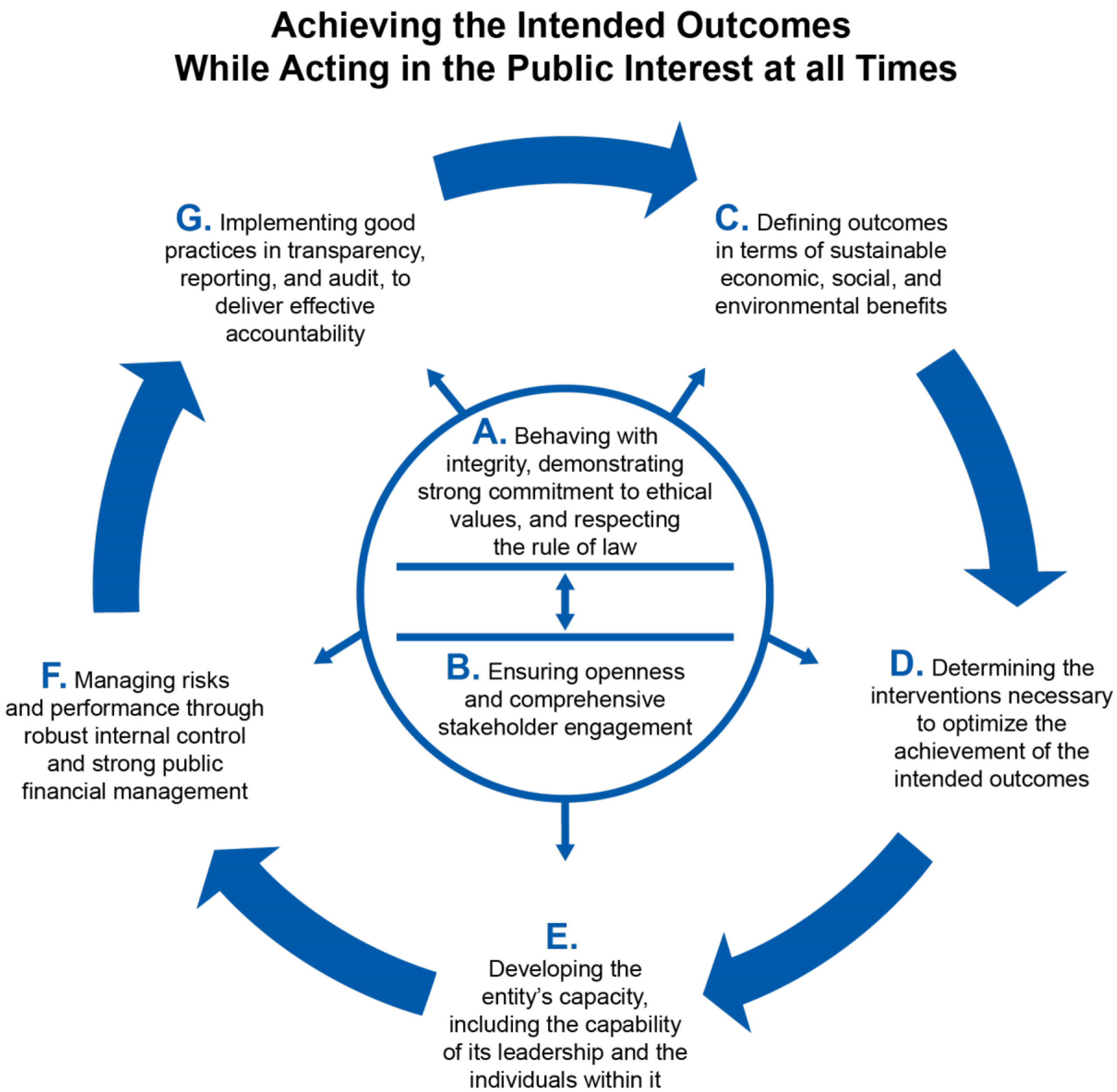
E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

F. Managing risks and performance through robust internal control and strong public financial management.

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Applying the core principles of good governance

This document describes how the Council achieves the seven principles of good governance and describes how the Council's corporate governance arrangements will be monitored and reviewed.



Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Supporting Principles	To meet the requirements of this Principle, Norwich City Council:	This is evidenced by:
Behaving with integrity.	• The Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect through its Constitution, Corporate Plan and other key policies. • The Council's Constitution contains Codes of Conduct for officers (appendix 14) and members (appendix 13). This communicates the expectation that members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated, thereby protecting the reputation of the organisation. The underlying principles which underpin the Codes of Conduct build upon the Seven Principles of Public Life (the Nolan Principles). • The Council has in place a competency framework, which ensures that the vision and organisational values are communicated to, and understood by, staff. This framework forms the basis of the staff appraisal process. • The Council has in place arrangements to ensure that Councillors and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders, and has in place appropriate processes to ensure that they continue to operate in practice. This includes maintaining the statutory Register of Members Interests, and requiring officers to make Declarations of Interests. • The Council has in place arrangements to ensure that core corporate policies and processes are designed in conformity with ethical standards, and are reviewed on a regular basis to ensure they are operating effectively.	• Corporate plan • The Council's Constitution • Members Code of Conduct • Employee Code of Conduct • Core values • Register of Members' Interests • Declaration of Interest Guidance • Rules relating to Gifts and Hospitality • Members Induction/Training • Financial Regulations • Contract Procedure Rules • Scheme of Delegation • Statutory roles • Grievance Policy and Procedure • Information Governance Policies

Demonstrating strong commitment to ethical values.	• The Council's Constitution establishes a clear ethical framework for the Council's operation, and core corporate policies and procedures place emphasis on agreed ethical values. • The Council's Codes of Conduct and VALUES ensures that personal behaviour is underpinned with ethical values which permeate all aspects of the organisation's culture and operation. • The Council maintains an effective Constitution. • The Council's Partnerships Governance Guidance sets out key considerations to ensure that partnerships act with integrity and in compliance with the ethical standards expected by the organisation.	• The Council's Constitution • Constitution and Ethics Committee • Partnerships Governance Guidance • Members Code of Conduct • Officers Code of Conduct • Norwich VALUES
Respecting the rule of law.	• The Council's policies and culture set the tone for members and employees to demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations, and ensure that statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. • The Council maintains and implements a Whistleblowing Policy to enable employees to raise any concerns of wrongdoing in confidence and without fear of reprisal. External suppliers, members of the public and Councillors may raise any concerns about suspected illegal or illegitimate practices via the Council's formal Complaints Procedure. • The Council recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on it by public law. The Council observes all specific legislative requirements placed upon it, as well as the requirements of general law, and deals with breaches of legal and regulatory provisions effectively. The Council strives to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. • The Council ensures corruption and misuse of power are dealt with effectively through the Anti-Fraud and Corruption Policy. • The council's decision making framework is set out in the council's constitution including an effective scheme of delegation. The council's	• Anti-Fraud and Corruption Policy • Anti-Money Laundering Policy • Whistleblowing Policy • Formal Complaints Procedure • Role of the Monitoring Officer as per the Constitution • Scheme of Delegation

	constitution is kept under continuous review in line with best practice, with a clear review plan, supported by a corporate governance group consisting of the executive head of business relationship management and democracy, monitoring officer, chief finance officer (section 151 officer), head of HR and learning and local LGSS audit manager.	

Principle B: Ensuring openness and comprehensive stakeholder engagement

Supporting Principles	To meet the requirements of this Principle, Norwich City Council:	This is evidenced by:
Openness.	• The Council's Constitution, Forward Plan and Committee system ensures that decision-making is open and there is appropriate oversight and challenge, with an organizational commitment to openness. • The Council makes decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. Committee meetings are held in public, and minutes and papers are available to the public on the Council's website, including regular financial and performance forecasts. If a decision needs to be kept confidential, then the justification for this is provided. • The Council's Corporate Plan, Statements of Accounts, and key strategies are available through the Council Website. • An effective Internal Audit function is resourced and maintained, with regular reporting to the Audit Committee. • The Council is committed to being transparent, accountable and to increasing the amount of data it publishes for reuse by others. The Council maintains a Publication Scheme listing the information available to the public as a matter of course, and publishes responses to many Freedom of Information requests online. • The Council uses formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.	• Forward Plan • The Council's Constitution • Committee System • Internal Audit • Audit and Accounts Committee • Publication Scheme • Freedom of Information • Council Website • Corporate Plan • Statement of Accounts • Committee agendas, reports and minutes • Register of Members' Interests

Engaging comprehensively with institutional stakeholders.	• The Council considers those institutional stakeholders to whom the authority is accountable, to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. • The Council aims to develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. The council has a corporate governance framework for working in partnerships, with significant partnerships and joint ventures such as those with LGSS and NPS Norwich being covered by service level agreements.	• Corporate Governance Framework for working in Partnerships • The Council's Constitution • Consultation with unions • Cabinet portfolio
Engaging with individual citizens and service users effectively.	• The Council makes decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. Committee meetings are held in public, and minutes and papers are available to the public on the Council's website, including regular financial and performance forecasts. If a decision needs to be kept confidential, then the justification for this is provided. • The Council consults on its Corporate Plan proposals and other key aspects of its vision, strategic plans and priorities, with the local community and other key stakeholders. The Council takes account of the impact of decisions on future generations of tax payers and service users. • The Council encourages, collects and evaluates the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. The Council maintains a customer feedback and complaints procedure to enable stakeholders to submit their views on Council performance and services. • 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.	• Corporate Plan Consultation • Consultation Strategy • Public consultation, including the Norfolk Compact and Your Voice • Community Impact Assessments • Communications strategy and Communications handbook Tenant involvement web-page

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.		
Supporting Principles	**To meet the requirements of this Principle, Norwich City Council:**	**This is evidenced by:**
Defining outcomes.	• The Council's Corporate Plan states the organisation's purpose and intended outcomes, which provides the basis for the authority's overall strategy, planning and other decisions. It sets out the Council's Vision and defines the key outcomes for the people of Norwich. Specific Council strategies and policies link to the outcomes defined in the Corporate Plan. • The council's five priorities are to make Norwich a safe, clean and low carbon city; a prosperous and vibrant city; a fair city; a healthy city with good housing; and to provide value for money services. • The Corporate Plan sets out how the Council will deliver defined outcomes on a sustainable basis, within the resources that will be available. It also specifies the intended impact on, or changes for, stakeholders including citizens and service users, for the next five years. • The Corporate Plan sets out Key Performance Indicators (KPIs) to be used to assess the achievement of the Council's outcomes. The Council's corporate KPIs are reported to Cabinet as part of the regular Finance and Performance reporting. • The Council operates a risk management system to identify and manage risks to the achievement of outcomes. The Corporate Risk Register is reported to and reviewed by the Council's Corporate Leadership Team, Cabinet, and Audit Committee on a regular basis.	• Corporate Plan 2015-2020 • Corporate Management Team • Risk Management Policy and Procedures • Corporate Risk Register • Statement of Accounts • Finance & Performance Reports • Capital Strategy

Sustainable economic, social and environmental benefits.	• The Council considers and balances the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council seeks to take a longer-term view with regard to decision-making, which takes account of risks. • Community Impact Assessments are undertaken for the key proposals included in the Council's Corporate Plan, which identify the impact of decisions on different groups within the communities affected by the proposals. The Corporate Plan also incorporates the results of consultation with the local community and businesses. • The Council seeks to determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. • The Council identifies and monitors corporate performance indicators, which demonstrate performance against the Council's planned outcomes and how benefits are being delivered. • The Council maintains a prudential financial framework, balancing commitments with available resources and monitoring income and expenditure levels to ensure a sustainable balance is achieved.	• Corporate Plan • Corporate Plan Consultation • Annual Statement of Accounts • External Auditors reports • Community Impact Assessments • Finance & Performance Reporting • Consultation Strategy

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.		
Supporting Principles	**To meet the requirements of this Principle, Norwich City Council:**	**This is evidenced by:**
Determining interventions.	• The Council's Corporate Planning process incorporates business cases for proposed projects and savings, ensuring decision makers receive objective and rigorous analysis of a variety of options for achieving outcomes, indicating how intended outcomes would be achieved and associated risks. This ensures best value is achieved, however services are provided. • Feedback from citizens and service users is considered when making decisions about service improvements or where services are no longer required, in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	• Corporate Plan • Business Cases • Corporate Plan Consultation • Community Impact Assessments • Consultation Strategy • Transformation programme

Planning interventions.	• The Council has an established annual Corporate Planning process which sets a five-year strategic plan for the Council that informs the development of strategic and operational plans, priorities and targets. The Corporate Plan is reviewed annually meaning that mechanisms for delivering outcomes are regularly reviewed and can be adapted to changing circumstances. • The Corporate Plan incorporates medium term resource planning, including estimates of revenue and capital expenditure. Budgets are prepared in accordance with the Council's objectives, strategies and the Corporate Plan. • The Corporate Plan establishes appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. The Council ensures that capacity exists to generate the information required to review service quality regularly. • As part of the Corporate Planning process, the Council engages with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.	• Corporate Planning process • Corporate Plan • Partnerships Governance Guidance • Corporate Plan Consultation • Community Impact Assessments • Consultation Strategy
Optimising achievement of intended outcomes.	• The Council ensures the Corporate Plan integrates and balances service priorities, affordability and other resource constraints, and that the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. • The Council's Corporate Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period, in order for outcomes to be achieved while optimising resource usage. • Achievement of Corporate Plan outcomes is monitored and reported to the Council's Corporate Leadership Team through the Finance and Performance Reports, the Transformation Programme and other reporting. • The Council maintains a robust system of risk management which identifies risks to the achievement of the Council's intended outcomes and puts in place mitigating actions to support achievement.	Corporate Plan Risk Management Policy Corporate Risk Register Finance and Performance Reports Transformation programme Corporate Leadership Team Business Continuity Plans Emergency Planning

	• The Council maintains systems of business continuity and emergency planning to deal with failures in service delivery or emergencies which may threaten achievement of the Council's intended outcomes.	

Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it		
Supporting Principles	**To meet the requirements of this Principle, Norwich City Council:**	**This is evidenced by:**
Developing the entity’s capacity.	• The Council recognises the benefits of partnerships and collaborative working where added value can be achieved. • The Council maintains robust recruitment and selection processes to ensure that the Council is able to attract suitable candidates, ensuring a diverse workforce that will add value to the organisation. • The Council seeks to understand the capacity of its workforce and any gaps, and workforce development strategies are in place to develop the organisation’s capacity as required to enhance the strategic allocation of resources. • The Council reviews its operations, performance and use of assets on a regular basis to ensure their continuing effectiveness, and seeks to improve resource use through appropriate application of techniques such as benchmarking and other options, in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.	• Partnership Governance • Recruitment and Selection Policy and Toolkit • Workforce Development Strategies • Transformation Programme • Corporate Plan • Corporate Planning Process • Finance and Performance Reporting • Corporate Risk Register
Developing the capability of the entity’s leadership and other individuals.	• The Council’s Constitution and Scheme of Delegation set out a clear statement of the respective roles and responsibilities of the Council’s Executive, the Full Council and individual members. The Scheme of Delegation clarifies the type of decisions that are delegated and those reserved for collective decision making of the governing body. Committee Terms of References set out a clear statement of the respective roles and responsibilities of the Council’s Committees. This ensures that a shared understanding of roles and objectives is maintained	• The Council’s Constitution • Scheme of Delegation • Committee Terms of Reference • Members Code of Conduct • Officers Code of Conduct • Protocol on Members/Officer

	• The Council maintains protocols to ensure effective communication between Council Members and officers in their respective roles.
	• The Chief Finance Officer is a member of the Corporate Leadership Team with direct access to the Chief Executive and other members of the leadership team.
	• The Council develops the capabilities of members, senior management, and officers to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks, by:
	  o Ensuring Members and staff have access to appropriate induction tailored to their role, and that ongoing training and development matching individual and organisational requirements is available and encouraged;
	  o Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis;
	  o Holding staff to account through regular performance reviews which take account of training or development needs;
	  o Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external;
	  o Ensuring arrangements are in place to maintain the health and wellbeing of the workforce, and support individuals in maintaining their own physical and mental wellbeing.
		Relations
		• Workforce Development Strategies
		• Corporate Induction
		• Members induction and development
		• Performance Appraisal
		• Improving Performance Policy
		• Supervision Policy
		• Role of Internal Audit
		• CFO member of CLT

Principle F: Managing risks and performance through robust internal control and strong public financial management

Supporting Principles	To meet the requirements of this Principle, Norwich City Council:	This is evidenced by:
Managing risk	• The Council recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making. Robust and integrated risk management arrangements are in place and regularly reviewed to ensure that they are working effectively. Risk management is embedded into the culture of the Council. • The Council ensures that responsibilities for managing individual risks are clearly allocated, and the Corporate Risk register is reported to and reviewed by the Council's Corporate Leadership Team, Audit Committee and Cabinet on a regular basis.	• Risk Management Policy • Risk Management Strategy • Corporate Risk Register • Audit Committee • Risk Reports to Committees • Project Management guidance • Shared risk registers with Joint Ventures and Partners
Managing performance	• Members and senior management are provided with regular reports on performance and progress towards achievement of outcomes. • The Council makes decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • The Council encourages effective and constructive challenge and debate on policies and objectives, to support balanced and effective decision making.	• Finance and Performance Reporting • Committee agendas, reports and minutes • Transformation programme • Customer Feedback • Internal Audit Reports

Robust internal control	• The Council ensures effective counter fraud, anti-corruption and anti-money laundering arrangements are in place.
	• Additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by Internal Audit.
	• The Audit Committee is independent of the executive and accountable to the governing body, and:
	  ○ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment;
	  ○ ensures that its recommendations are listened to and acted upon.
		• Anti-Fraud & Corruption Policy
		• Anti-Money Laundering Policy
		• Whistleblowing Policy
		• Internal Audit
		• Internal Audit Annual Report
		• Annual Governance Statement
		• Risk Management Policy
		• Risk Management Procedures
		• Corporate Risk Register
		• Audit Committee

Managing data	• The Council's information governance policies and procedures ensure that effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. • The Council's Senior Information Risk Owner (SIRO) has lead responsibility to ensure that organisational information risks are properly identified and managed. • The Council ensures effective arrangements are in place and operating effectively when sharing data with other bodies.	• Data Protection Policy • Freedom of Information/EIR Regulations • Information Security Incident Policy • Records Management • Senior Information Risk Owner • Partnership Governance
Strong public financial management	• The Council ensures that its financial management supports both long term achievement of outcomes and short-term financial and operational performance. • Ensures well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. • The Council ensures that officers with a role in financial management are provided with the support and resources to ensure strong public financial management.	• Financial Regulations • Finance and Performance Reporting • Corporate Plan • Corporate Planning Process

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Supporting Principles	To meet the requirements of this Principle, Norwich City Council:	This is evidenced by:
Implementing good practice in transparency	• The Council seeks to write and communicate reports and other information for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. • The Council complies with the Local Government Transparency Code and publishes information required in a timely manner. • The Council provides appropriate information to the public to ensure transparency, striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny, while not being too onerous to provide and for users to understand.	• Committee agendas, papers and minutes • County Council website • Publication Scheme • Forward Plan
Implementing good practice in reporting	• The Council's Annual Governance Statement ensures robust arrangements for assessing the extent to which the principles contained in this Framework have been applied, and the results of this assessment are published. • The Council ensures that the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. • The Council maintains open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	• Statement of Accounts • Annual Governance Statement • Annual External Audit Report and Letter • Internal Audit Reports • Finance and Performance Reporting • Partnerships Governance Guidance • Committee agendas, reports and minutes

Assurance and effective accountability	• The Council maintains an effective Accounts Committee and ensures that an effective internal audit function, with direct access to Members, is resourced and maintained. The Internal Audit service provides assurance with regard to governance arrangements, and verifies that recommendations are acted upon. • The Council ensures that recommendations for corrective action made by external audit are acted upon. • Norwich City Council welcomes peer challenge, reviews and inspections from regulatory bodies, as a result of which action plans are identified to implement recommendations. • When working in partnership, the Council ensures that arrangements for accountability are clear and the need for wider public accountability has been recognised and met.	• Audit & Accounts Committee • Role of Internal Audit • Peer Reviews • Results of External Inspections • Partnership Governance • Risk Management Procedures • Council Meetings

MONITORING AND REPORTING

The Council will undertake an annual review of its governance arrangements to ensure continuing compliance with best practice to provide assurance that corporate governance arrangements are adequate and operating effectively in practice. Where reviews of the corporate governance arrangements have revealed gaps, actions will be planned to enhance the governance arrangements accordingly.

The Council will prepare an Annual Governance Statement which will be submitted to the Audit Committee for consideration and will form part of the Council's annual Statement of Accounts.

The Governance Statement will include:

- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
- a reference to and 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 that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
- a reference to how issues raised in the previous year's annual governance statement have been resolved; and
- a conclusion including a commitment to monitoring implementation as part of the next annual review.

The Annual Governance Statement will be signed by the Leader of the Council and the Chief Executive on behalf of the Council.

In reviewing and approving the Annual Governance Statement, members will be provided with detailed information regarding the effectiveness of the governance arrangements and system of internal control and how these address the key risks faced by the Council. Those Assurances will be available from a wide range of sources, including internal and external audit, a range of external inspectorates and managers from across the Council.

The Council will continually strive to operate an assurance framework, embedded into its business processes, that maps corporate objectives to risks, controls and assurances. This framework and regular reports on its application and effectiveness will provide members with assurances to support the Annual Governance Statement and will help members to identify whether corporate objectives and significant business risks are being properly managed.

APPENDIX A - Seven principles for the conduct of individuals in public life

The governance framework is supported by the seven **Principles of Public Life,** which set the standards of conduct and behaviour to which Councillors and employees should aspire in their day-to-day dealings.

1. Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

2. Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

3. Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to whatever scrutiny is appropriate to their office

5. Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

6. Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

7. Leadership

Holders of public office should promote and support these principles by leadership and example.

Report to	Audit committee	**Item**
	20 June 2017	**7**
Report of	Chief finance officer (Section 151 officer)	
Subject	Statement of Accounts 2016-17	

Purpose

This report presents the formal unaudited draft Statement of accounts, authorised by the chief finance officer on 6 June 2017.

Recommendation

The committee is asked to review the draft Statement of accounts 2016-17

Corporate and service priorities

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

Financial implications

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

Ward/s: All Wards

Cabinet member: Councillor Kendrick, Resources

Contact officers

Karen Watling	01603 212440
Philippa Dransfield	01603 212562

Background documents

None

Report

Background

1. The unaudited draft statement of accounts was authorised by the Chief Finance Officer (CFO) on 6 June 2017. It is a requirement of the Accounts and Audit Regulations 2015 that the CFO authorises the draft statement of accounts by 30 June each year. There is no requirement for the Committee to approve the draft financial statements however the unaudited accounts are presented to the Audit Committee for review.

Statement of Accounts

Presentation

2. The statement of accounts is attached at Appendix 3. Its format is required to follow the Code of Practice (CoP) on Local Authority Accounting in the United Kingdom (supported by International Financial Reporting Standards (IFRS)), and includes a full balance sheet and statement of cash flow movements.

3. The statements have changed in layout due to changes in the CoP. Under s3.4.2.38 of the CoP the face of the Comprehensive Income and Expenditure Statement (CIES) should present the service analysis on the basis of the organisational structure (including, where relevant, corporate support services) under which local authorities operate. Therefore the CIES has been changed to reflect the business areas reported in budget monitoring, with 2015-16 being restated in the new format.

4. There is a new statement, the Expenditure and Funding Analysis (EFA) The EFA shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement The 2015-16 figures have been calculated into this new note

5. The new layout of the CIES and the inclusion of the new EFA note have removed the requirement for the segmental analysis note which has consequently been removed.

Review – Comprehensive Income and Expenditure Statement

6. A summary of changes from 2015-16 to 2016-17 is included in the appendices.

Review – Balance Sheet

7. A summary of changes from 2015-16 to 2016-17 is included in the appendices

Source Documents	**Location**
CIPFA Accounting Code of Practice 2016-17. Statement of Accounts 2016-17 Statement of Accounts 2015-16 Statement of Accounts working papers. Outturn for 2016-17	Room 407 City Hall, Norwich

Appendices

Comprehensive Income and Expenditure Statement

	2016/17	2015/16	Change	% Change	
Business Services	9,360	4,604	4,756	103.30%	Additional costs associated with the capitalisation of early retirement benefits £3.593m Higher REFCUS charges on corporate management due to higher CIL payover to GNGB resulting from higher CIL receipts by the council £0.583m Expenditure on WAN budgeted as revenue but under regulations was capitalised £(0.375)m Higher net expenditure on Housing Benefits due to higher bad debt and write-off costs £0.308m and lower levels of overpayments identified £0.495m
Chief Executive	550	864	(314)	-36.34%	Reduction in staff costs from vacant posts and reduced hours £(0.2)m Reduced grants to external parties £(0.108)m
Communications & Culture	4,087	4,457	(370)	-8.30%	Major repairs Norman Centre 2015/16 £0.065m, none 2016/17 Increased admission fess Norman Centre £0.012m Lower events expenditure £(0.084)m - amalgamation of various minor underspneds and increased admissions Lower Riverside centre expenditure £(0.02)m - lower spend on other contractual services & energy efficiency programme £(0.096)m, reduced grants recieved & costs recovered £0.074m Lower IFRS 19 adjustment (£0.119)m
Regeneration & Growth	7,017	6,545	472	7.21%	Lower impairment charges in 16/17 £(0.213)m Higher refcus charges in 16/17 due to increased expenditure on CCAG schemes £1.058m Lower IFRS 19 adjustment £(0.182)m
Neighbourhoods	11,546	12,401	(855)	-6.89%	£(0.241)m reduction in expenditure in part relating to the new neighbourhoods model £0.465m additional income resulting from waste contractual changes, £(0.149)m lower IFRS 19 adjustment
Housing Revenue Account	(34,120)	(79,610)	45,490	-57.14%	Lower revaluation gain in 16/17 as 2015/16 £44.543m Higher depreciation in 16/17 £0.845m
Cost of Service	**(1,560)**	**(50,739)**	**49,179**		

Appendices

Comprehensive Income and Expenditure Statement

	2016/17	2015/16	Change	% Change	
Other Operating Income	816	(1,387)	2,203	-158.83%	Larger 1:4:1 receipts returned to Government £0.349m Less gains on asset disposals £1.766m Decrease in return on markets £0.062m
Financing & Investment Income & Expenditure	11,117	4,475	6,642	148.42%	Decrease in interest payable due to loan repayment in 2015/16 £(0.474)m Decrease in pension interest cost £(0.356)m Increase in interest receivable due to higher balances held £(0.588)m 2015/16 revaluation increases not repeated in 2016/17 £8.76m Saving on business rates as less empty properties £(0.083)m Increase in rental income due rent reviews £(0.037)m Decrease in soft loan impairment £0.071)m
Taxation & Non-specific Grant Income	(30,055)	(26,494)	(3,561)	13.44%	Increase in income from Council Tax £0.323m (£0.292m due to increase in council tax base) Increase in income ifrom business rates due to smaller deficit £1,362m (£1.34 decrease in RSG) Decrease in government grants £1.335m Increase in capital grants £1.379m Business rates tariff £0.216m Levy payable for 2016/17 £.0152m (none payable in 2015/16) Equity shares received from Norwich Regeneration Ltd £2.2m
Surplus on Provision of Services	**(19,682)**	**(74,145)**	**54,463**		
Surplus on revaluation of non-current assets	(4,153)	(8,231)	4,078	-49.54%	Revaluation gains passed to revaluation reserve
Actuarial (gains) / losses on pension assets / liabilities	59,013	(23,621)	82,634	-349.83%	Actuarial losses on the pension fund
Other Com[prehensive (Income) & Expenditure	**54,860**	**(31,852)**	**86,712**		

Appendices

Balance Sheet

	2016/17	2015/16	Change	% Change	
Property Plant & Equipment	863,279	857,271	6,008	0.70%	Capital works on council dwellings £18.96m Capital works on other assets £8.32m Disposals £(8.546)m Revaluation Losses £(6.36)m Reclassified to Assets Held for Sale £(1.83)m Net depreciation £(4.541)m
Heritage Assets	25,525	20,668	4,857	23.50%	Revaluation gains
Investment Properties	41,773	43,294	(1,521)	-3.51%	Disposals £(1.136)m 2-4 Carrow Hill 4-6 Princes St 13-19 St Georges St
Intangible Assets	553	776	(223)	-28.74%	Additions £0.027m Amortisation £(0.25)m
Long Term Investments	3,042	3,842	(800)	-20.82%	Reclassification from long term to short term as will mature during 2017/18 £3m Equity in Norwich Regeneration Limited in exchange for land £2.2m
Long Term Debtors	10,325	10,238	87	0.85%	
Long Term Assets	**944,497**	**936,089**	**8,408**		

Appendices

Balance Sheet

	2016/17	2015/16	Change	% Change	
Short term Investments	55,715	35,278	20,437	57.93%	Increased balances to invest across long & short term investments and cash& cash equivalents due to: Receipts relating to Right to buy disposals £10.7m Receipts relating to other HRA disposals £0.918m Receipts of repayments of RTB discount £0.049m Receipts relating to GF disposals £2.102m Receipts of repayment of DHL & Hil £0.084m
Assets Held for Sale	424	2,536	(2,112)	-83.28%	Council decisions to dispose of assets
Short term debtors	8,681	11,258	(2,577)	-22.89%	Decreased accruals realting to capital & expenditure in advance £1.078m Lower CIL amounts due from developers £0.406m Lower VAT refund due from HMRC £0.753m Lower amounts owed by tenants £0.374m
Stock	28	23	5	21.74%	
Cash & Cash Equivalents	18,834	21,551	(2,717)	-12.61%	Increased balances to invest across long & short term investments and cash& cash equivalents due to: Receipts relating to Right to buy disposals £10.7m Receipts relating to other HRA disposals £0.918m Receipts of repayments of RTB discount £0.049m Receipts relating to GF disposals £2.102m Receipts of repayment of DHL & Hil £0.084m
Current Assets	**83,682**	**70,646**	**13,036**		

Appendices

Balance Sheet

	2016/17	2015/16	Change	% Change	
Short term Borrowing	(7,993)	(11,962)	3,969	-33.18%	Repayment of £10.75m during 2016/17 Reclassification from long term to short term as will be repaid during 2017/18 £7m
Short term Creditors	(33,420)	(28,819)	(4,601)	15.97%	Increase in balance owed to Central Government in relation to business rates £1.619m Increase in accruals & receipts in advance £1.188m Increase in amounts due to preceptors in relation to council tax & business rates £2.047m Increase in amounts owed to suppliers £0.214m Decrease in amounts owed to Norfolk CC inrespect of Three Rivers money held on account £(0.662)m
Capital Grants Receipts in Advance Short Term	(794)	(979)	185	-18.90%	
Current Liabilities	**(42,207)**	**(41,760)**	**(447)**		
Long Term Creditors	(3,035)	(3,211)	176	-5.48%	
Long term Borrowing	(201,903)	(208,905)	7,002	-3.35%	Reclassification from long term to short term as will be repaid during 2017/18 £7m
Other Long Term Liabilities	(184,932)	(123,446)	(61,486)	49.81%	Actuarial losses on pension fund
Provisions	(2,553)	(1,572)	(981)	62.40%	Increase in provisions for Business Rates appeals
Capital Grants Receipts in Advance Long Term	(1,354)	(493)	(861)	174.65%	
Long Term Liabilities	**(393,777)**	**(337,627)**	**(56,150)**		
Net Assets	**592,195**	**627,348**	**(35,153)**		

Statement of accounts

for the year ending
31 March 2017

NORWICH
City Council

Contents

Narrative Report

1. Introduction to Norwich

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

The City Council is responsible for approximately 60% of the urban area of the City, including the historic city centre, covering a population of approximately 138,872 people (Source: 2016 midyear estimates, Office of National Statistics ONS).

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

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

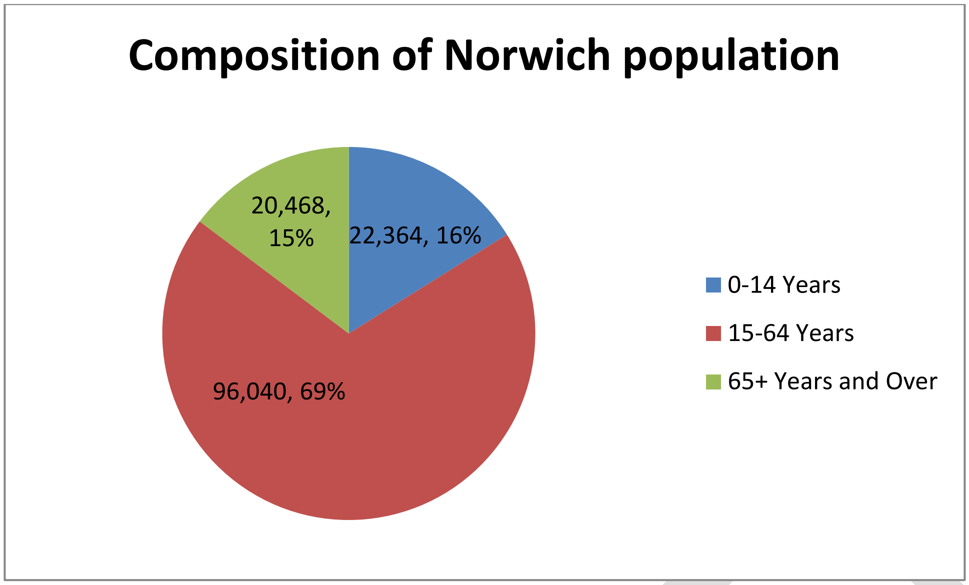
Norwich - facts and figures

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

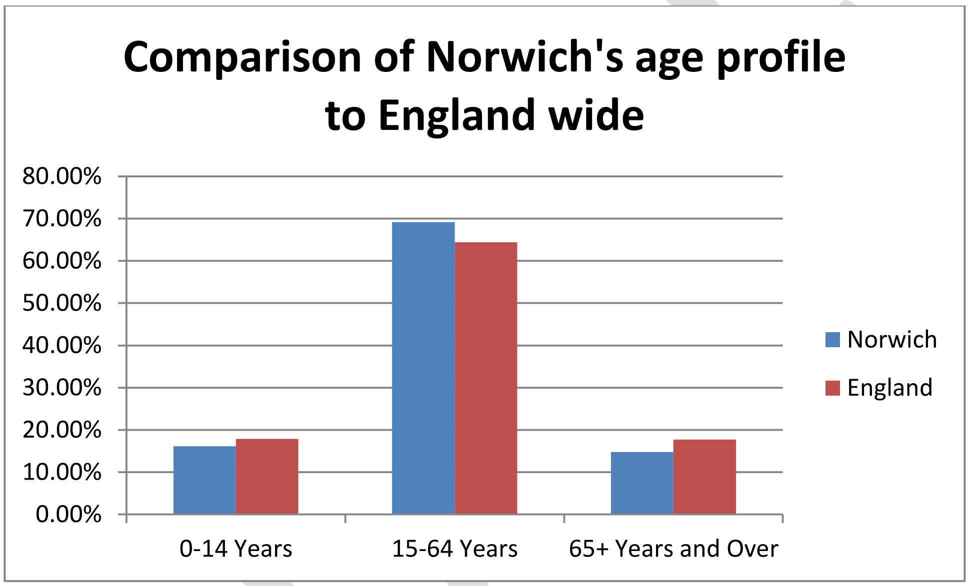
But it is also a city that hides significant inequality. While the city has many positive aspects, it also has many of the severe issues that urban city centres can experience, poor educational attainment, poor health, and above average crime and antisocial behaviour, although this is reducing. Below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

Population

Office for National Statistics Mid-Year Estimate for 2016 reported Norwich's estimated population was 138,872 with age profile as presented below



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



Economy

Economic data tells us:

- The median annual pay for full time workers in Norwich is £26,107 per annum which is less than the national average of £28,503
- Office for National Statistics Model Based unemployment rate in Norwich January to December 2016 was 5.0% which is higher than the national average of 4.8%
- According to the 2015 Indices of Deprivation Norwich households rank 47th (lower number indicates higher deprivation) out of 324 local authorities for overall deprivation – for Education , Skills and Training and Health and Disability both rank 18 out of 324
- According to the 2015 Indices of Deprivation 18.9% of Norwich residents live in income deprived households
- Around three in ten Norwich children aged 0-15 (29%) live in income deprived households (Income Deprivation Affecting Children Index)
- More than one in five Norwich residents aged over 65 (22.8%) live in income deprived households (Income Deprivation Affecting Older People Index)

Further information about Norwich and how it compares to the rest of Norfolk and the UK can be found here https://www.norwich.gov.uk/downloads/file/3602/state_of_norwich_2015-2016

2. The Council

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

- Street cleansing, waste collection and recycling services
- Planning, regeneration and economic development services
- Transport services
- Public protection services including licensing and environmental health
- Housing services including providing and maintaining 14,987 Council homes - making us one of the largest local Council landlords
- Parks and open spaces
- Cultural, tourism and leisure services
- Processing housing and council tax benefits
- Electoral services

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

The political make-up of the Council during 2016-17 was:

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

The Council operates a 'leader and cabinet' structure. The cabinet during 2016/17 consisted of seven members of the Labour group, including the leader of the Council.

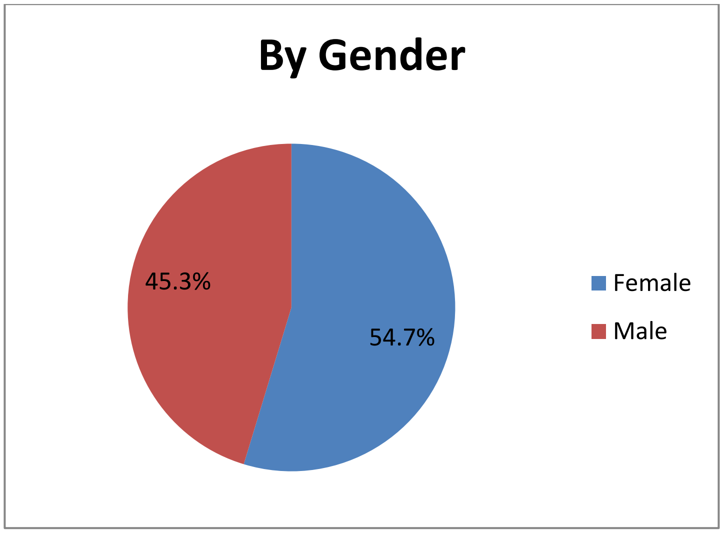
- Leader of the Council
- Deputy leader and cabinet member for council housing
- Cabinet member for fairness and equality
- Cabinet member for environment and sustainable development
- Cabinet member for neighbourhoods and community safety
- Cabinet member for customer care and leisure
- Cabinet member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

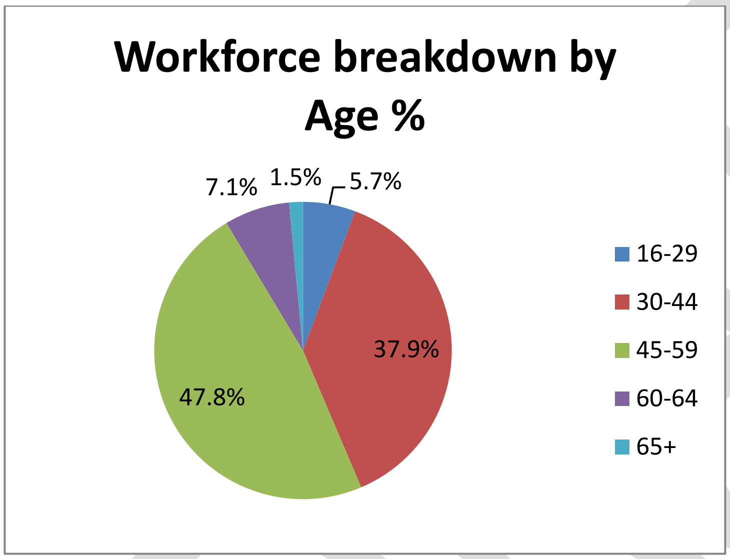
The cabinet makes recommendations to the Council on the policy and budget framework. It also carries out all the executive functions of the Council which are not reserved to the full Council, exercised by another committee or delegated to an officer.

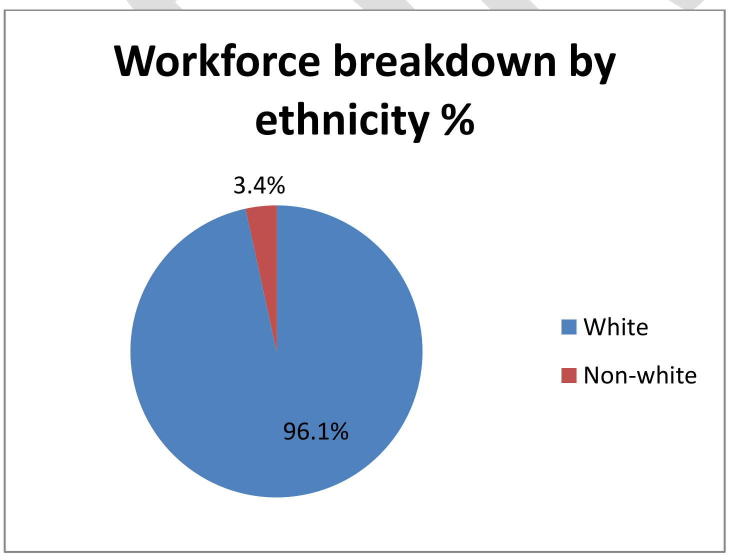
People

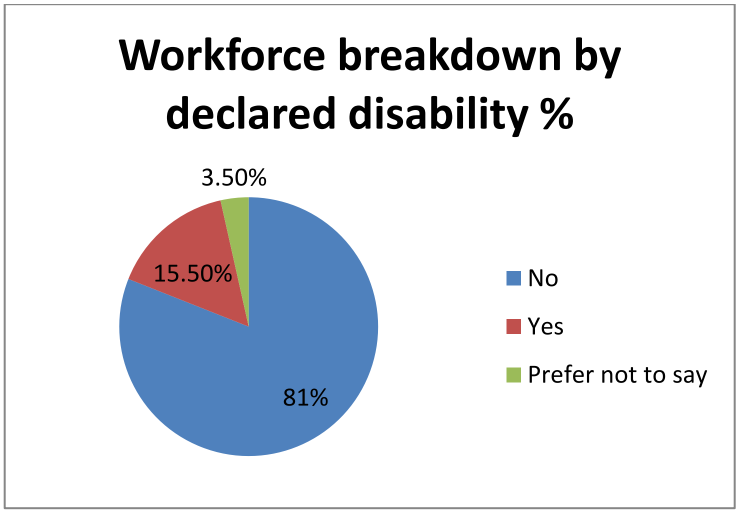
The council employed 490.43 fulltime equivalent (FTE) staff at 31st March 2017. The actual number of staff was 594 of whom 352 were full time and 242 were part-time.

Below are the profiles of staff within the council.


By Gender
45.3%
54.7%
Female
Male


Workforce breakdown by Age %
7.1%
1.5%
5.7%
37.9%
47.8%
16-29
30-44
45-59
60-64
65+


Workforce breakdown by ethnicity %
3.4%
96.1%
White
Non-white



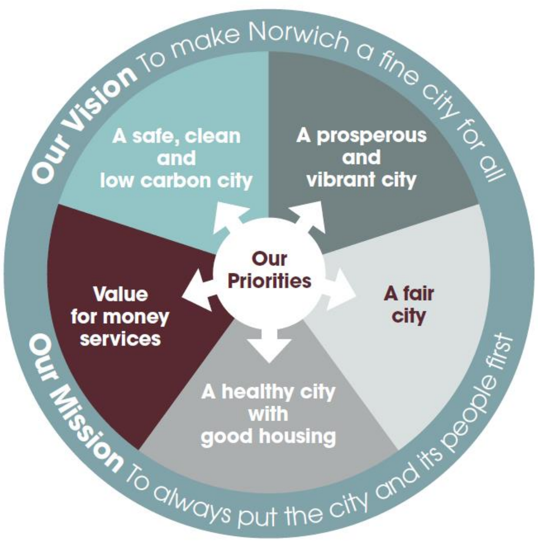
3. Council's Performance

Core Values

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

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

Our vision, mission, priorities and values 2015-2020



Our priority

A safe, clean and low carbon city

The council wants to ensure that Norwich is safe and clean for all citizens and visitors to enjoy and that we create a sustainable city where the needs of today can be met without compromising the ability of future citizens to meet their own needs.
To support this priority the council will work with its citizens and partners to enable and deliver the following key actions over the next five years:
• To maintain street and area cleanliness.
• To provide efficient and effective waste collection services and reduce the amount of waste sent to landfill.
• To work effectively with the police to reduce anti-social behaviour, crime and the fear of crime.
• To protect residents and visitors by maintaining the standards of food safety.
•To maintain a safe and effective highway network in the city and continue to work towards 20mph zones in residential areas.
• To mitigate and reduce the impact of climate change wherever possible and protect and enhance the local environment including biodiversity.
• To reduce the council's own carbon emissions through a carbon management programme.
A prosperous and vibrant city
The council wants Norwich to be a prosperous and vibrant city in which businesses want to invest and where everyone has access to economic, leisure and cultural opportunities.
To support this priority the council will work with its citizens and partners to enable and deliver the following key actions over the next five years:
• To support the development of the local economy and bring in inward investment through economic development and regeneration activities.
• To advocate for an effective digital infrastructure for the city.
• To maintain the historic character of the city and its green heritage through effective planning and conservation management.
• To provide effective cultural and leisure opportunities for people in the city and encourage visitors and tourists.

A fair city

The council wants Norwich to be a fair city where people are not socially, financially or digitally excluded and inequalities are reduced as much as possible.
To support this priority the council will work with its citizens and partners to enable and deliver the following key actions over the next five years:
• To reduce financial and social inequalities
• To advocate for a living wage
• To encourage digital inclusion so local people can take advantage of digital opportunities
• To reduce fuel poverty through a programme of affordable warmth activities

A healthy city with good housing

The council wants to ensure that people in Norwich are healthy and have access to appropriate and good quality housing.
To support this priority the council will work with its citizens and partners to enable and deliver the following key actions over the next five years:
• To deliver our annual Healthy Norwich action plan with our key partners to improve health and wellbeing.
• To support the provision of an appropriate housing stock including bringing long term empty homes back into use and building new affordable homes.
• To prevent people in the city from becoming homeless through providing advice and alternative housing options.
• To improve the council's own housing stock through a programme of upgrades and maintenance and provide a good service to tenants.
• To improve the standard of private housing in the city through advice, grants and enforcement and supporting people's ability to live independently in their own homes through provision of a home improvement agency.

The council is also committed to keeping the housing stock council owned and run and not to initiate a transfer process to a housing association. It is also committed to explore and, where possible in the future, take advantage of the ideas and opportunities suggested within the Lyons Housing Review.

Value for money services

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

To support this priority the council will work with its citizens and partners to enable and deliver the following key actions over the next five years:

• To engage and work effectively with customers, communities and partner organisations, utilising data and intelligence and collaborative and preventative approaches to improve community outcomes.
• To continue to reshape the way the council works to realise our savings target and improving council performance wherever possible.
• To improve the efficiency of the council's customer access channels.
• To maximise council income through effective asset management, trading and collection activities

Performance against our priorities
For each of the key performance measures the council sets targets it aims to achieve. These are set out in service plans and progress against target is reported to the Council's Cabinet and Scrutiny committees. Performance against targets will be published in the audited accounts later in the year.

4. Statement of Accounts

Each year Norwich City Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute. These accounts relate to the year ended 31 March 2017. This foreword intends to give a general guide to the significant matters reported in the statements.

The Statements of Accounts for 2016/17 have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2016/17'. This sets out the principles and practices of accounting required to prepare accounts that present a true and fair view of the financial position and transactions of a local Council. This code is based on International Financial Reporting Standards (IFRS).

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

The accounts contain a series of statements, summarising financial activity during the year and setting out the Council's assets and liabilities at the end of the Council's financial year on 31 March 2017, as follows:

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

- **Expenditure Funding Analysis**
  The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Comprehensive Income and Expenditure Statement (CIES)** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Movement in Reserves Statement** showing the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- **The Balance Sheet** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

- **The Housing Revenue Account (HRA)** which summarises the income and expenditure in respect of the provision of local Council housing.

- **The Collection Fund Revenue Account** which shows the total level of income received by the Council from Non-Domestic Rates and Council Tax and how this has been distributed to all the authorities it has been collected for, including the Council.

5. Financial Performance

Economic climate

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

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

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

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

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

In addition, a review of the New Homes Bonus Grant in 2016 has resulted in significant reductions in this funding stream, particulalrly for District Councils. The council's Revenue Support Grant is decreasing by 39% from 2016/17 to 2017/18 and is expected to continue to reduce until there is no further grant by 2020. The New Homes Bonus Grant is decreasing by 40% from 2016/17 to 2017/18 and will continue to reduce significantly until 2020.

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

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

Financial Management
Revenue

The financial standing of the Council is robust with sound and improving financial management practices. The outturn for the Council is a contribution to general reserves of £2.184m

Due to the efforts of staff and management, more than the planned for contribution of £0.451k is available to put into General Fund reserves. Officers will seek Members' views as part of the MTFS and budget planning process on how to use this additional contribution to reserves.

The Council prepared the Medium Term Financial Strategy (MTFS) for 2017/18 to 2021/20 with the aim to align to the objectives set out in the Corporate Plan. The MTFS was presented to Council as part of the 2017/18 budget setting process and it set the framework to enable the Council to determine an appropriate course of action to address significant financial challenges not only for 2017/18 but for future years. The MTFS shows a budget reduction requirement of £1.92m per year to 2021/22

The net expenditure and income for the Council's services compared to the budget for 2016/17 were as follows:

Cost of Services	Budget £'000	Actual £'000	Unbudgetted Items £'000	Adjusted Actual £'000	Variance £'000
Business Services	9,304	9,360	985	8,375	(929)
Chief Executive	774	550	(44)	594	(180)
Communications & Culture	4,721	4,088	(224)	4,312	(409)
Regeneration & Growth	1,126	7,016	6,762	254	(872)
Neighbourhoods	12,179	11,546	(412)	11,958	(221)
Housing Revenue Account	(22,035)	(34,120)	(8,494)	(25,626)	(3,591)
Net Cost of Services	**6,069**	**(1,560)**	**(1,427)**	**(133)**	**(6,202)**

Other Non Cost of Services	Budget £'000	Actual £'000	Unbudgetted Items £'000	Adjusted Actual £'000	Variance £'000
Other Operating Expenditure	(214)	793	1,125	(332)	(118)
Financing and Investment Income and Expenditure	7,100	11,116	4,740	6,376	(724)
Taxation and Non-Specific Grant Income	(19,655)	(30,055)	(9,296)	(20,759)	(1,104)
Total Other Non Cost of Service	**(12,769)**	**(18,146)**	**(3,431)**	**(14,715)**	**(1,946)**
(Surplus) / Deficit on Provision of Services	**(6,700)**	**(19,706)**	**(4,858)**	**(14,848)**	**(8,148)**

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

Business Services

This includes income and expenditure relating to the corporate management, council tax & benefit administration, finance, HR, IT services and democratic services. Major variances include:

- Unspent contingency budget £(503)k as not required in year
- Budgeted contribution to reserves included within the underspend £(451)k
- HR salary and training underspend £(96)k due to vacant posts

Chief Executive

This includes income and expenditure relating to the chief executive and the policy and transformation teams. Major variances include:

- Salary underspends from vacant posts £(150)k

Communications & Culture

This includes income and expenditure relating to the communications, customer contact and the cultural activity of the council. Major variances include:

- Grant-funded digital inclusion project spend deferred to next year £(221)k as part of a three year project
- Underspent events budget £(41)k due to higher than budget income receipts and reduced events costs
- Depreciation lower than budgeted £(90)k
- Salary underspends from vacant posts £(32)k

Regeneration & Growth

This includes income and expenditure relating to highways, transportation and parking, strategic housing, planning and economic development activities. Major variances include:

- Recharges variance due to budget re-alignment for parking services £(262)k
- Salary underspends from vacant £(253)k
- Additional income for bus shelter advertisement £(106)k from new digital screens installed
- Deprecation charge lower than budgeted £(72)k
- Empty business rate underspent due to less vacant properties £(51)k
- Business rates charges lower than budgeted £(21)k
- Additional grant income not budgeted £(26)k
- Utilities charges on City Hall underspent £(39)k

Neighbourhoods

This includes income and expenditure relating to street sweeping and waste collection, parks and open spaces, public health, licensing, food safety and housing options (including homelessness). Major variances include:

- Estimated redundancy costs following service restructure £321k
- Receipt of income relating to waste contract £(229)k
- Depreciation lower than budgeted £(146)k
- Surplus recycling credit and garden waste income £(129)k

Housing Revenue Account

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

- Outturn being below the anticipated requirement for the general major and minor repairs responsive budget £(779)k
- Insulation underspend due to less projects requiring this type of work £(338)k
- Lower than originally anticipated requirement for drainage works £(224k)
- Gas central heating repairs and servicing contract savings £(206)k
- Other underspends on general estate repairs and specific maintenance budgets e.g. balconies, water mains works and stair lifts £(625)k
- No work required on unadopted roads £(105)k
- Lower requirement for fire prevention works £(88)k
- Lower number of general estate improvement projects than anticipated £(190)k
- Additional income from contributions to HRA repairs (from tenants and leaseholders) £(394)k
- Lower than anticipated requirement for void repairs £(103)k
- Reduced requirement on the responsive garage repair budget £(76)k
- Reduced bad debt provision in line with reducing debt balance £(415)k
- Lower district heating costs due to mild winter £(305)k
- Sheltered housing mainly due to lower heating costs £(218)k
- Central expenses including depreciation £480k

Other Operating Income

This includes items that are non-core business income and expenditure, including the provision market and depots. Major variances include:

- Market rents received lower than budgeted £35k due to occupancy rates
- Market repairs costs higher than budgeted £39k

- Unbudgeted unwinding of the discount on deferred capital receipt due to receipt of monies three years early £(120k)

Financing & Investment Income & Expenditure

This includes income from interest and investment properties.

- Higher than budgeted net income from investment properties £(138)k as a result of rent reviews
- Unbudgeted financial instruments adjustment reversed through the movement in reserves £(542)k

Taxation and Non-Specific Grant Income

This includes the income from local taxation and grants. Major variances include:

- Deferral of digital inclusion grant to use against planned future projects £221k as part of three year project
- Additional central government grants than budgeted £(216)k announced after budget setting
- In year business rate deficit lower than budgeted £(1,073)k
- Council Tax surplus receipt higher than budgeted £(163)k

Capital

The Capital Strategy and Capital programme were approved at the Council meeting of 23 February 2016. The Capital Strategy provided the framework within which the Council's investment plans were to be delivered. The reduced level of Government resources available and the uncertainty about the level of resources for future years influenced the shape and size of the 2015/2020 Capital Programme.

The Capital Programme for 2016/17 to 2020/21 mirrors the timeframe of the Medium Term Financial Strategy so that over the five years, resources available to the Council matched planned expenditure.

The table below sets out the overall level of anticipated available resources by category for the period 2016/21. This shows that, in total, funding the Capital Programme in 2016/17 was £77m. As the year progressed these estimates were revised in line with new assumptions and information as they became available.

	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	£000	**£000**	**£000**	**£000**	**£000**
Capital Grants	4,053	5,313	798	1,418	1,823
Major Repairs Reserve	2,423	6,060	10,915	12,780	12,648
Borrowing	33,483	12,290	6,644		
Revenue Contribution to Capital	26,104	10,788	6,572	4,843	4,523
Leaseholder Contributions to major works	275	275	275	275	275
Capital Receipts	10,445	9,113	5,364	5,390	4,341
s106 Contributions	183	653	170	175	
	76,966	**44,492**	**30,738**	**24,881**	**23,610**

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

The Council has not undertaken any new borrowing in 2016/17; however it did repay £10.75m.

Long Term Borrowing is disclosed and analysed in note 16.

Balance Sheet

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

	31-Mar-17	31-Mar-16
	£000	**£000**
Non-current Assets	944,497	936,089
Current Assets / Liabilities	41,475	28,886
Long Term Liabilities and Provisions	(393,777)	(337,627)
Net Assets	592,195	627,348
Represented by		
Useable Reserves	79,861	62,791
Unuseable Reserves	512,334	564,557

Provisions

The Council's most significant provisions relate to Business Rates valuation appeals. Following Business Rates localisation, introduced in 2013, the Council has to set aside a provision for any future successful ratepayer appeals against rateable valuations. Norwich has a high degree of exposure to risk in this regard. The Council currently has 574 (767 31 March 2016) rating appeals outstanding (excluding any appeals where the ratepayer has appealed on multiple basis)

Business Rates rating appeals provision (full provision)	£5.405m at 31 March 2017	£3.931m at 31 March 2016
(Norwich share)	£2.162m at 31 March 2017	£1.572 at 31 March 2016
Business Rates write-off	£0.448m in 2016/17	£1.237m in 2015/16

Housing Revenue Account

The HRA is a ringfenced landlords account for the running of the Council's housing stock. During 2016/17, the HRA reported an operating surplus this led to an increase in the HRA fund balance of £4.20m. The HRA fund balance at year end is £30.38m

Treasury Management

	31-Mar-17	31-Mar-16
	£000	**£000**
Cash and Cash Equivalents	18,834	21,551
Short term investments	55,715	35,278
	74,549	**56,829**

Total cash and equivalents and investments at 31 March 2017 is £74.549m. The main factors that would affect cash in the future are:

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

Pension Liabilities

The Council has net pension liabilities of £184.829m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension has to be revalued every three years to set future contribution rates. The latest triennial valuation took place at 31 March 2016.

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

Details of the Council's pension liability calculated under IAS19 are shown at note 43 of the core financial statements

6. Material Items of Income and Expense

Changes in the Code of Practice under s3.4.2.38 such that the face of Comprehensive Income and Expenditure Statement (CIES) should present the service analysis on the basis of the organisational structure (including, where relevant, corporate support services) under which local authorities operate, as opposed to that under SeRCOP. Therefore the CIES has been changed to reflect the business areas reported in budget monitoring, with 2015-16 being restated in the new format.

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

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

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 Ltd in exchange for 22,000 £100 shares in the company.

7. Changes in Accounting Policies

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

8. Environmental

The council is committed to addressing environmental issues, as shown by one of its priorities being 'a safe, clean and low carbon city'. The Council's first Environmental Strategy was produced in 2008. The current strategy for 2015-2018 can be found on the Council's website on the link below:

https://www.norwich.gov.uk/downloads/download/1861/environmental_strategy

Achievements include the per capita carbon dioxide (CO_2) emissions for the city have fallen by 14%, which is the largest for the East of England (source: Department of Energy and Climate Change) and the council's own CO_2 emissions have fallen by nearly 27%.

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

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

Air Quality
The Environment Act 1995 imposes a statutory duty on Local authorities to review and assess the air quality in their districts to determine whether certain air pollutants are likely to meet prescribed government air quality objectives. The objectives give maximum allowable mass concentration limits for 8

different pollutants and, if exceeded, there is then a statutory duty to declare an Air Quality Management Area (AQMA).

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

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

https://www.norwich.gov.uk/downloads/file/3020/2015_air_quailty_action_plan

This Action Plan is a statutory requirement resulting from the declaration of the AQMA and the continued exceedance of the annual mean objective for nitrogen dioxide (NO_2), but for no other pollutants. The purpose of this statutory duty is to produce and implement an Action Plan to reduce local levels of the specified pollutant in the area declared.

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Statement of Responsibilities for the Statement of Accounts

1. The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Norwich City Council that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts;

2. The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

3. Certificate of Chief Finance Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of Norwich City Council as at 31 March 2017 and its income and expenditure for the year then ended.

Signed: Date:

Karen Watling
Chief Finance Officer

Certificate of Approval of the Statement of Accounts

Signed: Date:

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

Expenditure Funding Analysis 2016/17

	Net Expenditure Chargeable to the GF & HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000
Business Services	11,288	(1,928)	9,360
Chief Executive	594	(44)	550
Communications & Culture	3,968	119	4,088
Regeneration & Growth	4,112	2,905	7,016
Neighbourhoods	11,317	229	11,546
Housing Revenue Account	(1,902)	(32,219)	(34,120)
Net Cost of Services	**29,378**	**(30,938)**	**(1,560)**
Other income & expenditure	(11,920)	12,713	793
Financing and Investment Income	6,375	4,741	11,116
Taxation and non-specific grant income	(30,055)	0	(30,055)
	0	0	0
Surplus or deficit	**(6,222)**	**(13,484)**	**(19,706)**

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

Expenditure Funding Analysis
2015/16

	Net Expenditure Chargeable to the GF & HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000
Business Services	8,607	(4,003)	4,604
Chief Executive	901	(37)	864
Communications & Culture	4,366	91	4,457
Regeneration & Growth	2,880	3,665	6,545
Neighbourhoods	11,915	486	12,401
Housing Revenue Account	(17,932)	(61,678)	(79,610)
Net Cost of Services	**10,738**	**(61,477)**	**(50,739)**
Other income & expenditure	(221)	(1,166)	(1,387)
Financing and Investment Income	7,578	(3,103)	4,475
Taxation and non-specific grant income	(26,494)	0	(26,494)
Surplus or deficit	**(8,398)**	**(65,747)**	**(74,145)**

	Adjustments for capital purposes	Net Changes for Pension adjustments	Other Difference	Total Adjustments
	£'000	£'000	£'000	£'000
Business Services	369	3,395	239	**4,003**
Chief Executive	-	37	-	**37**
Communications & Culture	(297)	206	-	**(91)**
Regeneration & Growth	(3,961)	296	-	**(3,665)**
Neighbourhoods	(750)	264	-	**(486)**
Housing Revenue Account	61,331	348	-	**61,678**
Net Cost of Services	**56,693**	**4,545**	**239**	**61,477**
Other income & expenditure	1,166	-	-	**1,166**
Financing and Investment Income	7,623	(4,520)	-	**3,103**
Surplus or deficit	**65,482**	**25**	**239**	**65,747**

Comprehensive Income and Expenditure Statement

		2016/17			2015/16 Restated		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Business Services		75,975	(66,615)	9,360	76,197	(71,593)	4,604
Chief Executive		551	(1)	550	952	(88)	864
Communications & Culture		5,050	(963)	4,087	5,576	(1,119)	4,457
Regeneration & Growth		17,984	(10,967)	7,017	16,944	(10,399)	6,545
Neighbourhoods		19,176	(7,630)	11,546	18,833	(6,432)	12,401
Housing Revenue Account		37,455	(71,575)	(34,120)	(6,952)	(72,658)	(79,610)
Cost of Services		**156,191**	**(157,751)**	**(1,560)**	**111,550**	**(162,289)**	**(50,739)**
Other Operating Expenditure	**9**			794			(1,387)
Financing and Investment Income and Expenditure	**10**			11,117			4,475
Taxation and Non-Specific Grant Income	**11**			(30,055)			(26,494)
(Surplus) / Deficit on Provision of Services				**(19,704)**			**(74,145)**
(Surplus) / deficit on revaluation of non-current assets	**12&13**			(4,153)			(8,231)
Actuarial (gains) / losses on pension assets / liabilities	**43**			59,013			(23,621)
Other Comprehensive (Income) and Expenditure				**54,860**			**(31,852)**
Total Comprehensive (Income) and Expenditure				**35,156**			**(105,997)**

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

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	Earmarked H.R.A. Balance Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016 carried forward	**12,160**	**3,932**	**26,187**	**3**	**17,313**	**-**	**3,200**	**62,794**	**564,557**	**627,351**
Movement in reserves during 2016/17										
Surplus/ (deficit) on provision of services	(4,331)	-	24,036	-	-	-	-	19,705	-	19,705
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(54,860)	(54,860)
Total Comprehensive Income & Expenditure	**(4,331)**	**-**	**24,036**	**-**	**-**	**-**	**-**	**19,705**	**(54,860)**	**(35,155)**
Adjustments between accounting basis & funding basis under regulations (note 7)	6,307	-	(19,790)	-	9,083	-	1,679	(2,722)	2,722	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**1,976**	**-**	**4,245**	**-**	**9,083**	**-**	**1,679**	**16,983**	**(52,138)**	**(35,155)**
Transfers to/from Earmarked Reserves (note 8)	208	(233)	-	-	25	-	-	-	-	-
Transfers between reserves	-	-	(49)	-	133	-	-	84	(84)	-
Increase/(Decrease) in 2016/17	**2,184**	**(233)**	**4,196**	**-**	**9,241**	**-**	**1,679**	**17,067**	**(52,222)**	**(35,155)**
Balance at 31 March 2017 carried forward	**14,344**	**3,699**	**30,383**	**3**	**26,554**	**-**	**4,879**	**79,861**	**512,335**	**592,196**

	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 2015 carried forward	**9,614**	**4,081**	**20,180**	**4**	**24,896**	**-**	**5,078**	**63,853**	**457,497**	**521,349**
Movement in reserves during 2015/16										
Surplus/ (deficit) on provision of services	5,571	-	68,576	-	-	-	-	74,147	-	74,147
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	31,852	31,852
Total Comprehensive Income & Expenditure	**5,571**	**-**	**68,576**	**-**	**-**	**-**	**-**	**74,147**	**31,852**	**105,999**
Adjustments between accounting basis & funding basis under regulations (note 7)	(3,180)	-	(62,566)	-	(7,645)	-	(1,878)	(75,269)	75,269	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**2,391**	**-**	**6,010**	**-**	**(7,645)**	**-**	**(1,878)**	**(1,122)**	**107,121**	**105,999**
Transfers to/from Earmarked Reserves (note 8)	153	(153)	-	-	-	-	-	-	-	-
Transfers between reserves	-	-	-	-	62	-	-	62	(62)	-
Increase/(Decrease) in 2015/16	**2,544**	**(153)**	**6,010**	**-**	**(7,583)**	**-**	**(1,878)**	**(1,060)**	**107,060**	**105,999**
Balance at 31 March 2016 carried forward	**12,158**	**3,928**	**26,190**	**4**	**17,313**	**-**	**3,200**	**62,793**	**564,557**	**627,348**

Balance Sheet

	Notes	31-Mar-17	31-Mar-16
		£'000	£'000
Property, Plant & Equipment	12	863,279	857,271
Heritage Assets	13	25,525	20,668
Investment Properties	14	41,773	43,294
Intangible Assets	15	553	776
Long term Investments	17	3,042	3,842
Long Term Debtors	18	10,325	10,238
Long Term Assets		**944,497**	**936,089**
Short Term Investments	19	55,715	35,278
Assets Held for Sale	22	424	2,536
Short term Debtors	20	8,681	11,258
Stock		28	23
Cash and Cash Equivalents	21	18,834	21,551
Current Assets		**83,682**	**70,646**
Short Term Borrowing	16	(7,993)	(11,962)
Short Term Creditors	23	(33,420)	(28,819)
Capital Grants Receipts in Advance Short Term	38	(794)	(979)
Current Liabilities		**(42,207)**	**(41,760)**
Long Term Creditors	24	(3,035)	(3,211)
Long term Borrowing	16	(201,903)	(208,905)
Other Long Term Liabilities	42	(184,932)	(123,446)
Provisions	25	(2,553)	(1,572)
Capital Grants Receipts in Advance Long Term	38	(1,354)	(493)
Long Term Liabilities		**(393,777)**	**(337,627)**
Net Assets		**592,195**	**627,348**
Usable Reserves	26	79,860	62,791
Unusable Reserves	27	512,334	564,557
Total Reserves		**592,194**	**627,348**

Cash Flow Statement

	Notes	2016/17	2015/16
		£'000	£'000
Net surplus or (deficit) on provision of services		19,706	74,146
Adjustments to net surplus or deficit on provision of services for non-cash movements	28	31,181	(28,799)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(14,439)	(12,081)
Net cash flows from Operating Activities		**36,448**	**33,266**
Investing Activities	29	(31,997)	(21,007)
Financing Activities	30	(7,168)	(4,011)
Net Increase or (decrease) in cash and cash equivalents		**(2,717)**	**8,248**
Cash and cash equivalents at the beginning of the reporting period	21	21,551	13,303
Cash and cash equivalents at the end of the reporting period	21	**18,834**	**21,551**

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income & Expenditure

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

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

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

Agency services

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

Cash & Cash Equivalents

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

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

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

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Debtors and Creditors

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

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

Employee Benefits

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

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

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

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

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

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

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

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

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

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

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Norfolk pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Events after the Balance Sheet Date

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

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

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

Exceptional Items

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

Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans & Receivables

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

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

Government Grants & Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

Investment Property

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

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

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

Jointly Controlled Operations & Jointly Controlled Assets

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

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

Group Accounts

The Code requires local authorities to consider all their interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council has gone through a process in line with the Code guidance flowcharts to demonstrate that the relevant provisions do not apply and that the Council has fully complied with the 2015 Code Group Accounts' requirements in its 2016/2017 Statement of Accounts.

Leases

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

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

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

<u>The Council as Lessee</u>

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

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

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

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

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

<u>The Council as Lessor</u>

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

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

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

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

Operating Leases

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

Overheads & Support Services

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

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

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

Intangible Assets

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

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

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

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

Property, Plant & Equipment

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Componentisation

The 2016/17 CIPFA Code of Practice on Local Authority Accounting states that each part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item shall be depreciated separately, applied from 1 April 2010 onwards. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In adopting the Code, the Authority has developed the following Componentisation Policy using the approach set out in LAAP bulletin 86:

- Assets within PP&E, excluding Council dwellings with a carrying value of £1m and below, will be disregarded for componentisation as the impact upon the reported cost of service is not considered material.

- Assets, excluding Council dwellings that are above the £1m de-minimis threshold will be componentised where the cost of the component:

  is significant in relation to the overall total cost of the asset and
  has a different useful life and/or method of depreciation to the main asset.

This policy excludes land assets which are already identified separately.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals & Non-Current Assets Held for Sale

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

Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:
.. Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date
.. Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
.. Level 3 – unobservable inputs for the asset or liability.

Provisions, Contingent Assets & Liabilities

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

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

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

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

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

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

The Collection Fund

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

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

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

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

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

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

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

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

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

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

VAT

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

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

The following standards have been amended and will be introduced in the 2017/18 Code; IFRS 10 *Consolidated Financial Statements,* IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Venture (Investment Entities – Applying the Consolidated Exception.* These amendments will not have any effect on the authority's 2017/18 accounts, as we are not an investment entity. In addition, the 2017/18 Code has adopted definitions set out in IAS 39 *Financial Instruments, Recognition and Measurement* and IAS 40 *Investment Property*. This will affect the disclosure requirements of authorities which administer pension funds, and will not apply to Norwich City Council.

3. Critical Judgments in Applying Accounting Policies

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

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

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

Property, plant and equipment

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

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

The significant assumptions applied in estimating the fair values are:

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

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

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

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

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

Post Retirement Benefits
Pensions liability – the estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The assumptions made and sensitivity analyses are provided in note 43

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

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

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

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

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Business Rates	Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals.	Should the outstanding appeals be successful, the amount owed to businesses may be more than estimated, in which case the proportionate share of this would require an increase to the provision. However there may be appeals that are not successful or they may be successful but the amount owed to businesses be less than estimated, which would result in a reduction in the appeals provision
Property, Plant and Equipment £863.28m	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.376m for every year that useful lives had to be reduced
Pensions Liability £184.9m	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The sensitivities resulting in an impact on the Council's finances are disclosed in Note 43

Arrears	At 31 March 2017, the Council had a balance of sundry debtors for £2.685m. A review of significant balances suggested that an impairment of doubtful debts ranging from 10% to 100% was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase in the amount of the impairment for doubtful debt would be required.
Housing Stock	The housing stock is not individually componentised, for valuation purposes a beacon approach is used with the assumption that the beacon property is fully upgraded. Each property in that beacon is then reduced by percentages for each component that is not upgraded.	The percentages used to reduce the value may not reflect the true depreciated value of the individual components. The valuation of housing stock may be under or overstated
Housing Stock	The housing stock is not individually componentised, for depreciation purposes council dwellings have their individual components identified as to date of upgrade and using the asset life as advised by the council's valuers, the depreciation associated with each properties components is calculated.	The use of standard lives to calculate components and assumption of full depreciation on components not upgraded may not be valid. The depreciation of council dwellings may be under or overstated
Fair value measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow [DCF] model). Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities. Where level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value. Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes14 and 16 below.	The council uses the model disclosed in note 14 to measure the fair value of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for investment properties, surplus assets and assets held for sale) Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for investment properties and financial assets.

5. Material Items of Income and Expense

6. Events after the Reporting Date

The draft statement of accounts were authorised for issue by the Chief Finance Officer on 1st June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 12th May 2017, a major business rate payer withdrew its application to be merged into a single hereditament. In 2015/16 the potential loss to the council was disclosed as a contingent liability, in 2016/17 this disclosure has been removed.

On 1 April 2017 the Revenue and Benefits team TUPE'd back to Norwich City Council, this involved 98 officers, 60 full time and 38 part-time staff were involved which represents 83.39 full time equivalents.

7. Adjustments between Accounting Basis and Funding Basis under regulations

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

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

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

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

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

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

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

2016/17	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(3,206)	(15,834)				(19,040)	19,040
Excess dep'n over HRA MRA							
Revaluation gains/ (Losses) on Property, Plant and Equipment	(1,589)	10,426				8,837	(8,837)
Movement in Market Value of Investment Properties	(577)					(577)	577
Capital Grants and Contributions Applied	1,147	31				1,178	(1,178)
Movement in Donated Assets Account							
Revenue expenditure funded from capital under statute	(6,479)					(6,479)	6,479
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,262)	(9,584)				(10,846)	10,846
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement							
Statutory provision for the financing of capital investment	278	85				363	(363)
Capital expenditure charged against the General Fund and HRA balances	95	9,531				9,626	(9,626)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,500	442			(5,942)	-	
Application of grants to capital financing transferred to the Capital Adjustment Account					4,262	4,262	(4,262)
Adjustments involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,277	11,984	(13,261)			-	
Use of Capital Receipts Reserve to finance new capital expenditure			3,231			3,231	(3,231)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(39)	(237)	276			-	
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,471)		1,471			-	

2016/17	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(197)		197			-	
Transfer to the Capital receipts Reserve upon receipt of cash			(997)			(997)	997
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA		13,553		(13,553)		-	
Use of Major Repairs Reserve to finance new capital expenditure				13,553		13,553	(13,553)
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	839					839	(839)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,600)	(2,290)				(8,890)	8,890
Employer's pension contributions and direct payments to pensioners payable in the year	4,740	1,685				6,425	(6,425)
Adjustments involving the Collection Fund Adjustment Account							
Amount by which Council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	1,236					1,236	(1,236)
Total Adjustments	(6,308)	19,792	(9,083)	-	(1,680)	2,721	(2,721)

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

2015/16 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	(16)		16			-	
Transfer to the Capital receipts Reserve upon receipt of cash			(9)			(9)	9
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA		12,691		(12,691)		-	
Use of Major Repairs Reserve to finance new capital expenditure				12,691		12,691	(12,691)
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	(30)					(30)	30
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,869)	(2,261)				(6,130)	6,130
Employer's pension contributions and direct payments to pensioners payable in the year	4,768	1,387				6,155	(6,155)
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	269					269	(269)

8. Transfers to/from Earmarked and Other Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17 and 2015/16.

The following sets out a description of the reserves;

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

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

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

S31 Earmarked Reserve

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

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

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

A S31 Earmarked Reserve has been established which at 31st March 2017 holds the unutilised balance of the S31 grant monies received in 2015/16 and 2016/17. These monies will be transferred to the General Fund Reserves during 2017/18 and 2018/19 to mitigate the delayed impact of the 2015/16 & 2016/17 deficit on the NNDR Collection Fund as properly accounted for under regulation.

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

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.

	Balance at 31 March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Insurance Reserve	407	(199)	187	395	(265)	277	407
S31 Earmarked Reserve	1,526	(1,247)	1,188	1,467	(1,455)	1,041	1,053
Revenue Grants Unapplied Reserve GF	2,148	(216)	133	2,065	(65)	233	2,233
Revenue Grants Unapplied Reserve HRA	4	-	-	4	-	-	4
Total	**4,085**	**(1,662)**	**1,508**	**3,931**	**(1,785)**	**1,551**	**3,697**

Transfers between other reserves of £233,406 (2015/16 £61,691) in the Movement in Reserves Statement comprise of Decent Home Loans & Home Improvement Loans repayments £84,467 (2015/16 £61,691) and Repayment of discount £48,652 (2015/16 £nil)

9. Other Operating Expenditure

	2016/17	2015/16
	£'000	£'000
Payments to the Government Housing Capital Receipts Pool	1,471	1,123
(Gains)/Losses on the disposal of non-current assets	(367)	(2,133)
Provision Market	(129)	(308)
Livestock Market	(182)	(42)
Total	**793**	**(1,360)**

The surplus of £0.289m (2015/16 surplus £0.351m) on trading of the markets is not allocated back to services but included in other operating expenditure above

10. Financing and Investment Income and Expenditure

	2016/17	2015/16
	£'000	£'000
Interest payable and similar charges	9,432	9,906
Pension interest cost and expected return on pension assets	4,164	4,520
Interest Receivable and similar income	(1,353)	(765)
Income and expenditure in relation to investment properties and changes in their fair value	(1,279)	(9,409)
Impairment of Soft Loans	152	223
Total	**11,116**	**4,475**

11. Taxation and Non-Specific Grant Income

	2016/17	2015/16
	£'000	£'000
Council tax income	(8,658)	(8,335)
Non domestic rates income and expenditure	(31,068)	(29,706)
Non-ring fenced government grants	(7,263)	(8,598)
Capital grants and contributions	(7,120)	(5,741)
Business Rates - Tariff & Levy	26,253	25,885
Equity Transfer	(2,200)	-
Total	**(30,056)**	**(26,495)**

12. Property, Plant and Equipment

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

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

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

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

HRA Dwellings

The date of valuation is 31 March 2017

The valuers undertook a full revaluation at 31st March 2017. 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% (2015/16 61%), to arrive at EUV-SH to reflect the fact that sitting tenants enjoy rents lower than market rents and tenants' rights including Right to Buy

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

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

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

The valuations are made on the following assumptions:

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

HRA Non-Dwellings

The date of valuation is 31 March 2017

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

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

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

General Fund Assets

The date of valuation is 1 April 2016

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

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

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

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

VALUATION CYCLE **'000s**	**Council dwellings**	**Other Land & Buildings**	**Community assets**	**Infrastructure**	**Vehicles, Plant, & Equipment**	**AUC**	**Surplus properties**	**Total PPE**
Valued at historical cost			11,477	1,707	3,952	11,988		**29,124**
Valued at current value								**-**
2016-17	716,609	31,683					261	**748,553**
2015-16		18,544						**18,544**
2014-15		4,239						**4,239**
2013-14		28,169						**28,169**
2012-13		34,645						**34,645**
Total	**716,609**	**117,280**	**11,477**	**1,707**	**3,952**	**11,988**	**261**	**863,274**

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

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

On 31 March 2016, the council entered into a contract with Norwich Regeneration Ltd (a wholly owned subsidiary) for the construction of 18 houses for social rent at Threescore.

13. Heritage Assets

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

	Civic Plate & Regalia	Paintings	Sculptures & Bronzes	Statues, Fountain etc	Buildings	Total Heritage Assets
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Valuation						
1st April 2015	8,061	4,675	2,235	2,287	3,405	**20,663**
Additions	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	**-**
Revaluations	5	-	-	-	-	**5**
31st March 2016	**8,066**	**4,675**	**2,235**	**2,287**	**3,405**	**20,668**
Valuation						
1st April 2016	8,066	4,675	2,235	2,287	3,405	20,668
Additions	7	-	-	-	-	7
Disposals	-	(5)	(5)	-	-	(10)
Revaluations	5	-	4,700	155	-	4,860
31st March 2017	**8,078**	**4,670**	**6,930**	**2,442**	**3,405**	**25,525**

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

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

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

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

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

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 £1,300,000. The Modern

British Art specialists have provided an up-to-date auction estimate of £3,000,000 - £5,000,000 and for insurance suggested £6,000,000. This has been updated in the accounts.

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

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

The Heritage buildings valuations have been reviewed by NPS who advised that no revaluations were required

14. Investment Properties

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

	2016/17	2015/16
	£000	£000
Rental income from investment property	(2,508)	(2,545)
Direct operating expenses arising from investment property	1,229	(6,865)
Total	**(1,279)**	**(9,410)**

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:

	2016/17	2015/16
	£000	£000
Balance at start of the year	43,294	35,767
Additions:		
Subsequent expenditure	12	102
Disposals	(1,136)	(294)
Net gains / (losses) from fair value adjustments	(397)	7,779
Transfers (to) / from Property, Plant & Equipment	-	(60)
Balance at end of year	41,773	43,294

The Councils investment properties have reverted to a 5 year valuation programme following a full revaluation in 2015/16 due to the introduction of IFRS13. In 2015/16 revaluation gains were £7.623m leading to the direct operating expenses becoming a credit of £6.865m. Direct operating expenses excluding revaluation gains were £0.758m

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 2017

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

Investment Property Fair Value Hierarchy
Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016

Recurring fair value measurements using:	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2016
	£000	£000	£000
Industrial	3,299	11,923	15,222
Offices	7,564	1,328	8,892
Other	4,223	7,605	11,828
Residential	1,290	-	1,290
Retail	5,996	66	6,062
Total	22,372	20,922	43,294

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

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

	2015/16					
	Industrial	**Offices**	**Other**	**Residential**	**Retail**	**Total**
Investment Properties Level 2	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Opening balance	-	-	-	-	-	-
Transfers into Level 2	3,007	6,009	4,230	1,876	5,163	20,285
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	291	1,540	287	(586)	833	2,365
Additions	-	16	-	-	-	16
Disposals	-	-	(294)	-	-	(294)
Balance at end of year	3,298	7,565	4,223	1,290	5,996	22,372

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

	2016/17					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 3	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Opening balance	11,923	1,328	7,605	-	66	20,921
Transfer between disclosure category	784	-	(3,724)	2,940	-	-
Transfers into Level 3	285	-	-	-	-	285
Transfers out of Level 3						-
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	(451)	(124)	19		-	(556)
Additions	12	-			-	12
Disposals		(660)				(660)
Balance at end of year	12,553	544	3,900	2,940	66	20,002

	2015/16					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 3	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Opening balance	-	-	-	-	-	-
Transfers into Level 3	8,784	1,584	5,042	-	23	15,433
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	3,067	(268)	2,563	-	39	5,401
Additions	72	12	-	-	3	87
Balance at end of year	11,923	1,328	7,605	-	65	20,921

Gains or losses arising from changes in the fair value of the investment property are recognised in surplus or deficit on the provision of services – financing and investment income and expenditure line.
The transfers into level 3 followed reassessment by the Valuers in 2016/17.

Valuation process for Investment Properties

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

Current year valuations were carried out by:

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

15. Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. Of the amortisation of £250,120 charged to revenue in 2016/17, £89,770 was charged in respect of the telephony system to the Customer Contact cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. Of the remaining £160,350, £151,344 related to software.

£50,868 was charged to the Housing Revenue Account, £199,252 to the General Fund

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

	2016/17	2015/16
	£000	£000
Balance at the start of the year		
· Net carrying amount	776	848
· Additions	27	149
Amortisation for the period	(250)	(221)
Net Carrying amounts at the end of the year	**553**	**776**
Comprising:		
· Gross carrying amount	1,479	1,452
· Accumulated amortisation	(926)	(676)
	553	**776**

16. Financial Instruments

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

	Long Term		Current	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	£000	£000	£000	£000
Financial Liabilities (principle amount)	201,617	208,617	7,000	10,750
Accrued interest	-	-	993	1,212
Other accounting adjustments	287	288	-	-
Financial liabilities at amortised cost	201,904	208,905	7,993	11,962
Total Borrowings	**201,904**	**208,905**	**7,993**	**11,962**
Finance lease liabilities	1,099	1,189	90	85
Other long term liabilities	**1,099**	**1,189**	**90**	**85**
Financial liabilities carried at contract amount	-	-	(21,771)	19,940
Total creditors	**203,003**	**210,094**	**(13,688)**	**31,987**
Loans and receivables	-	3,000	73,560	55,300
Accrued interest	-	102	315	281
Total Loans and receivables (principle amount)	-	3,102	73,875	55,581
Unquoted equity investment at cost	824	824	-	-
Loans & receivables at amortised costs	824	3,926	73,875	55,581
NPT,HIL & DHL	3,146	3,217	-	-
Finance Leases	1,256	1,424	18	30
Total Investments	**5,226**	**8,567**	**73,893**	**55,611**
Financial assets carried at contract amounts	-	-	5,013	5,766
Total Debtors	**5,226**	**8,567**	**78,906**	**61,377**
Soft Loans Provided	**3,128**	**3,201**		

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

The movement of £18.3m in short term loans and receivables is due to increased money available to invest as a result of asset sales and retention of social housing rents.

The Council has made a number of loans to residents in respect of decent home loans and home improvement loans at less than market rates (soft loans). There are a number of small loans making up the balance owing of £3.128m. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed decent home loans information is as follows:

Decent Home Loans	**31-Mar-17**	**31-Mar-16**
	£000	**£000**
Opening Balance	2,448	2,498
Fair value adjustment	400	11
Loans repaid	(80)	(62)
Balance carried forward	**2,768**	**2,447**
Nominal value carried forward	**2,882**	**2,962**

The home improvement loans carrying value after fair value adjustments (minus£50k) total £196k.

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

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

	2016/17			
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Assets & Liabilities at Fair Value through Profit & Loss	Total
	£000	£000	£000	£000
Interest expense	9,432	-	-	9,432
Reductions in fair value	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	9,432	-	-	9,432
Interest Income	-	(1,353)	-	(1,353)
Increases in fair value				-
Total income in Surplus or Deficit on the Provision of Services	-	(1,353)	-	(1,353)
Net gain/(loss) for the year	9,432	(1,353)	-	8,079
	2015/16			
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Assets & Liabilities at Fair Value through Profit & Loss	Total
	£000	£000	£000	£000
Interest expense	9,906	-	-	9,906
Reductions in fair value	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	9,906	-	-	9,906
Interest Income	-	(765)	-	(765)
Increases in fair value	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(765)	-	(765)
Net gain/(loss) for the year	9,906	(765)	-	9,141

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

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

- estimated interest rates at 31 March 2017 of 7.63% for loans from the PWLB and 4.5% as an effective interest rate for a stepped loan.
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

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

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

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

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

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

The fair values of liabilities calculated are as follows:

	31-Mar-17		31-Mar-16	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	**£000**	**£000**	**£000**
Financial Liabilities	188,216	249,629	240,956	297,453
Long Term Creditors	1,099	1,099	1,189	1,189
Total Liabilities	**189,315**	**250,728**	**242,145**	**298,642**

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

	Debt at 31-Mar-16	**Repayments**	**Reclassifications**	**Fair Value discount unwind**	**Debt at 31-Mar-17**
	£000	**£000**	**£000**	**£000**	**£000**
PWLB	203,107	-	(7,000)	-	196,107
UK Banks	5,288	-	-	(1)	5,287
Other Financial Intermediaries	462	-	-	-	462
Local Government	1	-	-	-	1
Household Sector	47	-	-	-	47
European Investment Bank	-	-	-	-	-
Total	**208,905**	**-**	**(7,000)**	**(1)**	**201,904**

The fair values of assets calculated are as follows:	31-Mar-17		31-Mar-16	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	**£000**	**£000**	**£000**
Loans & Receivables	60,237	60,648	44,590	44,991
Long Term Debtors	4,491	4,256	4,671	4,921
Total Assets	**64,728**	**64,904**	**49,261**	**49,912**

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

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

Nature & Extent of Risks Arising from Financial Instruments

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

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

Overall procedures for managing risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 23 February 2016 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2016/17 was set at £294.8m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £254.8m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

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

Credit risk

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

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

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

The full Treasury Management Strategy for 2016/17 was approved by Full Council on 3rd February 2016 and is available on the Council's website.
https://www.norwich.gov.uk/info/20189/finance_and_transparency/1601/treasury_management_strategy

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

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

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

	Amount	Historical experience of default	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	**£000**	**£000**
	31 March 2017	31 March 2017	31 March 2017	31 March 2016
Customers	2,143	12%	765	289

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

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

		31 March 2017	31 March 2016
		£000	£000
Less than three months		894	410
Three to six months		313	284
Six months to one year		192	325
More than one year		881	635
Total		**2,280**	**1,654**

The Council initiates a legal charge on property where clients cannot afford to pay immediately. The total debt where there are legal charges at 31 March 2017 was £43,868 (31 March 2016 £43,868).

Liquidity risk

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

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

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

		2016/17	2015/16
		£000	£000
Repayable between:			
Less than one year		73,560	55,300
Between 1 & 2 years		-	3,000
		73,560	**58,300**

Refinancing & Maturity Risk

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

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

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

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

		Approved Minimum Limit	Approved Maximum Limit	Actual 31 March 2017 £000	Actual 31 March 2016 £000
Less than 1 year		0%	10%	7,993	11,962
Between 1 & 2 years		0%	10%	2,000	7,000
Between 2 & 5 years		0%	30%	2,500	2,000
Between 5 & 10 years		0%	50%	118,159	113,159
More than 10 years		0%	95%	77,679	86,236
				208,331	**220,357**
Perpetually irredeemable Loan Stock		0%	10%	573	573
				208,904	**220,930**

Market risk

Interest rate risk

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

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

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

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

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

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

	£000s
Increase in interest payable on variable rate borrowings (all Norwich City Council borrowing is at fixed rate)	-
Increase in interest receivable on variable rate investments	636
Impact on Surplus or Deficit on Provision of Services	636
Increase in Government grant receivable for financing costs	-
Share of overall impact debited to the HRA	-
Decrease in fair value of fixed rate investment assets	-
Impact on Comprehensive Income & expenditure	-
Increase in fair value of fixed rate borrowings liabilities (no impact CIES)	6,977

The impact of a 1% fall in interest rates on interest receivable would be £ (528)k – where the fall of 1% would take the interest lower than zero, this interest received has been taken as zero. The impact of a 1% fall in interest rates on the fair value of fixed rate borrowing liabilities would be as above, but with the movement being reversed.

Indemnity

In February 2014 the Council advanced £1m to Lloyds Banking Group as part of the Local Authority Mortgage Scheme (LAMS). LAMS is aimed at first time buyers within the district and the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period, at which point the advance will be returned to the Council plus an amount of interest. As at 31 March 2017, the total commitment against the £1m indemnity is £0.938m. There have been no defaults requiring a call on this indemnity to date.

Price risk

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

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

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

Foreign exchange risk

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

17. Long Term Investments

		2016/17	2015/16
		£000	**£000**
Banks		-	3,000
Equity Shareholding in Subsidiary		2,200	-
Norwich Airport Ltd		824	824
Norwich Preservation Trust		18	18
		3,042	**3,842**

In October 2016 the council disposed of land at Bowthorpe to its wholly owned subsidiary Norwich Regeneration Limited in exchange for 22,000 £100 shares in the company

Norwich Airport Ltd

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

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

Norwich Preservation Trust Ltd

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

18. Long Term Debtors

	2016/17			2015/16
	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	919	-	**919**	892
Deferred Capital Receipt Sale of Airport Shares	400	-	**400**	400
Deferred Capital Receipt – Livestock Market	-	-	**-**	636
Decent Home Loans	2,768	-	**2,768**	2,448
Finance Lease > 1 year	1,255	-	**1,255**	1,423
Home Improvement Loans	195	-	**195**	196
Local Authority Mortgage Scheme	1,000	-	**1,000**	1,000
Housing Benefit Overpayments	6,843	(4,707)	**2,136**	2,407
Shared Equity Dwellings	297	-	**297**	311
SALIX	241	-	**241**	185
Debts with legal charge over property	44	-	**44**	44
Wholly owned subsidiary	794	-	**794**	23
Other Long Term Debtors	273	-	**273**	270
	15,032	**(4,707)**	**10,325**	**10,238**

Long Term Debtors consist of:

- Transferred Debt - This debt represents the value of assets transferred to other Public Bodies. The value of these assets was determined by the amount of related outstanding loan at the time of transfer.
- Deferred Capital Receipts Sales of Airport Shares - 80.1% of the shares held in Norwich Airport Ltd. by Norfolk County Council and Norwich City Council were sold in March 2004 to Omniport Ltd. £1m of the total sale price is payable after 15 years or, should Omniport sell its interest before then, at the time of the sale. The City Council's share of this deferred capital receipt is £400,000.
- Deferred Capital Receipts Livestock Market –the Livestock Market was sold in July 2010, the purchaser withheld £800,000 relating to the area of the cattle market as this is leased back to the Council. The monies have to be paid over in 10 years' time or sooner if the cattle market is resited. The monies due are treated as a soft loan and discounted. On 30 March 2017 the council completed the sale of the livestock market and received £800,000.
- In February 2014 the Council advanced £1m to Lloyds Banking group as part of the Local Authority Mortgage Scheme. The Scheme is aimed at first time buyers; the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period; at the end of this term, the advance will be returned to the Council. No calls have been made on the indemnity during the year.

19. Short Term Investments

The amounts invested at 31 March were as follows:

		2016/17	2015/16
		£000	£000
Banks		28,217	10,158
Building Societies		27,496	25,119
Local Authority		2	-
Total Short Term Investments		**55,715**	**35,277**

20. Short Term Debtors

		2016/17	2015/16
		£000	£000
Central Government Bodies		1,194	1,917
Other entities & individuals		4,952	5,656
Other Local Authorities		2,534	3,684
Total Short Term Debtors		**8,680**	**11,257**

21. 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

		2016/17	2015/16
		£000	£000
Cash held by Council		16	30
Bank current accounts		1,398	1,222
Short term deposits with banks		9,920	10,000
Short term deposits with building societies		-	2,300
Short term deposits with local authorities		7,500	8,000
Total Cash & Cash Equivalents		**18,834**	**21,552**

22. Assets Held for Sale

		Current	
		2016/17	2015/16
		£000	£000
Balance outstanding at start of year		**2,536**	**150**
Assets newly classified as held for sale:			
Property, Plant & Equipment		1,830	2,744
Assets declassified as held for sale:			
Property, Plant & Equipment		-	-
Asset disposals		(3,294)	(350)
Other movements		(648)	(8)
Balance outstanding at year-end		**424**	**2,536**

23. Short Term Creditors

	2016/17	2015/16
	£000	£000
Central Government Bodies	5,134	2,909
Other Local Authorities	12,520	10,214
National Health Bodies	5	12
Trade Creditors	8,750	9,052
Receipts in Advance	2,618	2,434
Other entities & individuals	4,393	4,198
Total Short Term Creditors	**33,420**	**28,819**

24. Long Term Creditors

	2016/17	2015/16
	£000	£000
Developer Contributions	1,704	1,726
Lease Liability	1,098	1,188
Rent Prepayments	200	250
SALIX	32	46
Total Long Term Creditors	**3,034**	**3,210**

25. Provisions

	2016/17	2015/16
	£000	£000
Balance at 1 April 2016	1,572	573
Additional provisions	980	998
Balance at 31 March 2017	2,553	1,572

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

26. Usable Reserves

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

27. Unusable Reserves

		2016/17	2015/16
		£000	£000
Revaluation Reserve		60,296	58,234
Capital Adjustment Account		635,305	629,189
Financial Instruments Adjustments Account		(642)	(1,108)
Deferred Capital Receipts		1,434	2,059
Pensions Reserve		(184,829)	(123,351)
Collection Fund Adjustment Account		771	(465)
Total Unusable Reserves		**512,335**	**564,558**

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.

	2016/17		2015/16
	£000	£000	£000
Balance at 1 April		**58,234**	**50,749**
Upward revaluation of assets	7,450		8,344
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,297)		(113)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**4,153**	**8,231**
Difference between fair value depreciation & historical cost depreciation	(597)		(543)
Other amount written off to Capital Adjustment Account	-		-
Accumulated gains on assets sold or scrapped	(1,494)		(203)
Amount written off to the Capital Adjustment Account		**(2,091)**	**(746)**
Other movements		-	-
Balance at 31 March		**60,296**	**58,234**

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

	2016/17		2015/16
	£000	£000	£000
Balance at 1 April		**629,189**	**553,490**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(19,040)		(19,834)
Revaluation gains / (losses) on Property, Plant & Equipment	8,837		53,781
Revenue expenditure funded from capital under statute	(6,479)		(4,881)
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	(10,846)		(7,880)
Difference between historic cost & carrying value depreciation	597		543
Net written out amount of the cost of non-current assets consumed in the year		**(26,931)**	**21,729**
Adjusting amounts written out of the Revaluation Reserve		1,494	203
Net written out amount of the cost of non-current assets consumed in the year		**(25,437)**	**21,932**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital Expenditure	3,231		16,279
Use of the Major Repairs Reserve to finance new capital expenditure	13,553		12,691
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,178		2,100
Application of grants to capital financing from the Capital Grants Unapplied Account	4,262		5,303
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	363		60
Capital expenditure charged against the General Fund & HRA balances	9,626		9,400
		32,213	**45,833**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(577)	7,779
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-	215
HRA Self Financing Debt		-	-
Other		(84)	(62)
Balance at 31 March		**635,304**	**629,187**

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 2017 will be charged to the General Fund over the next 15 years.

	2016/17	2015/16
	£000	£000
Financial Instruments Adjustment Account		
Balance at 1 April	**1,108**	**1,078**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(454)	42
	654	**1,120**
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(12)	(12)

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	**2,059**	**2,068**
Transfer to the Capital Receipts Reserve upon receipt of cash	(997)	(9)
Balance at 31 March	**1,435**	**2,059**

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	**(123,351)**	**(146,997)**
Actuarial gains or (losses) on pensions assets & liabilities	(59,013)	23,621
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	(8,890)	(6,130)
Employer's pensions contributions & direct payments to pensioners payable in the year	5,645	5,377
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	780	778
Balance at 31 March	**(184,829)**	**(123,351)**

<u>Collection Fund Adjustment Account</u>

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	(465)	(734)
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	163	20
Amount by which NNDR income credited to the Comprehensive Income & Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	1,073	249
Balance at 31 March	**771**	**(465)**

28. Cash Flow Statement – Operating Activities

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

	2016/17	2015/16
	£000	£000
Interest received	(1,113)	(706)
Interest paid	9,803	9,913
	8,690	**9,207**

	2016/17	2015/16
	£000	£000
Depreciation	17,376	16,313
Amortisation	-	220
Impairment and revaluations	(3,778)	(50,118)
Reductions in the fair value of soft loans (non Subsidiary) made in the year	(12)	180
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	(557)	(139)
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	1,003	1,186
Increase/(Decrease) in Interest Creditors	(256)	-
Increase/(Decrease) in Creditors	1,374	758
(Increase)/Decrease in Interest Debtors	-	118
(Increase)/Decrease in Debtors	1,678	1,610
(Increase)/Decrease in Inventories	(5)	-
(Decrease)/Increase in Pension Liability	-	(25)
Contributions to Provisions	981	999
Carrying amount of non-current assets sold	12,979	7,876
Movement in Investment Property values	397	(7,777)
	31,180	**(28,799)**

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

	2016/17	2015/16
	£000	£000
Capital grants credited to surplus or deficit on the provision of services	(1,178)	(2,100)
Proceeds from the sale of property, plant and equipment and investment properties	(13,261)	(9,981)
	(14,439)	**(12,081)**

29. Cash Flow Statement – Investing Activities

	2016/17	2015/16
	£000	£000
Purchase of property, plant & equipment, investment property & intangible assets	(27,011)	(45,794)
Other Capital Payments	-	-
Purchase of short term & long-term investments	(86,600)	(48,700)
Other payments for investing activities	(1,371)	(1,204)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	13,261	9,982
Other Capital Cash Receipts	914	175
Capital grants received	1,810	834
Proceeds from short term & long-term investments	67,000	63,700
Net cash flows from investing activities	**(31,997)**	**(21,007)**

30. Cash Flow Statement – Financing Activities

	2016/17	2015/16
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(85)	(81)
Repayments of short- & long-term borrowing	(10,750)	(5,060)
Other receipts /(payments) for financing activities	3,667	1,130
Net cash flows from financing activities	**(7,168)**	**(4,011)**

31. 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:

	2016/17			2015/16
	Expenditure	Income	(Surplus) / Deficit	(Surplus) / Deficit
	£000	£000	£000	£000
Car Parks	4,338	(5,575)	(1,237)	(1,555)
Industrial Estates	1,506	(657)	849	(2,670)
Corporate Estates	2,603	(4,628)	(2,025)	(7,110)
Civic Halls	478	(220)	258	312
Markets	545	(834)	(289)	(351)
Yacht Station	-	-	-	-
Net (Surplus) / Deficit	**9,470**	**(11,914)**	**(2,444)**	**(11,374)**

Other than for Markets, the income and expenditure of the remaining Trading Operations for 2016/17 and 2015/16 have been consolidated within the Net Cost of Services. Income and expenditure of the markets are within Other Operating Expenditure.

The large surpluses on Industrial Estates, Corporate Estates and Markets in 2015/16 are due to the introduction of IFRS 13 on 1 April 2015 which resulted in large revaluation gains. These are reversed out in the Movement in Reserves Statement and have no impact on General Fund Balance or Council Tax requirements

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

32. 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 45. The results of these associates have not been consolidated in the Council's accounts on the grounds of immateriality; therefore results of the associates are detailed in the table below of which Norwich City Council's share is 50%.
Draft results from the entities below are awaited and will be published in the audited accounts later in the year.

	NPS (Norwich) Ltd		Norwich/Norse Environmental Ltd		Norwich Norse Building Ltd	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000
Profit & Loss Account						
Operating Profit		251		141		117
Interest (Payable) /Receivable		2		(5)		-
Profit on Ordinary Activities before Corporation Tax	**-**	**253**	**-**	**136**	**-**	**117**
Corporation Tax		(51)		(29)		(22)
Retained Profit for the financial year	**-**	**202**	**-**	**107**	**-**	**95**
Balance Sheet						
Profit & Loss b/f	**469**	**267**	**244**	**137**	**87**	**(8)**
Profit & Loss for the financial year	-	202	-	107	-	95
Profit & Loss reserve c/f	**469**	**469**	**244**	**244**	**87**	**87**

33. Agency Services

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

The Norwich Highways Joint Committee oversees the operation of the Highways Agency Agreement providing the services for highways, traffic management and on-street car parking. The Council acts as agent for the County in relation to the work governed by the Joint Committee. The amounts of income and expenditure for 2016/17 and 2015/16 are as follows:-

Highways	**2016/17**	**2015/16**
	£000	**£000**
Expenditure	2,542	2,588
Income	(2,569)	(2,700)
(Surplus) paid over to Norfolk County Council/ Deficit reimbursed to Norwich City Council	**(27)**	**(112)**

On-Street Car parking	**2016/17**	**2015/16**
	£000	**£000**
Expenditure	1,039	1,171
Income	(1,252)	(1,275)
(Surplus) paid over to Norfolk County Council	**(213)**	**(104)**

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

Billed	624	624
Collected	(490)	(469)
Paid over to Norwich BID	436	364

34. Members' Allowances

The total of members' allowances paid in the year was £357,081 (2015/16 £350,804) in accordance with the Members' Allowance Scheme as set out in Appendix 16 of the Council's Constitution.

35. 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 2016/17 [1 3]	119,020	-	-	119,020	17,217	136,237
Chief Executive Officer 2015/16 [1]	132,997	-	-	132,997	18,543	151,540
Director of Regeneration & Development 2016/17	81,225	-	-	81,225	11,702	92,927
Executive Head of Service for Regeneration & Development 2015/16 [2]	89,592	-	-	89,592	11,459	101,051
Director of Customer & Culture 2016/17	84,739	-	-	84,739	12,287	97,026
Executive Head of Service for Communications, Customer & Cultural Services 2015/16	80,255	-	-	80,255	11,586	91,841
Director of Neighbourhoods 2016/17	73,575	-	-	73,575	10,605	84,180
Interim director of Neighbourhoods 2015/16	17,479	-	-	17,479	2,534	20,013
Director of Neighbourhoods 2015/16	59,929	-	-	59,929	8,690	68,619
Director of Business Services 2016/17	82,140	-	-	82,140	11,702	93,842
Executive Head of Service for Business Relationship Management & Democracy 2015/16 [1]	81,260	-	-	81,260	11,586	92,846
TOTAL 2016/17	**440,699**	**-**	**-**	**440,699**	**63,513**	**504,212**
TOTAL 2015/16	**461,512**	**-**	**-**	**461,512**	**64,398**	**525,910**

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

[2] Director of regeneration and development remuneration 2015/16 includes relocation expenses.

[3] Chief executive officer reduced to 4 days in 2016/17

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		**2016/17**	**2015/16**
£50,000 to £54,999		1	4
£55,000 to £59,999		1	4
£60,000 to £64,999		-	1
£65,000 to £69,999		5	6
£75,000 to £79,999		1	-
£80,000 to £84,999		2	3
£85,000 to £89,999		3	2
£90,000 to £94,999		-	2
£95,000 to £99,999		-	1
£100,000 to £104,999		2	-
£105,000 to £109,999		1	-
£115,000 to £119,999		1	-
£130,000 to £134,999		-	1
		17	**24**

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:-

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

The table above represents redundancies during 2016/17. The accounts include an estimate of £979,371 based on probable redundancy costs for a number of officers as part of the restructure of several service areas during 2016/17. Officers affected were issued with redundancy notices prior to 31 March 2017. As there are redeployment opportunities some of these officers may not be made redundant whilst others will leave during 2017/18, any variance between the accrual in 2016/17 and the final exit package costs will be disclosed as part of the 2017/18 accounts.

2015/16					
Exit package cost band (including special payments)		Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000		-	6	6	75,596
£20,001 - £40,000		-	3	3	89,583
£40,001 - £60,000		-	3	3	128,927
£60,001 - £80,000		-	1	1	67881
£80,001 - £100,000		-	1	1	95,293
£100,001 - £150,000		-	2	2	216,953
Total		**0**	**16**	**16**	**674,233**

36. 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 2016/17 and 2015/16 the following fees were payable by the Council to our external auditors.

	2016/17		2015/16
	£000		£000
			restated
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year	80		80
Fees payable to external auditors for the certification of grant claims and returns for the year	30		36
Fees payable in respect of any other services provided by external auditors during the year	2		5
Total	**112**		**121**

The fees for 'other services' payable in 2016/17 relate to the Right to Buy retained receipts audit. For 2015/16 ‘other services’ relate to the auditor’s consideration of calculation of the council's new Minimum Revenue Provision Policy and the Right to Buy audit.

37. Grants Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

	2016/17	2015/16
	£000	£000
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	(2,756)	(4,096)
Local Strategic Partnership - Second Homes	(102)	(49)
New Homes Bonus	(2,768)	(2,373)
NNDR Administration Grant	(271)	(271)
Small Business Rate Relief Grant	(887)	(1,298)
Other Grants (Non Capital)	(479)	(511)
Sub-Total inc NNDR	**(7,263)**	**(8,598)**
Capital Grants & Contributions		
DfT Cycle Ambition Grant	(4,166)	(915)
Home and Communities Agency	(48)	(935)
Community Infrastructure Levy (Funding from developers)	(678)	(933)
Community Infrastructure Levy (Funding from GNGB Strategic Pool)	(118)	(249)
Disabled Facilities Grant	(820)	(472)
Capital Grant Income (Government bodies)	7	(728)
Capital Grants & contribution income (non Government)	(1,243)	(810)
Sub Total	**(7,066)**	**(5,042)**
Capital Grants & Contributions(REFCUS expenditure)		
DECC Green Deal Community Fund	(15)	(395)
Capital Grants & contribution income (from non Government)	(39)	(87)
Sub Total	**(54)**	**(482)**
Donated Assets	-	(215)
Sub Total	**-**	**(215)**
Total	**(14,383)**	**(14,337)**
Credited to Services		
Rent Allowance Subsidy	(27,300)	(29,841)
Rent Rebate Subsidy	(32,755)	(34,751)
Discretionary Housing Payments	(406)	(365)
Housing Benefit Administration Grant	(835)	(991)
PFI Grant	(1,429)	(1,429)
Home and Communities Agency	-	(59)
Supporting People	(484)	(477)
Other Revenue Grants & Contributions (from Government)	(583)	(625)
Other Non Govt revenue grants and contributions	(45)	(31)
Sub Total	**(63,837)**	**(68,569)**

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		**2016/17**	**2015/16**
		£000	**£000**
Grants Receipts in Advance (Capital Grants)			
Home and Communities Agency Capital Grant		(11)	(59)
DECC Green Deal Community Fund		(6)	(20)
Developers Contributions (S.106)		(777)	(900)
Total		**(794)**	**(979)**
Grants Receipts in Advance (Revenue Grants)			
Other Government Grants & Contributions		(490)	(460)
Other Non Government Grants & Contributions		(316)	(336)
LEGI Re Guildhall		(50)	(50)
SALIX		(44)	(67)
Developers Contributions (S.106)		(254)	(264)
Total		**(1,154)**	**(1,177)**
LONG TERM LIABILITIES			
		£000	**£000**
Grants Receipts in Advance (Capital Grants)			
Disabled Facilities Grant		(62)	-
Other Government Grants & Contributions		(28)	(33)
Developers Contributions (S.106)		(1,175)	(408)
Other Non-Government Grants & Contributions		(89)	(52)
Total		**(1,354)**	**(493)**
Grants Receipts in Advance (Revenue Grants)			
Local Enterprise Growth Initiative re Guildhall		(200)	(250)
SALIX		(32)	(46)
Developers Contributions (S.106)		(1,704)	(1,726)
Total		**(1,936)**	**(2,022)**

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.

38. 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.

	2016/17 £000	2015/16 £000
Opening Capital Financing Requirement 1st April	238,988	234,453
Correction of prior years error	-	(1,294)
Adjusted Opening Capital Financing Requirement	**238,988**	**233,159**
Property, Plant & Equipment	21,096	30,833
Assets under Construction	6,185	16,127
Investment Property	12	102
Heritage Assets	7	-
Intangible Assets	27	149
Decent Home Loans granted net of repaid	(71)	(19)
Municipal Bond Agency Investment	-	50
Revenue Expenditure Funded from Capital Under Statute	6,479	4,881
	272,723	**285,282**
Sources of Finance		
Capital Receipts	(3,757)	(16,279)
Government Grants & Other Contributions	(5,441)	(7,404)
Housing Revenue Account Major Repairs Allowance	(13,553)	(12,691)
Revenue Contributions & Minimum Revenue Provision *	(11,412)	(9,460)
	238,560	**239,448**
HRA non-dwelling depreciation, revaluation & impairments	(856)	(460)
Closing Capital Financing Requirement 31 March	**237,704**	**238,988**
Increase (decrease) in underlying need to borrow (unsupported by government financial assistance)	(1,284)	4,535
Increase (decrease) in Capital financing Requirement	**(1,284)**	**4,535**

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 2016/17 is £0.278m (2015/16 £0.225m) and this represents a provision against the Council's underlying debt that has been acquired to finance capital expenditure.

39. 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-17		31-Mar-16	
	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings
	£000	£000	£000	£000
Future Rental Liabilities				
Not later than one year *	108	1,305	169	1,498
Later than one year & not later than five years	356	1,825	345	1,710
Total	**514**	**3,130**	**550**	**3,208**

* based on Pool Car contract extension to October 2017

The expenditure charged to the Housing Revenue Account, Cultural, Environmental, Regulatory and Planning Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.117m (2015/16 £2.293m)

	2016/17	2015/16
	£000	£000
Sublease payments receivable	2,026	2,201
Total	**2,026**	**2,201**

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 £0.927m (2015/16 £1.020m)

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.

	2016/17	2015/16
Finance Lease Liabilities	£000	£000
Current	90	85
Non-Current	1,099	1,189
Financing Costs payable in future years	425	662
Minimum Lease Payments	**1,614**	**1,936**

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

	2016/17	2015/16
	£000	£000
Future Rental Liabilities		
No later than one year	161	161
Later than one year & not later than 5 years	646	646
Over 5 years	807	968
Total	**1,614**	**1,775**

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:

	2016/17	2015/16
	£000	£000
Tenants Future Rental Liabilities		
Not later than one year	3,108	3,200
Later than one year & not later than five years	11,179	10,683
Over five years	60,085	59,691
Total	**74,372**	**73,574**

In addition to the above, there are 97 properties (112 in 2015/16) where the rent is in perpetuity that amounts annually to £0.269m per annum (2015/16 £0.351m).
The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Finance Leases

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

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

	2016/17	2015/16
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	18	30
Non-current	1,256	1,424
Unearned finance income	2,104	2,021
Unguaranteed residual value of property	-	85
Gross investment in the leases	**3,378**	**3,560**

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-17	31-Mar-16	31-Mar-17	31-Mar-16
	£000	£000	£000	£000
Future Rental Liabilities				
Not later then one year	24	51	24	51
Later than one year & not later than five years	95	224	95	224
Later than five years	3,259	3,285	3,259	3,200
Total	**3,378**	**3,560**	**3,378**	**3,475**

40. Impairment Losses

During the year the Council carried out adaptations at a cost of £745,144 (2015/16 £947,584) to a number of council dwellings under Disabled Facilities legislation. No individual adaptation was significant in value. As advised by our valuer these adaptations added no value to the dwellings, therefore this expenditure was impaired as shown in note 12 (combined with the impairments detailed below).

The Council also impaired the cost of works to flats within blocks for which the lease has been sold £1,121,095, of which structural work constituted £1,075,369, bathrooms £18,807, roofing £23,991 and the enhancement of HRA estates £1,837. Other impairments include the enhancement of HRA estates £27,157 and work benefitting dwellings or the area surrounding dwellings subsequently sold £9,252.

The Council also impaired the cost of works to HRA shops £190,200 and HRA development land £95,749 as it was deemed not to add value.

Remedial works were carried out on the Yacht station £90,728 which the valuer advised would not increase the valuation therefore that expenditure was impaired immediately.

41. Termination Benefits

The Council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £407,472 (2015/16 £674,233). These were payable to 7 (16 in 2015/16) officers who were made redundant as part of the Council's rationalisation of Services and include amounts payable in respect of early retirement to the pension fund.

The accounts include an estimate of £979,371 based on probable redundancy costs for a number of officers as part of the restructure of several service areas during 2016/17. Officers affected were issued with redundancy notices prior to 31 March 2017. As there are redeployment opportunities some of these officers may not be made redundant whilst others will leave during 2017/18, any variance between the accrual in 2016/17 and the final exit package costs will be disclosed as part of the 2017/18 accounts

42. Other Long Term Liabilities

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

	2016/17	2015/16
	£000	£000
Pension Fund Liability	184,829	123,351
Other	103	95
	184,932	123,446

43. Defined Benefit Pension Schemes

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

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

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

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

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

Transactions relating to Retirement Benefits

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

	2016/17		2015/16
	£000		£000
Comprehensive Income & Expenditure Statement			
Cost of Services			
Current service cost	4,391		4,868
(Gain)/loss from settlements	335		(3,258)
Financing and Investment Income and expenditure			
Net Interest expense	4,164		4,520
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**8,890**		**6,130**
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)	(20,718)		2,065
Actuarial (Gains) and Losses arising on changes in demographic assumptions	(4,029)		-
Actuarial (Gains) and Losses arising on changes in financial assumptions	76,183		(18,495)
Other experience	7,577		(7,191)
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**67,903**		**(17,491)**
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	(8,890)		(6,130)
Total Remeasurements recognised in Other Comprehensive Income	**59,013**		**(23,621)**

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2016/17		2015/16
	£000		£000
Present Value of funded liabilities	(440,331)		(358,282)
Present Value of unfunded liabilities	(21,157)		(19,759)
Fair Value of plan assets	276,581		254,635
Net Liability arising from defined benefit obligation	**(184,907)**		**(123,406)**

	2016/17		2015/16
Reconciliation of present value of the scheme liabilities:	**£000**		**£000**
At 1 April	(378,041)		(408,779)
Total service Cost	(4,391)		(4,868)
Interest Cost	(12,693)		(12,489)
Contributions by Members	(1,259)		(1,299)
Remeasurement (gains)/Losses			
- actuarial gains/losses arising from changes in demographic assumptions	-		-
- actuarial gains/losses arising from changes infinancial assumptions	(76,183)		18,495
- other	(3,548)		7,191
Benefits Paid	14,962		14,677
Losses/(Gains) on curtailments	(335)		9,031
At 31 March	**(461,488)**		**(378,041)**

	2016/17		2015/16
Reconciliation of fair value of the scheme assets	**£000**		**£000**
At 1 April	254,635		261,772
Interest Income	8,529		7,969
Remeasurement Gain/(loss) the return on plan assets excluding amount included in net interest expense	20,718		(2,065)
Employer Contributions	5,210		4,909
Contributions by Members	1,259		1,299
Contributions in respect of unfunded benefits	1,192		1,201
Benefits Paid	(13,770)		(13,476)
Unfunded benefits paid	(1,192)		(1,201)
(gains)/loss on curtailments	-		(5,773)
At 31 March	**276,581**		**254,635**

Local Government Pension Scheme assets comprised:

	2016/17				2015/16			
	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		7,968	7,968	2.9%		5,628	5,628	2.2%
Equity Instruments								
by industry type								
Consumer	20,598		20,598	7.4%	18,273		18,273	7.2%
Manufacturing	16,073		16,073	5.8%	13,269		13,269	5.2%
Energy and Utilities	7,683		7,683	2.8%	5,719		5,719	2.2%
Financial institutions	17,777		17,777	6.4%	16,661		16,661	6.5%
Health and care	8,362		8,362	3.0%	8,133		8,133	3.2%
Information Technology	7,905		7,905	2.9%	7,659		7,659	3.0%
Other	-		-	0.0%	-		-	0.0%
Sub-total Equity Instruments	**78,398**		**78,398**		**69,714**		**69,714**	
Private equity		17,286	17,286	6.2%		16,372	16,372	6.4%
Bonds								
by sector								
Corporate								
Other								
Sub-total Bonds						11,297	**11,297**	
Property								
by geographical location								
UK property		25,817	25,817	9.3%		29,022	29,022	11.4%
Overseas property		4,317	4,317	1.6%		3,924	3,924	1.5%
Sub-total Property		30,134	30,134			32,946	32,946	
Investment Funds & Unit Trusts								
Equities	73,460		73,460	26.6%	65,387		65,387	25.7%
Bonds	69,908		69,908	25.3%	65,509		65,509	25.7%
Sub-total Investment Funds & Unit Trusts	**143,368**		**143,368**		**130,896**		**130,896**	
Derivatives	(573)		(573)	-0.2%	(787)		(787)	-0.3%
Other								
Total Assets	**221,193**	**55,388**	**276,581**		**199,823**	**66,243**	**266,066**	

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31 March 2016.

The principle assumptions used in their calculations have been:

Mortality Assumptions:		2016/17	2015/16
Longevity at 65 for current pensioners			
Men		22.1yrs	22.1yrs
Women		24.4yrs	24.3yrs
Longevity at 65 for future pensioners			
Men		24.1yrs	24.5yrs
Women		26.4yrs	26.9yrs
Rate of inflation		2.40%	2.10%
Rate of increase in salaries		2.70%	3.10%
Rate of increase in pensions		2.40%	2.10%
Rate for discounting scheme liabilities		2.50%	3.40%
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%)	3,997
Rate of increase in pensions (increase by 0.5%)	35,056
Rate for discounting scheme liabilities (decrease by 0.5%)	39,517

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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

The total contribution expected to be made to the scheme by the Council for the year to March 2018 is £5.34m

The weighted average duration of the defined benefit obligation for scheme members is 16.2 years, 2015/16 16.4 years

44. Contingent Assets and Liabilities

Liabilities

NHS Trusts
During January and February 2016, NHS Trusts wrote to local authorities countrywide claiming charitable status and requesting mandatory relief from business rates under s.43(5) and (6) of the Local Government Act 1988, the request being backdated to 2010. If granted this would lead to a backdated payment by Norwich City Council and ongoing reduced business rates going forward as well as impacting the Norfolk business rates pool.
The decision to grant relief to the Trust related to the council has not yet been taken and is subject to ongoing investigation. The view of the council is that the claim is unfounded. The timing, probability and amount of any relief is therefore uncertain at the current time.

Dispute
The council is in dispute with one of its contractors over some construction costs. The council met with the contractor on 26 April 2017 as a final attempt to settle the amount in dispute, which did not result in resolution. The council now expects that the claim will be escalated through formal dispute resolution processes which will involve mediation and may move to formal adjudication. The council does not believe that there is any liability for these costs.

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

45. 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 37 on reporting for resources allocation decisions. Grant receipts in advance outstanding at 31 March 2017 are also shown in Note 37; debtors are shown in Note 20 and creditors in Note 23.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016/17 and 2015/16 is shown in Note 34. During 2016/17, no works and services (2015/16 £17,028 to one organisation) 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 £306,828 (2015/16 £329,223) and officer working parties a further £5,046 (2015/16 £6,453) as grants to voluntary organisations in which five members had an interest. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at City Hall during office hours.

During 2016/17, grants totalling £24,603 were made to one organisation (2015/16 £39,223 to one organisation) in which a member of senior management had an interest. The member of senior management did not take part in any discussion, decision, or administration relating to the grants.

During 2016/17, there were no works and services commissioned (2015/16 Nil) from entities in which officers had interests.

Companies and joint ventures – the council has interests in:

I. Two companies, Legislator 1656 and 1657 Ltd, which the Council has shares in and are related to developments at Norwich Airport.
II. Norwich Norse (Environmental) Ltd – provides a range of facilities, management, and contract services to Norwich and surrounding areas.
III. Norwich Norse (Building) Ltd – provides maintenance, repairs and upgrades to housing and non-housing buildings for Norwich City Council.
IV. NPS Norwich Ltd – provides property management services to Norwich City Council.
V. Norwich Regeneration Ltd – a wholly owned subsidiary company set up by the council to carry out redevelopment projects.

For all the above, the Council has officer and member representatives on the boards of these companies, and relevant information is disclosed in the notes to the accounts about such interests. No amounts of money have been paid to or from the Legislator companies during 2016/17. £6,191,560 (2015/16 £5,922,569) has been spent with Norwich Norse Environmental Ltd, and £10,691,455 (2015/16 10,047,013) with Norwich Norse Building Ltd during 2016/17 and £4,022,199 (2015/16 £4,901,877) has been spent with NPS Norwich Ltd. Amounts due to Norwich Norse Building Ltd are £201,352, Norwich Norse Environmental Ltd are £1,881,508 and NPS Norwich Ltd are £92,203. Amounts due from NPS Norwich Ltd are £250,000, Norwich Norse Building Ltd are £253,648 and Norwich Norse Environmental Ltd are £100,000. At 31 March 2016 the council had entered into a development agreement with Norwich Regeneration Ltd for the development of social housing at Threescore in Norwich. The company has issued shares to the council in exchange for land (at the full market value) upon which it will carry out the development work at Threescore. During 2016/17 £770,962 (2015/16 Nil) has been spent with Norwich Regeneration Ltd. Amounts due to Norwich Regeneration Ltd are £1,223,267 and amounts due from Norwich Regeneration Ltd are £793,592, £770,962 being lent during 2016/17(£22,360 2015/16).

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 £363,574 (2015/16 £338,812). There have also been a number of transactions on behalf of the strategic partnerships with the Highways Agency, disclosed in Note 33. These partnership activities are integrated into the council's usual budget setting and management processes.

Housing Revenue Account Income & Expenditure Statement

	Notes	2016/17	2015/16
		£000	£000
Expenditure			
Repairs & Maintenance		12,059	12,432
Supervision & Management		16,218	16,073
Rents, Rates, Taxes & Other Charges		5,848	5,940
Depreciation & Impairment of Non-current Assets	HRA10&11	16,420	16,178
Local Authority Housing - Revaluation loss (gain) on Dwellings		(10,156)	(54,699)
Debt Management Costs		133	85
Movement in Allowance for Bad Debts		(27)	258
Total Expenditure		40,495	(3,733)
Income			
Dwelling Rents		58,701	59,942
Non-dwelling Rents		2,141	2,215
Charges for Services & Facilities		3,192	3,089
Contributions towards expenditure		7,541	7,411
Total Income		71,575	72,657
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		**(31,080)**	**(76,390)**
HRA services share of Corporate & Democratic Core		529	585
Net (Income)/Cost of HRA Services		**(30,551)**	**(75,805)**
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Expenditure		(2,455)	(2,111)
Financing & Investment Income & expenditure		9,440	9,756
Taxation & Non-Specific Grant Income		(472)	(416)
(Surplus)/deficit for the year on HRA services		**(24,038)**	**(68,576)**

Of the revaluation gains of £10.156m, £9.3m relates to council dwellings. This gain is reversed out in the Movement in Reserves Statement and has no impact on the HRA fund balance. The remaining £0.856m relates to non-dwelling assets and is not reversed, so does have an impact on the HRA fund balance.

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)

	2016/17	2015/16
	£000	£000
Balance at 1 April	26,190	20,180
Movement in reserves during Year		
Surplus/ (deficit) on provision of services	24,038	68,576
Total Comprehensive Income & Expenditure	**24,038**	**68,576**
Adjustments between accounting basis & funding basis under regulations (note 7 main accounts)	(19,790)	(62,566)
Net Increase/ Decrease before Transfers to Earmarked Reserves	4,246	6,010
Transfers between reserves	(49)	-
Increase/Decrease in Year	4,197	6,010
Balance at 31 March carried forward	30,387	26,190

Notes to Housing Revenue Account Income & Expenditure Statement

1. Other Operating (Income) / Expenditure

	2016/17	2015/16
	£000	£000
(Gains)/Losses on the disposal of non-current assets	(2,455)	(2,111)
Total	**(2,455)**	**(2,111)**

2. Financing and Investment Income and Expenditure

	2016/17	2015/16
	£000	£000
Interest payable and similar charges	8,480	8,724
Pension interest cost and expected return on pension assets	1,182	1,222
Interest receivable and similar income	(222)	(190)
Total	**9,440**	**9,756**

3. Taxation and Non-Specific Grant Income

	2016/17	2015/16
	£000	£000
Capital Grants and contributions	(472)	(416)
Total	**(472)**	**(416)**

4. Loan Charges

Under HRA self-financing the Council has adopted a ‘two-pool’ approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £8.405m being charged to the HRA in 2016/17 (2015/16 £8.644m).

5. HRA Council Dwellings

At 31 March 2017 there were 14,987 HRA Council dwellings, of which 923 were sheltered housing units.

	31-Mar-17	31-Mar-16
	Total Stock	**Total Stock**
Parlour houses	307	312
Non-parlour houses	5,180	5,248
Non-traditional houses	639	645
Bungalows	337	340
Cottage properties	211	220
Flats	6,479	6,525
Maisonettes	502	504
Flats in tower blocks	409	409
Sheltered/Good Neighbour housing units	923	953
	14,987	**15,156**
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	**15,156**	**15,303**
Right to Buy sales	(163)	(151)
Other Dwelling Sales	(7)	(2)
Conversions	2	(3)
Demolitions	(17)	-
New Build Housing	16	9
Stock as at 31 March	**14,987**	**15,156**

6. Housing Valuation

	31-Mar-17	31-Mar-16
	£000	**£000**
Operational Assets:		
Council Dwellings (HRA)	716,610	705,758
Other Land & Buildings	23,957	25,136
Vehicle, Plant & Equipment	936	1,030
Infrastructure & Community Assets	2,197	2,197
Assets Under Construction	7,517	9,268
Surplus assets	-	59
Sub Total	**751,217**	**743,448**
Assets held for Sale - Current	215	374
Sub Total	**215**	**374**
Intangible Assets	51	102
Sub Total	**51**	**102**
Total	**751,483**	**743,924**

The above figure for Council dwellings (HRA) equates to the value for Council dwellings shown in note 12 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% (2015/16 61%). The difference between the two values therefore shows the economic cost of providing housing at less than market value.

The Vacant Possession Value of all HRA Dwellings as at 31 March 2017 was £1,848.57m (31 March 2016 £1,773.89m)

7. Major Repairs Reserve

	2016/17	2015/16
	£000	£000
Balance brought forward at 1 April	-	-
Depreciation charge for the year	(13,553)	(12,691)
Financing of capital expenditure for the year	13,553	12,691
Balance for the year	**-**	**-**
Balance Carried forward	**-**	**-**

8. HRA Capital Expenditure

	2016/17	2015/16
	£000	£000
Capital Investment		
Opening Capital Financing Requirement 1st April	206,827	207,286
Operational Assets	19,617	28,476
Surplus Assets	286	92
Assets under Construction	4,491	8,010
Revenue Expenditure Financed as Capital	1,829	-
Appropriation to General Fund	(255)	-
	232,795	**243,864**
Sources of Finance		
Capital Receipts	(2,667)	(14,142)
Government Grants & Other Contributions	(472)	(344)
Major Repairs Allowance	(13,553)	(12,691)
Revenue Contributions	(9,530)	(9,400)
	206,573	**207,287**
HRA Non Dwellings depreciation, revaluation & impairments	(856)	(460)
Closing Capital Financing Requirement 31 March	**205,717**	**206,827**

9. HRA Capital Receipts

In 2016/17 total capital receipts from the disposal of HRA assets were:

	2016/17	2015/16
	£000	£000
Land	408	220
Council dwellings	11,625	9,324
Insurance receipt	-	32
Total	**12,033**	**9,576**

10. Depreciation

From 1st April 2012 depreciation of the Council's housing stock is calculated by reference to the value at the previous 31st March. Council dwellings have their individual components identified as to the date of upgrade, and using the asset life as advised by the Council's valuers, depreciation associated with each properties components is calculated.
The amount of depreciation charged for the year was £14.260m (2015/16 £13.386m)

	2016/17	2015/16
	£000	£000
Operational Assets		
Council dwellings	13,553	12,693
Other land & buildings	534	549
Vehicles, Plant & Equipment	94	93
Intangible Assets	51	51
Total	**14,232**	**13,386**

11. Impairment Costs

During the year there were £2.189m of impairment costs (2015/16 £2.791m) relating to HRA assets, which are detailed in the table below.

	2016/17	2015/16
Impairments	£000	£000
Council Dwellings	(1,888)	(2,695)
Other Property	(301)	(96)
	(2,189)	**(2,791)**
Disabled Facilities adaptations not adding value	(745)	(948)
Lift installations not adding value	-	(7)
Upgrades to District Heating schemes not adding value	-	(563)
Enhancement of HRA estates not adding value	(14)	(284)
Construction of Bin Stores not adding value	(7)	(58)
Structural work to flats where lease has been sold not adding value	(1,075)	(782)
Other work to flats where lease has been sold not adding value	(46)	(53)
Other	(301)	(96)
Total	**(2,189)**	**(2,791)**

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 2017 were £4.46m (31 March 2016 £4.82m). The provision for doubtful debts (rents) at 31 March 2017 was £2.63m (31 March 2016 £2.64m). Amounts written off during the year amounted to £0.45m (2015/16 £0.38m).

The Collection Fund Revenue Account

	31-Mar-17			31-Mar-16
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
INCOME				
Council Tax receivable	-	72,519	72,519	69,495
Business rates receivable	80,718	-	80,718	77,917
Council Tax Reduction Scheme	-	(13,062)	(13,062)	(13,144)
	80,718	**59,457**	**140,175**	**134,268**
EXPENDITURE				
Precepts & Demands:				
Central Government	38,931		38,931	38,379
Norfolk County Council	7,786	40,870	48,656	46,343
Norfolk Police Authority		7,309	7,309	7,051
Norwich City Council	31,145	8,375	39,520	38,785
Distribution of Estimated Surplus / (Deficit) for Previous Years:				
Central Government	(1,437)	-	(1,437)	(1,558)
Norfolk County Council	(288)	573	285	827
Norfolk Police Authority	-	104	104	204
Norwich City Council	(1,150)	120	(1,030)	(1,014)
Charges to Collection Fund				
Costs of Collection	271	-	271	271
Increase/decrease in Bad Debt Provision	854	465	1,319	226
Increase/decrease in Provision for Appeals	1,475	-	1,475	2,497
Write Offs of uncollectable amounts	448	431	879	1,529
	78,035	**58,247**	**136,282**	**133,540**
Collection Fund Balance b/fwd at 1 April	(2,805)	4,437	1,632	903
Surplus / (Deficit) for the year	2,683	1,210	3,893	729
Collection Fund Balance c/fwd at 31 March	**(122)**	**5,647**	**5,525**	**1,632**

Notes to the Collection Fund Statement

1. Income from Business Rates

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

The total non-domestic rateable value at 31 March 2017 was £193,716,266 (31 March 2016 £193,841,342). The national non-domestic rate multiplier for 2016/17 was 49.7p in the £ (2015/16 49.3p in the £). The small business multiplier for eligible businesses in 2016/17 was 48.4p in the £ (2015/16 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	2016/17	2015/16
		Calculated Number of Properties in Band	Calculated Number of Properties in Band
Up to £40,000	A	9,675.79	9,583.19
£40,001 to £52,000	B	12,194.58	12,054.89
£52,001 to £68,000	C	5,870.27	5,709.82
£68,001 to £88,000	D	2,990.60	2,947.85
£88,001 to £120,000	E	2,408.45	2,295.88
£120,001 to £160,000	F	1,199.61	1,177.94
£160,001 to £320,000	G	952.25	956.33
Over £320,000	H	92.00	86.50
		35,383.55	**34,812.40**
Collection Rate		0.97	0.97
		34,322.00	**33,768.00**
Contribution in Lieu (relating to Crown Properties)		-	-
Tax Base		**34,322.00**	**33,768.00**

The tax rate per Band D property was £1,647.74 (2015/16 £1,593.21).

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.

	2016/17	2015/16
	£000	£000
Norfolk County Council	4,112	3,207
Norfolk Police Authority	715	573
Norwich City Council	820	657
Surplus Carried Forward	**5,647**	**4,437**

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.

	2016/17	2015/16
	£000	£000
Central Government	(61)	(1,403)
Norwich City Council	(49)	(1,122)
Norfolk County Council	(12)	(280)
Surplus /(deficit) Carried Forward	**(122)**	**(2,805)**

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash Equivalents
Investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Chartered Institute Of Public Finance and Accountancy (CIPFA)
The principal accountancy body dealing with local government finance.

CIPFA Code of Practice on Local Authority Accounting
This specifies the principles and practices of accounting to be followed when preparing the Statement of Accounts. It constitutes "proper accounting practice" and is recognised as such by statute.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tangible Assets
See Fixed Assets (q.v.)

Transfer of Undertakings (Protection of Employment) Regulations (TUPE)
This protects employees' terms and conditions of employment when a business is transferred from one owner to another. Employees of the previous owner when the business changes hands automatically become employees of the new employer on the same terms and conditions.

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

Two Tier authority

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

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DPP11208

Report to	Audit Committee	**Item**
	20 June 2017	8
Report of	Chief Internal Auditor, LGSS	
Subject	Risk Management report	

Purpose

To update members on the review by the corporate leadership team, of key risks facing the council, and the associated mitigating actions.

Recommendation

To endorse the proposed amendments to the corporate risk register and recommend to cabinet for approval.

Corporate and service priorities

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

Financial implications

None

Ward/s: All wards

Cabinet member: Councillor Kendrick - resources

Contact officers

Duncan Wilkinson, Chief Internal Auditor, LGSS	01908 252089
Neil Hunter, Deputy Head of Internal Audit, LGSS	01223 715317
Jonathan Tully, Principal Audit Manager, LGSS	01603 212575

Background documents

None

Report

Background

1. Risk management is a fundamental aspect of the council's business practices. Cabinet has an executive role in the management of risks across the council through its role of ensuring the delivery of the council's priorities.

2. Audit committee provides independent assurance of the adequacy of the council's risk management framework and the associated control environment.

3. The Corporate Risk Register was previously reported to audit committee on 14 March 2017 and cabinet on 18 January 2017.

Review of corporate risks

4. As required by the Risk Management Strategy, on 24 May 2017, the corporate leadership team (CLT) carried out its regular review of the key risks to achieving the council's priorities and has updated the Corporate Risk Register.

Corporate risk register

5. The updated risk register, with tracked changes in red, is attached at **appendix 1.**

6. The template for risk registers includes scoring for **inherent** risks (before any mitigating controls are considered) and **residual** risk (after taking account of key controls, which are listed). Any planned actions to further mitigate risks are also shown.

7. The council has a risk appetite which illustrates the level of risk it is willing to take. In exceptional circumstances it may not be possible, or proportionate, to implement controls that reduce the residual risk score within this appetite. In this instance the risk would be managed, and the aim would be to reduce this below the risk appetite. The maximum risk appetite score is set at 15, as a multiple of residual likelihood and residual impact. The Risk Management Policy states that "in exceptional circumstances cabinet can approve a residual risk in excess of the risk appetite if it is agreed that it is impractical or impossible to reduce the risk level below 16."

8. The residual risk score for risk B1, public sector funding, is 20 and remains above the council's risk appetite. This was approved by cabinet on 8 July 2015, and given the uncertainties around future grant and business rates income it is CLT's view that this should remain as a 'red' risk. Further details of these risks were included in the reports presented to the budget meeting of the council on 21 February 2017.

9. The residual risk score for risk A8, housing investment strategy, is 20 and remains above the council's risk appetite. This was approved by cabinet on 14 September 2016, reflecting the potential impact of legislative change and financial challenges, and it is CLT's view that this should remain as a 'red' risk. The risk was considered as part of the overall Housing Revenue Account budget, which was presented and approved by council on 21 February 2017.

10. Changes to the risk register, and relevant updates, include:

Risk	Description
B2 Income generation	Income generation can be volatile due to changes in demand, legislative change, and market pressures. A strategic and tactical review of income generating opportunities was completed in Spring 2017. An Asset Disposal Strategy has also been completed, and options have been built in to the Transformation Programme. Proactive management of income should help the Council to mitigate the chances of the risk occurring. Consequently, following discussion with the Corporate Leadership Team, the likelihood score of the residual risk has reduced from 4 to 3. The impact score remains at 3.
C3 Information security C1 Business continuity and emergency planning	There was a recent large scale cyberattack on the NHS, which delivered ransomware to their IT systems, exploiting vulnerabilities such as out of date software. This had a subsequent impact on delivery of their services, as ICT systems could not be accessed. The Council is prepared for this risk, and it is already recognised in the risk register. There are established procedures, which are tested as part of the Councils business continuity process. In addition the Council has issued cyber security training to employees (and partners), so that they are aware of the risk, which should also help to prevent the occurrence. In light of the recent NHS event, both risks were reviewed, and it was considered that the risk profile continued to be correct.

Corporate residual risk map

11. An updated risk map is included at **appendix 2** which shows the residual risk level for each of the risks. This gives a quick view of where each risk sits in relation to the council's risk appetite, i.e. there should be no risks with a residual score greater than 15, unless specifically approved by cabinet.

12. The residual risk score for B1 (public sector funding) and A8 (housing investment strategy) are above the council's level for risk appetite, and are red. All other residual risk scores are amber.

Conclusion

13. Risk management review processes are well embedded within the council, and members can be assured that the Corporate Risk Register is up to date following review by CLT of the key risks to achieving the council's objectives.

14. Each risk shows the owner and the key controls, both in place or planned, designed to minimise any impact on the council and its provision of services to stakeholders.

15. The Risk Management Strategy requires managers to keep all risks under review, and the Corporate Risk Register is updated accordingly.

NORWICH City Council

APPENDIX 1

CORPORATE RISK REGISTER

Version date: 24-05-17

Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
Inherent Risk									Residual Risk				Actions				
CUSTOMER PERSPECTIVE																	
A1	Customer demand	1. Customer demand exceeds our capacity to deliver services as they are currently configured 2. Transfer of demand arising from service delivery changes or budget cuts by other public agencies 3. Excessive customer demand in key areas, particularly in relation to the need to cut services, or changes to policies e.g. council tax reduction scheme; universal credit	1. Unable to cope with demand 2. Complaints 3. Reputation damage 4. Increased homelessness risk to housing	D-CC	All	4	4	**16 (R)**	1. Proactive research on customer profile, forward planning, e.g. anticipating future events that will generate higher demand and use of data held to map and channel shift. 2. Data capture, consultation, survey and service planning. 3. Being robust about the role and responsibilities of Norwich City Council 4. Customer centre redesign 5. New 'self-serve' website including responsive forms, housing repairs diagnostics, customer portal, and full functionality on mobile devices	3	2	**6 (A)**	Embed 'digital first' approach across services to deliver significant behaviour change.	Head of customer services	Sep-17		G
A2	Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework	Corporate priorities are not on target to be delivered. The council has a clear set of corporate priorities within its corporate plan. Within the council's wider strategic framework, there are a number of key corporate strategies and policies which must be delivered across the organisation to realise the council's priorities e.g. environmental strategy, housing strategy etc. Policy from the new government will be further changing the framework for local government and put new requirements on the council that must be met in a number of different areas. When this is combined with the very significant savings the council will need to make to meet the government funding reductions, there is a risk that these changes will reduce the capacity of the council to deliver on its key corporate priorities.	1. Key priorities for the city are not delivered 2. Adverse public opinion 3. Projects / work completed to a lower quality 4. Negative impact on outcomes for citizens 5. Negative performance ratings for the council 6. Continual over-stretching of capacity	CEO	All	4	4	**16 (R)**	1. Regular review of corporate plan, medium term financial strategy and other key policies and strategies. 2. Effective performance and programme management 3. Corporate planning and service planning aligned with budget setting to ensure resources are in place to deliver priorities. 4. Effective preparation for changes in government policy. 5. Effective transformation programme to ensure savings are delivered. The balance between the corporate plan and resources available is anticipated to shift over the coming years bringing significant challenges for the Council. As a result the Council's Cabinet approved on June 8 2016 the initiation of a process to: a) Work with partners in the public, private, voluntary and community sectors to develop a new city vision b) Develop a revised corporate plan, priorities and performance measures which reflects the council's part in supporting that vision c) Determine a new blue print or operating model to guide how the council works in future which reflects available resources	3	4	**12 (A)**	a) Work with partners in the public, private, voluntary and community sectors to develop a new city vision b) Develop a revised corporate plan, priorities and performance measures which reflects the council's part in supporting that vision c) Determine a new blue print or operating model to guide how the council works in future which reflects available resources	CEO	Dec-17		G

Inherent Risk									Residual Risk				Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
A3	Relationship management with key service delivery partners and the management of contracts. The council has a number of key partnerships with LGSS, NPS Norwich, and NP Law. There is also a highways agency agreement with Norfolk County Council. This approach to service delivery requires a different managerial approach by the city council. The council also has a number of key contracts and partnerships which require strong, consistent procurement and client management.	1. Partnerships not managed effectively and key service outcomes not achieved. 2. Contracts not managed effectively, and key service outcomes not achieved.	1. The council doesn't get value for money 2. Benefits of partner and contract arrangements not realised 3. Constant negotiation around the service delivery agreement 4. Specification not adhered to 5. Services not provided at an acceptable level 6. Customer and staff complaints	D-BS	5	3	4	**12 (A)**	1. Governance structure is in place to manage the individual partnership agreements (e.g. NPS Norwich Board, LGSS liaison group, NP Law Board, all major contracts have strategic and operational governance arrangements with officer and member representation. 2. In response to the council operating model training requirements have been reviewed and staffing structures refreshed to reflect this change. 3. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service. 4. Internal audit periodically reviews arrangements to ensure that robust governance by client managers is in place for LGSS, nplaw, NPS Norwich, Norwich Norse (Environmental) and Norse Environmental Waste Service. 5. Regular reviews of joint ventures.	2	4	**8 (A)**					
A4	Safeguarding children, vulnerable adults and equalities duties	1. Safeguarding and equalities duties and responsibilities not embedded throughout the council and its contractors/ commissioned services/ partners. 2. Continued change in council service delivery model with an increase in the number of partnership arrangements is likely to require new arrangements for the delivery of safeguarding and equalities duties. 3. Impact of cuts on care services and benefit funding. 4. Critical incident 5. Change in contractor/ commissioned service/partner 6. Reduced service provision 7. Not being able to attract staff with diverse abilities and backgrounds 8. Reviews of safeguarding at Norfolk County Council found a number of significant issues, which increases the risks for partner organisations	1. Vulnerable adults and children at greater risk of exclusion or harm 2. Individuals from a community of identity dealt with inappropriately and at risk of exclusion 3. Risk of judicial review on accessibility of services 4. Risk of damage to reputation if an employee discrimination claim is made based on equalities legislation 5. NCC's reliance on systems at Norfolk and impact on Norwich City Council if these are inadequate	D-N	All	3	4	**12 (A)**	1. Safeguarding policy & procedures in place and reviewed annually through safeguarding group. 2. Safeguarding duties included in new contracts to ensure duties are embedded with new contractors. Where appropriate, joint training/awareness sessions are held. 3. Equalities duties overseen by BMG 4. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service and particularly in relation to safeguarding 5. Equality training for all staff and managers 6. Mental health awareness training for employees 7. Safeguarding training provided to all staff. 8. Safeguarding guidance provided to all councillors 9. External review of the council's approach through the annual self-assessment against Sec.11 of Children Act 2014, then challenge session with chair of Norfolk Safeguarding Children Board (NSCB). 10. NCC plays full part in Norfolk Public Protection Forum 11. NCC chief executive chairs Community Safety Partnership linking to domestic abuse across the county 12. Constantly monitoring outcomes from serious case reviews (children adult and domestic abuse) and ensure any recommendations are actioned.	2	4	**8 (A)**	Guidance will be provided for contract managers to ensure satisfactory performance for safeguarding and equality duties of key contractors, following the annual review of contract compliance. Refresher workshops on safeguarding completed for all front line staff. Safeguarding policy & procedures being revised.	D-N	June 2017.		G

Inherent Risk									Residual Risk				Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
A6	Delivery of Joint Core Strategy (JCS). The council, through the Greater Norwich Growth Board, is seeking to promote delivery of the JCS. If delivered, JCS will see more than 30,000 homes built in the greater Norwich area, and 35,000+ jobs created over next 15 years	Delivery of the JCS may be jeopardised by: 1. Markets failing to deliver on preferred development sites identified for housing 2. Changing approaches to calculating housing land supply to require all the backlog in housing supply that has arisen since 2008 to be met in the next five-year period rather than over the remainder of the plan period of the JCS (i.e. up to 2026). 3. Failure to deliver the infrastructure required to support development 4. The council increasingly relies on income from NNDR (business rates). This may be at risk if other councils allow commercial developments on the edge of the city but outside the boundary or the number of commercial premises in the City reduce. 5. Partners across the Greater Norwich area not working effectively together because of conflicting priorities.	1. Reputation damage 2. Significant likelihood that the overall development strategy for the Greater Norwich area will not be delivered	Head of planning services	2 & 4	3	4	**12 (A)**	1. Ensuring that strategies being prepared with Greater Norwich Growth Board colleagues are as robust as possible and firmly grounded in reliable evidence. 2. Inter-authority working based on consensus decision-making ensures all parties are in agreement with the agreed policy framework. 3. All policy work is supported by comprehensive and up-to-date evidence in accordance with government guidelines. 4. Greater Norwich Growth Board responsible for ensuring funding is available for investment in infrastructure to support growth.	3	3	**9 (A)**					
A8	Housing Investment Strategy As part of the reform of the HRA the council has taken on a substantial debt to replace the former negative housing subsidy system. This debt is currently planned to be repaid over a period not exceeding 30 years. In addition to debt repayments the council has adopted a new standard for investment in the housing stock and a commitment to fund a new build programme. However, recent developments in welfare and housing legislation require rent reductions and the prospect of paying an annual determination which will impact significantly on the levels of funding available for stock investment and improvement.	1. Reduction in rental income arising from: • compulsory 1% reduction in social housing rent for next four years wef April 2016 • higher level of council house sales due to improved incentives • increasing debt or other factors 2. Impact of determination to fund RTB for Registered Providers 3. Significant increase in the cost of delivering improvement works 4. Failure to deliver by contractors 5. Changes to housing finance within the Housing and Planning Bill	1. Failure to deliver the Norwich Standard within the expected timescale 2. Lack or resources to be able to maintain the Norwich Standard. 3. Lack of resources to support a new build programme. 4. Requirement to sell off stock to fund determination 5. Reduced tenant satisfaction 6. Need to reprogramme the housing investment plan	D-N	4	5	5	**25 (R)**	1. Regular review of HRA business plan and housing investment plan to reflect financial position of the HRA. In particular we await indicative figures for the annual determination which is likely to require further reworking of the HRA business plan and changes to planned levels of spend. 2. The timescale for delivering the Norwich Standard to all properties and the level of spend on the routine maintenance / replacement programme together with the delivery of any agreed new build programme. 3. Regular review of key projects. 4. Effective contract management 5. Work with Registered Providers to maximise use of retained Right to Buy receipts for the development of new social housing where spend by the Council is not possible.	5	4	**20 (R)**					

Inherent Risk										Residual Risk				Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
	FINANCE AND RESOURCES																
B1	Public sector funding	1. Further economic decline. 2. Change in national government policy as a result of the economic position 3. New policies and regulations place a major financial burden on the council 4. Effects of funding cuts on major partners despite increased referrals, e.g. health and social care or county budgets, may result in increased costs for the council 5. Uncertainties over central government financing, e.g. new homes bonus; 6. Risks from 100% retention of business rates	1. Major reduction in public sector funding, including consequences of changes in funding arrangements for other bodies. 2. Impact on balancing the budget – significant change and financial savings required. 3. Unable to make saving within the required timescales 4. Requirement to sell off housing stock to fund determination. 5. Erosion of reserves 6. Major financial problems 7. Reputation damage 8. Possible industrial action 9. Changes become "knee jerk" 10. Govt intervention 11. Council loses critical mass in key areas 12. Service failures 13. Potential disproportionate impact on the poorest and most vulnerable members of society	CFO	All	5	5	25 (R)	1. Comprehensive 5-year transformation programme based on minimum resource allocation and robust benefit realisation. 2. Medium Term Financial Strategy incl. reserves policy, financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 3. Weekly review by CLT of government announcements to assess implications and response required. 4. Keep service design under review 5. Continual review of financial position by the council and major partners	5	4	20 (R)					
B2	Income generation	1. Further economic decline. 2. Under-utilisation of assets 3. CIL (community infrastructure levy) income is below expectations. 4. Collapse in world markets leading to loss of income 5. Low economic growth or recession reduces income 6. Other triggers: a) Bethel St Police Station – market value payment b) Triennial pensions review. c) VAT partial exemption. d) Variable energy prices. e) Increasing voids due to market and economy factors. f) Loss of major tenant. g) GNGP board or cabinet decision on CIL investment arrangements. h) The council increasingly relies on income from NNDR (business rates). This is a volatile income stream and may be at risk from changes to Government policy around planning and if other councils allow commercial developments on the edge of the city but outside the boundary. The move to 100% Local Authority retention of business rates by 2020 will also transfer the risk entirely to LAs. i) Lack of experience in some services for generating income	1. Inability to raise capital receipts 2. Impact on balancing the budget – significant change and financial savings required. 3. Decline in income streams (e.g. rents from investment properties) – insufficient funds to maintain current service levels 4. Unable to make saving within the required timescales 5. Erosion of reserves 6. Major financial problems 7. Reputation damage 8. Government intervention 9. Council loses critical mass in key areas 10. Service failures 11. Potential disproportionate impact on the poorest and most vulnerable members of society 12. Damage/costs across void portfolio 13. Essential infrastructure to deliver growth in the GNGP area is delayed.	CFO	All	5	4	20 (R)	1. Comprehensive 5-year transformation programme based on minimum resource allocation, maximisation of income generation and robust benefit realisation. 2. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 3. HRA business plan kept under review. 4. GNGP have an agreed investment plan for the Greater Norwich area and have appointed consultants to advise on the use of CIL to help deliver this programme. 5. Clear strategy for investment 6. Commercial skills training provided to all Heads of Service 7. Element of CIL programme controlled by Norwich prioritised, and caution taken to ensure spend not incurred until monies certain to be received. 8. A strategic & tactical review of income generation opportunities was completed Spring 2017. An Asset Disposal Strategy has been completed. Options have been built in to the Transformation programme.	3	3	9 (A)					G

Inherent Risk									Residual Risk				Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
B3	Level of reserves The council has a legal duty to ensure it has a prudent level of reserves to conduct its business	1. Government policy. 2. Economic climate 3. Reserves fall below acceptable levels	1. Inadequate levels of reserves publicly reported by external auditors 2. Government intervention 3. Impact on reputation of the council	CFO	All	3	4	**12 (A)**	1. Medium term financial strategy (MTFS). 2. Development of the 5-year corporate plan and transformation programme in conjunction with the MTFS. 3. HRA Business Plan. 4. Planning and delivery of transformation (savings and income generation) programme. 5. Contract and business relationship management to identify and respond to business delivery risks. 6. Budget development, in-year monitoring and control	2	3	**6 (A)**					
B4	Capital developments	1. Housing / other developments may take longer to proceed than planned. 2. Housing / other developments may cost more than planned. 3. Interest rates on debt may rise beyond projections. 4. Developments may not generate planned levels of income. 5. Asset sales may not be sufficient to fund major repairs	1. Delay in income streams may put pressure on revenue budgets. 2. Reduced net revenue contribution from developments. 3. May put pressure on revenue budgets / reserves to service debts 4. Pressure on capital budgets	CFO	All	5	4	**20 (R)**	1. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 2. HRA business plan. 3. Capital Management Group set up and reporting quarterly to CLT 4. Business cases for individual investments and continual review of investments 5. Balanced risk profile 6. Business plan for new housing development company approved by cabinet. 7. Housing company's own risk register 8. Continuing policy to only commit spend once resources are available.	3	4	**12(A)**					

Inherent Risk									Residual Risk				Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
	PROCESSES AND SYSTEMS																
C1	Emergency planning and business continuity (The council delivers a range of complex services to vulnerable elements of the community. Organisations generally are experiencing significant continuity events once every five years on average)	Occurrence of a significant event: • Loss of City Hall • ICT failure • Contractor collapse • Severe weather events – storms, heatwaves, strong winds • Flooding • 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.	1. Service disruption and inability to deliver services 2. Disruption of the delivery of goods and services to the council 3. Increased requests for council resources and services 4. Health and safety impact on staff and vulnerable residents 5. Damage to council property and impact on tenants 6. Reputation damage 7. Years to recover	D-BS	All	4	4	**16 (R)**	1. The council is a member of the Norfolk Resilience Forum, which has produced a Norfolk Community Risk Register 2. Business continuity team with access to resources; action plans have been used to deal with actual total City Hall IT failure; alternative site for customer contact team; disaster recovery plan and the use of Blackberries for communications. 3. The council has a major emergency management strategy and emergency planning room established at City Hall. Approach has also been used to test business continuity in the event of the main works contractor changing. 4. Flu pandemic plan. 5. Adaptations to protect the council from the local effects of climate change and address the causes are covered by corporate strategies such as the environmental strategy, together with service plans. 6. A new business continuity management policy and framework was approved by cabinet 25 June 2014. 7. A business impact analysis for each service is signed off by the head of service and executive head of service. 8. Business continuity steering group chaired by the D-BS. 9. Overall business continuity plan reviewed by CLT. 10. Periodic business continuity exercises, and lessons learnt communicated through BMG.	4	3	**12 (A)**					G
C2	ICT strategy. The Council has transferred its ICT service to LGSS. The ICT Programme Board works alongside LGSS to keep up to date the ICT strategy for the council	ICT strategy fails to support the organisation moving forward and the blueprint for a new council	1. Incoherent approach to ICT systems 2. Systems not customer friendly 3. Systems are not integrated with one another 4. Drain on resources as staff work around the systems 5. Lack of accuracy in key data 6. Data are unreliable 7. Key information not trusted 8. Hinders management and service improvements 9. Failure to deliver council priorities	D-BS	All	3	4	**12 (A)**	1. NCC has developed an ICT strategic direction document detailing the key areas where ICT is required to support business objectives and change. 2. Management of the LGSS relationship will seek to ensure that NCC requirements are delivered. 3. The council has an ICT Programme Board, attended by LGSS IT.	2	4	**8 (A)**					

Inherent Risk									Residual Risk				Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
C3	Information security	1. Sensitive and/or personal data is sent to the incorrect recipient or not kept securely, or is lost 2. Data is emailed to insecure email addresses. 3. Laptop or memory stick containing data is lost or stolen. 4. Information is sent to incorrect addresses. 5. External malicious attack (hacking and malware) 6. Hard copy data is lost or stolen	1. Fine up to £0.5 million 2. Potential harm to data subjects through loss, release or corruption of personal data 3. Reputational risk	D-BS	5	5	4	**20 (R)**	1. Regularly remind all managers, employees and members of their responsibilities for the use of, and security, of data. 2. Prohibit using mobile devices to store or process sensitive or personal data unless device is encrypted. 3. Encrypt laptops and data sticks when they are used to store or process sensitive or personal data. 4. Proper disposal of confidential waste. 5. Updated IT User Security policy issued April 2015 to all staff and other people who access the councils systems (e.g. partners, contractors etc.) 6. The council has achieved public sector network (PSN) & payment card industry (PCI) compliance 7. The council has an ICT programme board, attended by LGSS IT. 8. Corporate information assurance group 9. Annual security report from LGSS IT 10. Information risk policy and risk assessment 11. Business continuity and disaster recovery arrangements 12. Incident response plan and lessons learned 13. Horizon scanning for potential legislative change, such as the EU General Data Protection Regulation (GDPR).	3	4	**12 (A)**	Systems Support is attending training sessions, and will report back to CLT on developments from the GDPR.	D-BS	Mar-18		

Inherent Risk									Residual Risk				Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
C4	Failure of major contractor or legal challenge following an unsuccessful tender bid	1. The council has a number of key contractors who may be vulnerable to market and economy factors. 2. In addition the number of legal challenges (and therefore injunctions preventing a contract award) is increasing due to the financial pressures and reducing workload 3. Key contractor goes into administration or an injunction is issued preventing the award of a new contract	1. Customer and staff complaints 2. Services not delivered 3. Contingency plans have to be invoked 4. Cost and time to retender contract 5. Cost and time to defend legal challenge 6. Additional unforeseen costs impact delivery of balanced outturn and reserve levels	D-BS	5	4	3	**12 (A)**	1. Monitor major contractors for warning signs and make any necessary contingency plans. Recently put into practice and contingency plans tested. 2. Ensure a robust procurement process is followed in accordance with the appropriate procurement regulations, NCC processes and best practice. 3. NPS JV extended to include works division. This arrangement enables the JV to carry out work that was previously contracted to private sector. This approach is in line with the Council's operating model. This provides enhanced security over the supplier and increased direct control by the council. 4. Contingency budget and allowance for failures within the calculation of prudent minimum balance of reserves 5. More use of shared services reduces size and scope of contracts with private sector providers (e.g. ICT) 6. Increased use of framework contracts increases resilience against contractor failure.	3	3	**9 (A)**					
C5	Fraud and corruption	1. Poor internal controls lead to fraudulent acts against the council, resulting in losses. 2. Bribery Act 2010 came into force 1 July 2011 – lack of guidance or policies - council fails to prevent bribery 3. Failure in internal control. 4. Discovery of fraudulent acts. 5. Allegations received. 6. Member of staff or councillor breaks the law.	1. Loss of income or assets 2. Adverse public opinion 3. Effect on use of resources 4. Increased costs of external audit 5. Cost of investigation and rectifying weaknesses 6. Prison	CFO	5	3	3	**9 (A)**	1. Internal audit 2. Anti-fraud and corruption policy, 3. Payment Card Industry security assessment to protect card payments, 4. National Fraud Initiative, 5. Whistleblowing policy 6. Review and update as necessary policies and procedures. 7. Assess risk of bribery, train staff and monitor and review procedures. 8. Robust procurement procedures, e-tendering portal and governance by the procurement team 9. Delegation procedures 10. Money laundering policy	2	3	**6 (A)**					

Inherent Risk									Residual Risk				Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
	LEARNING AND GROWTH																
D1	Industrial action	1. Changes to pension regulations and pay restraint and changes to terms and conditions could lead to industrial action by employees 2. National negotiating framework - failure to agree. 3. Ballot of union members. 4. Implementation of changes to the LGPS. 5. Implementation of government interventions on pay	1. Loss of key services 2. Public safety 3. Loss of income 4. Reputation	D-BS	All	3	4	**12 (A)**	2 stages – managing the threat of industrial action and responding to industrial action 1. Identify and agree with UNISON exemptions from strike action 2. Identify and implement business continuity/contingency plans to maintain essential services and ensure statutory duties are met 3. CLT agree and implement strategy for response to strike action i.e. assessing the scale of the action, communications, response depending on nature of the action, wider industrial relations implications, deductions from pay etc. 4. National and regional guidance 5. Statutory immunities – Trade Union Labour Relations (Consolidation) Act 6. Well embedded business continuity and industrial action plans	3	2	**6 (A)**					

Council Priorities 2015-2020:

1. To make Norwich a safe, clean and low-carbon city
2. To make Norwich a prosperous and vibrant city
3. To make Norwich a fair city
4. To make Norwich a healthy city with good housing
5. To provide value for money services

Key to risk owners (above):

CEO	Chief executive officer
D-N	Director of neighbourhoods
D-BS	Director of business services
D-CC	Director of customers and culture
D-R&D	Director of regeneration and development
CFO	Chief finance officer (s151)

Norwich City Council – Appendix 2

Summary of Residual Scores for Corporate Risks

June 2017

Impact						
Very High	5					
High	4		**A3, A4, C2**	**A2, B4, C3**		**A8, B1**
Medium	3		**B3, C5,**	**A6, B2, C4**	**C1**	
Low	2			**A1, D1**		
Negligible	1					
		1	2	3	4	5
		Very rare	Unlikely	Possible	Likely	Very Likely
		Likelihood				

Red scores – in excess of the council's risk appetite (risk score 16 to 25) – action needed to redress, quarterly monitoring. In exceptional circumstances cabinet can approve a residual risk in excess of the risk appetite if it is agreed that it is impractical or impossible to reduce the risk level below 16. Such risks should be escalated through the management reporting line to CLT and cabinet.

Amber scores – likely to cause the council some difficulties (risk score 5 to 15) – quarterly monitoring

Green scores (risk score 1 to 4) – monitor as necessary

Report to	Audit Committee	**Item**
	20 June 2017	9
Report of	Chief Internal Auditor, LGSS	
Subject	Annual audit report on internal audit and fraud 2016-17	

Purpose

To inform members of the Chief Internal Auditor's annual audit opinion for 2016-17, and the supporting work of internal audit. The report, and the audit opinion within it, form part of the evidence to support the council's Annual Governance Statement 2016-17.

Recommendation

To consider the annual Internal Audit report and opinion, noting the work of Internal Audit team for 2016-17.

Corporate and service priorities

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

Ward/s: All wards

Cabinet member: Councillor Kendrick – Resources

Contact officers

Duncan Wilkinson, Chief Internal Auditor	01908 252089
Neil Hunter, Deputy Head of Internal Audit	01223 715317
Jonathan Tully, Principal Audit Manager	01603 212575

Background documents

None

Report

Background

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

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

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

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

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

6. This annual report, appendix 1, provides members of the Audit Committee with:
   - the Chief Internal Auditor's opinion for 2016-17;
   - a review of the system of internal control;
   - a summary of the work undertaken by internal audit in 2016-17; and
   - an overview of the performance of internal audit.

LGSS *For the public sector* NORWICH City Council

INTERNAL AUDIT SERVICE

INTERNAL AUDIT ANNUAL REPORT 2016/17

DUNCAN WILKINSON, CHIEF INTERNAL AUDITOR 20th June 2017

LGSS Internal Audit & Risk Management
Annual Report 2016/17

Norwich City Council

Contents:

1. INTRODUCTION

1.1 The annual reporting process

1.1.1 The Public Sector Internal Audit Standards (Performance Standard 2450) state that the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. Norwich City Council's chief audit executive is the LGSS Chief Internal Auditor.

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

2. CHIEF INTERNAL AUDITOR OPINION

2.1 Chief Internal Auditor opinion

2.1.1 The Public Sector Internal Audit Standards (Performance Standard 2450) state that 'the Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.' This must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

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

2.1.3 In 2016/17, the Internal Audit service has operated with an adequate level of resource to deliver an annual audit opinion. Internal Audit operates independent of the organisation, as per the Internal Audit Strategy and Charter, and there have been no compromises of Internal Audit's independence in its operation this year.

> *On the basis of the audit work undertaken during the 2016/17 financial year, an opinion of **good** assurance is awarded. The internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. In addition, there are no outstanding significant issues arising from the work undertaken by Internal Audit*
>
> *However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.*
>
> *The level of assurance therefore remains at a similar level from 2015/16.*

3. *REVIEW OF INTERNAL CONTROL*

3.1 *How internal control is reviewed*

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

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

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

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

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

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

Audit definitions

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

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

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

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

3.2 *The Basis of Assurance*

3.2.1 The findings and assurance levels provided by the reviews undertaken throughout 2016/17 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.

3.2.2 In 2016/17, the Audit Plan has been based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in-year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. The Audit Plan reflects the environment in which the public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, better assurance, safeguarding and making every penny count.

4. *INTERNAL AUDIT IN 2016/17*

4.1 *Overview and key findings*

4.1.1 This section provides information on the audit reviews carried out in 2016-17, by assurance block.

4.1.2 For the reviews undertaken during 2016/17, only one area was identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. Internal Audit completed a review of Capital Contracts which resulted in a “limited assurance” opinion, due to concerns with the governance arrangements between NPS and the Council. The Council was prompt to respond to this, has delivered partnership workshops, and is reviewing their financial procedures to improve financial and performance monitoring in this area.

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

4.1.4 High priority actions are actively monitored by Internal Audit to ensure they are implemented promptly, and progress is reported to the Audit Committee during the year. An overview of the implementation of actions in 2016/17 is summarised in Table 1 below:

Table 1: Implementation of audit recommendations

Audit title	High priority recommendations		Medium priority recommendations	
Status	**Closed**	**Open**	**Closed**	**Open**
Debt recovery				5
Off contract spend				3
Housing Benefit & Council Tax reduction			1	
General Computer controls		1		
Information governance			1	
Garages and parking bays			1	
Provision market			1	
Land and property searches			2	
Shared Services			1	
TOTALS		**1**	**7**	**8**

4.1.5 The actions for General Computer Controls, Debt recovery and Off-contract spend, as detailed below in this report, were recently agreed with management in 16/17 and are not yet due for completion.

4.1.6 There were no significant actions arising from internal audit work outstanding at year-end.

4.2 *Financial and other key systems*

4.2.1 This is the 2016/17 suite of annual core systems reviews, undertaken to provide assurance to management and External Audit that expected controls are in place for key financial systems; that these controls are adequately designed and are routinely complied with in practice. The work is focused on the systems that have the highest financial risk; these are agreed in advance with External Audit and assist in providing assurance to External Audit that systems recording transactions within the 2016/17 financial year are free from material misstatement. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice although there are some minor areas where improvements have been recommended. The level of assurance provided for all key financial systems reviews was good overall. Table 2 below details the assurance levels of all key systems audits undertaken in 2016/17, compared to the assurance levels in 2015/16.

Table 2 – Key financial system audit opinions

Service / Audit	Audit Opinion 2016-17		Audit Opinion 2015-16[1]	
	Environment	Compliance	Environment	Compliance
Housing Benefits	Substantial	Good	Overall Good	
Housing Rents & Arrears	Good	Good	Overall Substantial	
Payroll	Substantial	Substantial	Overall Good	
Accounts Receivable	Substantial	Substantial	Not reviewed	
Procurement Governance	Substantial	Substantial	Not reviewed	
Accounts Payable	Substantial	Substantial	Not reviewed	
Debt Recovery	Good	Moderate	Not reviewed	
Treasury Management	Substantial	Substantial	Not reviewed	
NNDR	Substantial	Substantial	Substantial	Substantial
Council Tax	Substantial	Substantial	Substantial	Substantial
Financial Systems IT General Controls	Good	Good	Not reviewed	

4.2.2 The Housing Benefit review concluded that the compliance assurance was good rather than substantial. There are arrangements in place for the review of new claims prior to system entry; daily reconciliation of council tax reduction payments to the council tax control account; system access; classification of overpayments; quality assurance processes; backdated claims; and BACS payments. Authorisations of write-offs up to £2,000 are delegated to team leaders, and write-offs over £2,000 should be authorised by the Chief Finance Officer. Two instances were identified where write-offs, in excess of £2,000, had not been authorised correctly at the time they were written off. Both of these were subsequently authorised by the Chief Finance Officer. Procedure notes have since been reviewed by team leaders, and posted to the intranet training pages to remind employees.

4.2.3 For the Housing Rent and arrears review, the control environment and compliance assurance was good. The team follows an 'arrears procedure' timetable to maximise recovery of debt, and they manage debt write-off and large refunds in accordance with financial procedures and authorised delegations. Introduction of Universal Credit, plus a recent team restructure, provides an opportunity to review the process for financial delegation of smaller refunds and to revise procedure notes within the team.

4.2.4 The Debt recovery review concluded that the control environment was good and the compliance assurance was moderate. A collections strategy has been in place since 2015, but was not widely publicised and consequently the current recovery practices differ. Subsequently processes are being reviewed and will also reflect the planned

[1] The basis of assurance was updated in 2016/17 to provide an opinion on the control environment and compliance with the controls. 2015/16 equivalents are listed for comparison.

implementation of a new finance system. There were outstanding aged debts on the system, and debt management reports will be reviewed with budget holders to identify the potential for write-off. There is no reconciliation of debts written off the system to the requests. Consequently there is a chance that fraud and error may be undetected and, although there were no errors, system reports will be checked in future.

4.2.5 In relation to the Financial Systems IT, both the environment and compliance assurance was good, as there were minor control weaknesses in the system. The system does not enable distinction between capital and revenue authorisation limits, which can be different in practice, therefore the higher limit is allocated to users authorising expenditure. Although there were no transactional errors identified, there is a potential risk of error. The systems administration team are now monitoring this risk, and will run exception reports. The Council is implementing a new finance system and will try to incorporate preventative controls into the system.

4.3 *Making every penny count*

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

4.3.2 A review of Travel & Subsistence identified an opportunity to develop a policy and procedure for employees, and to clarify the best way to record private mileage to ensure compliance with HMRC regulations. Guidance helps to proactively reduce the risk of errors, and subsequent corrections, when making claims.

4.3.3 Other reviews in this area provided assurance that the Council has a robust Transformation Programme, to deliver the savings targets set out in the Medium Term Financial Strategy.

4.4 *Anti-fraud and corruption*

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

4.4.2 Internal Audit reviewed the Council's anti-fraud framework and issued three policies: anti-fraud and corruption policy; whistleblowing policy; and anti-money laundering policy. These reflect the latest guidance and good practice, and were consulted with the Joint Consultative and Negotiating Committee, the Audit Committee and Cabinet. The policies were promoted with posters and published to the website and intranet. They will be followed up in 2017/18 with further training for employees.

4.4.3 Internal audit supported an investigation into a theft of cash. The theft was detected by exception reporting and CCTV. Consequently an employee was prosecuted, and dismissed. Procedures were immediately reviewed and the locks were changed as additional measure of security.

4.4.4 Internal Audit reviewed internal controls and provided advice in response to emerging fraud risks, such as mandate fraud and credit card frauds. Promoting awareness of the fraud risks helps the Council to proactively implement appropriate controls.

4.4.5 The Council participates in a national data matching exercise known as the National Fraud Initiative (NFI) which is run by the Cabinet Office to prevent and detect fraud. Data-matching, between public and private sector bodies, flags up inconsistencies in data that may indicate fraud and error and helps Councils to complete proactive investigations. Examples include matching: benefits and council tax reductions to license holders and insurance claimants to detect fraudulent claims and errors; matching payroll records across organisations to detect employment fraud and undeclared interests; and matching supplier and transaction records to detect potential duplicated payments. Internal Audit is responsible for the collection and submission of the required datasets for the Council which was completed within the timescales set by the Cabinet Office. Internal Audit also provided advice to the Council on Fair Processing Notices to ensure that required Data Processing Notices were in place in advance of the data collection. The results of the exercise were received by the Council in February 2017. From a total of 2683 matches now released, there are a total of 715 matches that meet the NFI's recommended filter as being of higher importance based on previous NFI exercises. The process of following-up identified matches is currently underway, and the recommended matches will be prioritised as they are areas where fraud and error is most likely to occur.

4.5 *Commissioning and contracts*

4.5.1 Within this assurance block, a number of days are included for capital and current contract reviews, and a capital contact review was completed (as reported above in the Overview and key findings).

4.6 *Policies and procedures*

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

4.6.2 This provided assurance that policies, such as Contract Procedure Rules, Financial Regulations, and the Scheme of Delegation are regularly reviewed and updated. This helps ensure they are effective and fit for purpose.

4.7 *Compliance*

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

4.7.2 The Plan for 2016/17 included coverage of compliance in the following areas:

- Compliance with the Council's Scheme of Delegation;
- Compliance with policies on the use of agency staff;
- Compliance with off contract spend.

4.7.3 The review of agency staff identified an opportunity to update the Agency Workers Policy and guidance, to reflect current practice, as the Agency Framework is currently being reviewed. This will help remind Management to review the end dates of temporary contracts and ensure that appropriate checks, such as DBS, are completed by contractors when needed.

4.7.4 The review of Off-contract spend included analytical review of expenditure. This identified opportunities for potential savings through adopting framework contracts. Although the amounts were not significant, the teams agreed to explore this for future procurement.

4.7.5 The sample testing undertaken throughout the year has not identified any significant non-compliance issues. Where weaknesses in the control environment have also been identified, recommendations have been made to improve procedures and controls.

4.8 *ICT Information Governance*

4.8.1 Reviews of are completed for key ICT risk areas, such as major ICT failure and ICT strategy, and there was a review of general computer controls to provide assurance that systems are correctly processing information accurately and on a timely basis.

4.8.2 The Council undertakes regular penetration testing to proactively test for vulnerabilities and is also updating its Disaster Recovery Plan to ensure that there is adequate resilience to the impact of continuously emerging threats.

4.9 *Other work / ICT and information assurance*

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

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

- Public sector funding; and
- Housing Investment Strategy

4.9.3 During 2016-17 the audit manager updated the council's risk management policy for approval by Cabinet in January 2017.

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

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

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

4.9.7 Internal Audit supported a review of the appointment of external auditors, providing a report which outlined the costs and benefits of various options. The preferred route, to use the PSAA Ltd, was endorsed by Audit Committee, Cabinet and Full Council.

4.10 *Summary of completed reviews*

4.10.1 A summary of all audit reports issued in 2016-17 follows in section 6.

5. *INTERNAL AUDIT PERFORMANCE & QUALITY ASSURANCE*

5.1 *Delivery of the internal audit plan*

5.1.1 It was agreed that the final internal audit plan for Norwich City Council would deliver 470 days of audit activity.

5.1.2 The days spent in each area of the audit plan, analysed by the major categories of our work, is set out in the table below:

Table 3 – Internal Audit Resource Input

Assurance block	Total Days
Making Every Penny Count	40
Anti-Fraud & Corruption	40
Key Financial Systems	175
Commissioning & Contracts	40
Policies & Procedures	9
Compliance	35
ICT & Information Governance	8
Governance	24
Strategic Risk Management	10
Advice & Guidance	89
Total Audit Days Delivered	470

5.2 *Customer feedback*

5.2.1 When draft reports are issued, internal audit issue customer feedback questionnaires to appropriate officers. Complimentary feedback has been received in 2016-17, reflecting a very positive opinion on the value of internal audit at Norwich.

5.2.2 A survey of the internal audit team is sent annually to senior managers. Performance has improved, resulting in 100% satisfaction across the internal audit questions.

5.2.3 Surveys identified that there is an opportunity for developing risk management awareness throughout the Council, as some managers communicated a training need. The Risk Management Policy was promoted to the Corporate Leadership Team and the Audit Committee in 2016/17, and there are plans to promote this further to senior managers in 2017/18. This refresher training will help the Council to ensure that risks are captured and promoted to the Corporate Risk Register.

5.3 *Service development*

5.3.1 The LGSS team continues to grow and Milton Keynes has joined as a full partner. In addition the Welland partnership, plus East Cambridgeshire District Council have joined. This provides increased depth and breadth of skills and resources to deliver internal audit services to Norwich City Council. For example the team has auditors with specific skills, such as IT audits, who are used to provide assurance to the Council.

5.3.2 In 2016/17 a Principal Audit Manager, based at Norwich, was appointed which provides a local resource to lead delivery of the audit plan.

5.3.3 The team deploys auditors from across the broader LGSS team, to support specific pieces of work, to maximise the benefits to Norwich. Trainee auditors have also been supporting delivery of audit work at Norwich. This helps to develop knowledge of the Norwich internal control environment, within the team, which improves future resilience of the service.

5.4 *Compliance with Public Sector Internal Audit Standards*

5.4.1 The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards throughout the year.

5.4.2 An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) was undertaken in 2016/17, and a number of recommendations were agreed to further improve the work of the service, including the introduction of a new Terms of Reference format, and the inclusion of some specific areas within the Annual Report. A follow up visit scheduled for May 2017, confirmed the implementation of these actions and has confirmed compliance with the latest set of standards issued in April 2017.

6. ***SUMMARY OF AUDIT REVIEWS COMPLETED***

The table below summarises the internal audit reviews that were completed during the financial year.

Audit title	Control assurance	Compliance assurance	Organisational impact
Advice & Guidance			
A&G - Data Breach	Embedded assurance *		
A&G - Regeneration Company	Embedded assurance *		
Anti-Fraud & Corruption			
Fraud Investigations	No level of opinion was allocated. Recommendations to strengthen internal procedures were accepted by management.		
National Fraud Initiative	Embedded assurance *		
Preventative & Pro-Active Fraud Work	Embedded assurance *		
Commissioning & Contracts			
Current Capital Contracts Audit	Limited	Limited	Major
Compliance			
Agency Staff Compliance	Moderate	Moderate	Minor
Off-Contract Spend	Good	Good	Minor
Scheme of Delegation - Compliance	Substantial	Substantial	Minor
Governance			
Corporate Governance	Embedded assurance *		
ICT & Information Governance			
General Computer Controls	Good	Good	N/A
Key Financial Systems			
Housing Benefits	Substantial	Good	Minor
Housing Rents/Arrears	Good	Good	Minor
Payroll	Substantial	Substantial	Minor
Accounts Receivable	Substantial	Substantial	Minor
Procurement Governance	Substantial	Substantial	Minor
Accounts Payable & Purchase to Pay	Substantial	Substantial	Minor
Debt Recovery	Good	Moderate	Moderate
Treasury Management	Substantial	Substantial	Minor
Council Tax	Substantial	Substantial	Minor
Financial Systems IT General Controls	Good	Good	Minor
NNDR	Substantial	Substantial	Minor
Making Every Penny			
Business Planning Benefits Realisation	Substantial	Substantial	Minor
HRA Business Planning	Substantial	Substantial	Minor
Making Every Penny Count - Strategy	Substantial	Substantial	Minor
Travel & Subsistence - Compliance	Moderate	Moderate	Minor
Policies & Procedures			
Contract Procedure Rules	Substantial	Substantial	Minor
Scheme of Delegation – Policy	Substantial	Substantial	Minor
Financial Regulations	Embedded assurance *		

Audit title	Control assurance	Compliance assurance	Organisational impact
Strategic Risk Management			
Risk Management	Embedded assurance *		

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

Report to	Audit committee	**Item**
	20 June 2017	10
Report of	Director of business services	
Subject	Annual audit committee report 2016-17	

Purpose

To comment on the draft Annual audit committee report 2016-17

Recommendation

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

Corporate and service priorities

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

Financial implications

This report has no direct financial consequences.

Ward/s: All

Chair, audit committee: Councillor Price

Contact officers

Jackie Rodger, senior committee officer	01603 212033

Background documents

None

Report

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

2. The attached Annual report of the audit committee 2016-17 gives an opportunity for members of the committee to consider and comment on the report before it is presented to full council on 18 July 2017.

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

APPENDIX 1

Annual report of the audit committee 2016-17

Introduction

This is the third annual report of the audit committee and advises the council of the work of the audit committee for the period of the civic year 2016-17

Councillor Ben Price
Chair, audit committee

Councillor James Wright
Vice chair, audit committee

Background

1. This report covers the work of the audit committee for the financial and civic year 2016 to 2017. The committee met five times during this period.

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

3. The members on the committee in 2016-17 were:-

   Councillor Ben Price (chair)
   Councillor James Wright (vice chair)
   Councillor Keith Driver
   Councillor Gail Harris
   Councillor Beth Jones
   Councillor Paul Kendrick
   Councillor Martin Schmierer
   Councillor Mike Stonard

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

   Justine Hartley, chief finance officer and S151 officer
   Philippa Dransfield, chief accountant and deputy S151 officer
   Jonathan Tully, principal audit manager (LGSS)
   Neil Hunter, head of internal audit and risk management (LGSS).
   Duncan Wilkinson, chief internal auditor (LGSS)
   Laura McGillivray, chief executive

   The committee would like to express its gratitude to Justine Hartley who as chief finance officer and S151 officer who has been invaluable in her support to the chair and members of the committee and to wish her well in the future.

5. The engagement team of the external auditors (Ernst & Young) is led by Mark Hodgson and supported by David Riglar. They attend meetings of the audit committee to present their reports and answer members' questions.

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

7. The committee requests training as required. Training is not restricted to committee members and there is an open invitation for all members of the council to attend. The external auditors also provide information briefings for audit committees which are circulated to members of the committee.

Statement of accounts and annual governance statement

8. For the fourth year running the council's Statement of accounts (2015-2016) were approved by the statutory deadline of 30 September 2016 with signature on 22 September 2016. The accounts received an unqualified opinion from the external auditors.

9. The committee has an opportunity to comment on the unaudited accounts at its meeting on 28 June 2016 and on the accompanying Annual Governance Statement.

10. During discussion on the Annual Statement of Accounts, members sought clarification on the methodology used for the assessment of satisfaction with leisure and cultural facilities and the number of visitors to the city. The committee noted that there had been a review of all investment properties in this year rather than the rolling programme of revaluation of 20 per cent of the stock which had resulted in a greater surplus in the revenue accounts than previously. This resulted in a greater surplus in the revenue accounts than previously. The review was based on best use of the property which was not necessarily its current use, and based on rentable value of similar properties in the area. The full revaluation of all council dwellings, based on "beacons", representative of the types of accommodation and to the Norwich standard (ie with upgraded kitchens, bathrooms and boilers), had created the largest surplus on Housing Revenue Account services since the valuation of the authority's housing stock in 2009.

11. The committee also made several comments on the draft Annual Governance Statement which included consideration of the council's partnership arrangements, how the council embedded its codes of conduct and standards within the organisation and at what point would audit opinions give rise to concern. Members were reassured with the council's treasury management arrangements and that the chief accountant and finance team were safeguarding the council's assets and provided good advice in response to market forces.

External Audit

12. At its meeting on 22 November 2016, the committee reviewed the annual audit letter 2015-16 from the external auditors. The letter is the public facing document of the external auditors' findings on completion of the audit for 2015-16.

13. The external auditors were commissioned by the council to review its Minimum Revenue Provision. The external auditors were able to provide this work at a significantly lower cost than another offer. The additional fee was approved by the Public Sector Audit Appointments (PSAA).

14. In accordance with best practice, the annual audit letter had also been circulated to all members of the council and published on the council's website by 31 October 2016.

15. Councillor Wright, vice chair, commented that in the six years that he had been on the committee the nature of the annual audit letter had been very different. He thanked the officers for the work that they had done in the intervening year to get to this point where the accounts received an unqualified opinion.

16. The committee considered the external auditors' Audit Results Report at its meeting on 20 September 2016. Mark Hodgson thanked the chief finance officer and her team for a "good audit with very few issues". He did recommend that management reviewed the current closedown timetable and the associated responsibilities for preparing the supporting records to the statement of

accounts and the need to factor in the earlier reporting deadlines in respect of the 2017-2018 financial statements. The committee was advised that there had been a delay in sending over supporting documents and that although the work had been completed due to an oversight it had not been forwarded to the external auditors. The chief finance officer confirmed that the finance team was aware of the earlier reporting deadlines and would ensure that they were prepared for it when closing down the accounts.

17. The external auditor presented the Certification of Claims and Returns Annual Report 2015-16 at the committee's January 2017 meeting. It was the first year that the council did not incur any additional fees. In previous years the external auditors have been required to conduct further work. The fee of £2,000 for the quality assurance on the capital pooling return was at the lower end of the approved range of fees. The external auditor explained the audit process for the housing benefits subsidy claim. No materiality was allowed and therefore any overpayment or underpayment was counted. The number of errors had been fewer than in previous years and there were no particular areas of concern. The council was therefore travelling in the right direction and he considered that it was no different from his other clients. Members were assured that the issues raised would be followed up with the revenues and benefits service and internal audit and that quality assurance was in place. Members expressed concern that under payments should be avoided to ensure that the council's residents were not adversely affected.

18. The external auditors presented their External Audit Plan 2016-17 to the committee in March. This report sets out how external audit will carry out the audit of the council's 2016-17 accounts. This is a robust audit plan and the level of materiality demonstrates that external audit is working well with the finance and internal audit teams. Concerns about the medium term financial statement applies to all local authorities and reflects the high state of flux where government policies are uncertain and subject to change.

External Audit Appointment

19. There is a statutory requirement for the council's Statement of Accounts to be audited. The Local Audit and Accountability Act 2014 closed down the Audit commission and introduced transitional arrangements until the conclusion of the 2017-18 audits. Ernst & Young LLP, the present external auditors' contract will therefore expire on 31 April 2018. The council must therefore appoint or reappoint a local auditor by 31 December 2017 to be in place by April 2018. The audit committee was unanimous in its recommendation to cabinet that the council opt-in to a sector led body to undertake the procurement of external audit on behalf of the council. This Public Sector Audit Appointments Ltd has been specified as the sector let appointing body under the Local Audit (Appointing Person) Regulations 2015.

20. The committee considered that an opt-in to a sector led body will be the most cost effective and efficient option. The advantages of being part of a wider collective outweighs the disadvantages of elected members having less opportunity for direct involvement in the appointment process other than through the Local Government Association and/or stakeholder representative groups.

Risk Management

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

22. The audit committee expressed concern that about risk A8, housing investment strategy, and the key controls to work with registered social housing providers to deliver new social housing where spend by the council was not possible and to avoid the loss of funding. Development of social housing does not always go to plan and it is a balance of working with social housing providers to deliver schemes but there is a risk that the housing will not be delivered and funding will have to be repaid to central government. The corporate leadership team considered the discussion by the audit committee and increased the residual risk score for risk A8 to 20. Members considered that this reflected their concern and noted that government policy is beyond the control of the council.

23. The residual risk score for B1 public sector funding and A8 housing investment strategy remain beyond the council's risk appetite. The council has put in as many controls as it can to mitigate the risk which is due to external factors and therefore out of the control of the council. The uncertainty surrounding government policies and housing and public sector funding are a concern. However at a strategic level the risks have remained static and there are controls in place.

24. Members of the committee welcomed key controls to safeguard young people and vulnerable adults and ensuring that commitment to capital expenditure is not made until funding is in place.

25. Following the outcome of the EU referendum, the chair discussed his concerns about Brexit and the potential impact that this could have on the council's budget and ability to deliver services with the chief finance officer and internal audit officers.

Internal audit

26. The committee receives an annual internal audit opinion and regular reports on the progress against the audit plan report at each meeting. This gives the committee an opportunity to ask detailed questions and monitor progress.

27. On 15 March 2016 the committee agreed a new approach for the internal audit plan for 2016-17. The focus of internal audit is now on large risks as well as an annual audit of all financial systems. The audit approach reviews the control environment for mitigating the risk that anything goes wrong. The internal audit plan is regularly monitored by the chief finance officer, audit committee and external audit. The number of days allocated to the plan was reduced for 2016-17 to 400. This was reviewed by the corporate leadership team and the committee during the year and it was considered that this had been too much of a reduction and seventy days were added back. The number of days for the 2017-2018 plan is 450 days.

28. The plan is robust and the impact of any changes to the plan will be discussed in detail with the corporate leadership team. The plan covers a two year period and there is some flexibility to reprofile the plan in response to changing areas or risk.

29. The committee has an opportunity to comment on the content of the plan. At the meeting on 14 March 2017 the committee considered the chair's suggestion that the audits of fees and charges and waste management should be brought forward to ensure that opportunities for income generation were not lost. The committee then considered whether the potential loss of income was sufficient to remove other elements from the audit plan and it was considered that cabinet would review waste management fees and charges as part of its management functions.

30. The external auditors seek confirmation from the chair each year requesting confirmation of the council's management processes and arrangements. The chair responds to this letter on behalf of the committee.

Counter Fraud Policies

31. The council's counter fraud policies have been updated in line with good practice and has introduced a new money laundering policy. The policies had not been updated since 2009 and it was appropriate for the audit committee to consider the three policies, Anti-fraud and corruption, Whistleblowing and Anti-money laundering policy. The committee approved the counter fraud policies for recommendation to cabinet at its meeting on 22 November 2017 after a briefing session facilitated by Paul Strangward, deputy head of internal audit (LGSS).

32. The committee noted the risks of potential fraud from external malware to individual fraud within the organisation. The policies communicate the culture of the council to its officers, members and people who interact with the council. Members are reassured that internal audit will review the effectiveness of the counter fraud policies as part of the council's internal controls by monitoring the key controls.

Conclusion

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

ARTICLE 17 – AUDIT COMMITTEE

Membership

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

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

Terms of reference

3. The audit committee shall -

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

      (i) in the council's audit committee procedure rules as produced from time to time by the chief finance officer; and
      (ii) in the Accounts and Audit Regulations 2011;

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

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

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

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

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

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

AUDIT COMMITTEE PROCEDURE RULES

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

Corporate governance

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

Internal and external audit

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

Statement of accounts

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

Referred powers

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

Accountability arrangements

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