NORWICH
City Council

Audit committee

Date: Tuesday, 13 July 2021
Time: 16:30
Venue: Council chamber, City Hall, St Peters Street, Norwich, NR2 1NH

Committee members:
Councillors:
Price (chair)
Driver
Hampton
Haynes
Oliver
Sands (M)
Stutely
Wright

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Agenda

		Page nos
1	**Apologies**	
	To receive apologies for absence	
2	**Appointment of vice chair**	
	To appoint a vice chair for the civic year 2020-21	
3	**Public questions/petitions**	
	To receive questions / petitions from the public. Please note that all questions must have been received by the committee officer detailed on the front of the agenda by **10am on** Monday, 5 July 2021 Petitions must have been received by the committee officer detailed on the front of the agenda by **10am on** Monday, 5 July 2021 For guidance on submitting public questions or petitions please see appendix 1 of the council's constutition.	
4	**Declarations of interest**	
	(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)	
5	**Minutes**	**5 - 12**
	To approve the accuracy of the minutes of the meeting held on 9 March 2021	
6	**Annual Internal Report on Audit, Risk and Fraud**	**13 - 30**
	Purpose - To advise members of the work of internal audit undertaken during 2020-21 and the interim audit manager's annual audit opinion. The role of internal audit is to provide the audit committee	

and management with independent assurance on the effectiveness of the internal control environment.
The 2020-21 Audit Plan was approved by the audit committee in March 2020 and subsequent revisions agreed at the meeting in November 2020.

7	**Draft Annual Governance Statement 2020-21**	**31 - 66**

Purpose - This report presents the Annual Governance Statement (AGS) for 2020/21 for consideration by the audit committee prior to sign off by the chief executive and leader of the council.

8	**Draft Statement of Accounts 2020-21**	**67 - 228**

Purpose - This report presents the formal unaudited draft Statement of Accounts

9	**Annual External Audit Plan 2020-21**	**229 - 280**

Purpose - This report presents the annual external audit plan 2020-21

10	**Draft Annual Report of the Audit Committee 2020-21**	**281 - 296**

Purpose - This report presents the draft Annual Report of the Audit Committee 2020-21 appended at Appendix A to the committee for comment.

11	**Exclusion of the public**	

Consideration of exclusion of the public.

EXEMPT ITEMS:

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

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

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

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12 Internal Audit Service Provision

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

Date of publication**: Monday, 05 July 2021**

NORWICH
City Council

Item 5
Minutes

Audit committee

15:00 to 16:50 **9 March 2021**

Present:	Councillors Price (chair), Driver (vice chair), McCartney-Gray, Giles, Schmierer, Stutely (from item 5, below) and Wright
Also present:	Councillor Kendrick, cabinet member for resources
Apologies:	Councillor Peek

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

None.

3. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 24 November 2020.

4. Annual Audit Letter 2019-20

The external auditor presented the report and explained that the annual audit letter summarised the key messages from the 2019-20 audit. The audit had been signed and concluded on 12 January 2021. The committee had considered the audit results report at its November meeting. The inspection period had been re-advertised and no further matters had arisen following this or from the residual external audit work. All assets were within an acceptable range. The chair had been informed of this before he had signed off the accounts, in consultation with the interim director of resources. The audit letter did not present anything new but was more public facing and could be published on the website

In reply to a member’s question, the external auditor confirmed that as part of their procedures on the council as a going concern, external audit did review and challenge officers’ analysis on the potential risk from Covid-19. This work was primarily focused on the liquidity of the council, ie, its cash position and the ability to pay staff and provide services on going services. External audit was satisfied with the officers’ assessment and the disclosure note in the financial statements setting out that assessment.

RESOLVED to note the Annual Audit Letter 2019-20.

5. External audit plan 2020-21 - discussion on development of the external audit plan

(Councillor Stutely joined the meeting during this item.)

The external auditor explained that a draft external audit plan had not been expected at this meeting but that the purpose of this item was as a key discussion point for the committee to raise any audit risks that it considered should be included in the external audit plan. He would expect the plan to include the “big ticket items” audit risks, such as in previous years: management override of the controls to gain a better financial reporting: property, plant and equipment evaluation because of the size on the balance sheet, and pension liability because of the size on the balance sheet. The external auditors expected to discuss with officers the impact of Covid on the council’s activities and how it translated into the council’s year end set of accounts, particularly around grant funding and provisions for bad debts which were expected to increase.

The committee then considered its input into the external audit. The chair referred to the internal audit manager’s reports on audit reviews that had received a limited assurance around policies and procedures, and considered that there was a level of risk because policies had not been updated or there was not a procedure for a set review period. If the council had not been robust about this it raised questions about the capital spending on the Housing Revenue Account (HRA) and procurement to ensure that the council’s tenants got the best value for money.

The chair also said that the internal audit review had provided a limited assurance around the waste management contract. The council had done some good work but issues around monitoring and assessing performance of contracts as a result but it did raise concerns as to whether there were greater risks around a wider set of contracts. He said that he would also raise this later in the meeting under the agenda item on the internal audit plan.

The chair also considered that there had been improvements to the governance arrangements around the Norwich Regeneration Company Limited but this was also an area of focus given that there would be another wholly owned company, Norwich Company Services Limited (NCSL), and the insourcing of joint ventures into the council, with a potential risk to the council.

In reply to a member’s question relating to the inability of the audit team to verify documents in person this year, the external auditor confirmed that he would not have signed off any document unless he had sufficient assurance. It had not been possible this year to conduct the audit on site and hand over documents. There had been extra meetings on Teams. It was only right to identify this to members of the committee. Remote verification would no doubt form part of external audits going forward.

The external auditor confirmed that all the matters raised were ones that he had anticipated. It would be appropriate to discuss these issues with the interim director of resources and the finance business partner, and consider whether any or all would lead to a material misstatement in the financial documents or a risk to the external auditor's value for money considerations, as part of the planning process.

(Later in the meeting, the chair suggested that the medium term financial strategy should also be considered for inclusion in the external audit plan.)

RESOLVED to note:

(1) the discussion on the contents of the external audit plan 2020-21;

(2) that the external auditor will present the external audit plan 2020-21 to the next meeting of the committee.

6. Internal Audit Update

The interim audit manager presented the report on the progress of the audit plan. Following the publication of the report, two cases of suspected fraud had been identified and reported to the relevant authorities for review. He confirmed that contract management had been added as a new risk on the risk register. It was too soon to say there was a problem across the council but the chair was correct in saying that contract management should be kept under review. He referred to Appendix A, Information security and GDPR, and updated members on the update of the information asset register (IRA) and confirmed that outstanding returns from asset owners had now been received and would be cleared by the next meeting of the committee. Members were advised that the recommendations following the contract management, housing repairs and responsive maintenance internal audit review were in progress and would be reviewed in April or May next year when the recommendations were due to have been implemented.

During discussion the interim audit manager answered questions on the work that was required of the council in relation to fraudulent claims for business support grants and how the council would go about this. Members were advised that the most effective source of assurance was likely to be through the National Fraud Initiative (NFI) data. In terms of risk assessments, the council provided monthly returns to central government on the grants approved against each scheme. Each application underwent standard checks. The council had received additional funding to complete this work. The revenues and benefits operations manager explained that all data was sent to the NFI. Any data matches were expected to be received through the portal used for single person council tax fraud. It was not possible to anticipate how many cases of fraud to expect. New burdens funding had been received from the government to do this work. The challenge was to ensure that fraud checks were undertaken by officers with the appropriate skill sets.

A member commented on the waste management services contract audit review and asked whether the interim audit manager had the assurance from the recommendations that he had identified in Appendix B, and in relation to the joint ventures, were the policies and procedures in place to ensure that lessons from the audit review had been learned. The interim audit manager said that he was working closely with the business relationship and procurement manager to feed in audit themes into their work and to provide support to training materials on key competencies for officers on how they manage projects going forward. The joint venture work was important and there was a three-year programme to audit review contract management when a contract went live. It would be an intrinsic part of how the council operated and there would be audit reviews of high value, high risk contracts each year.

A member expressed concern that waste management was a statutory function of the council, had been a long-term contract, and that the audit review had revealed that the incentivisation scheme had not been monitored or enforced properly. He sought confirmation that this would not be the case for other contracts particularly when the council brought the joint ventures in-house. The interim audit manager said that the council needed to ensure that there were mechanisms in place to ensure that contract performance was monitored and improved. The interim director of resources said that she would be heading up a driving up performance from the supply chain service review board which would address the issues identified in the audit review of contracts when contracts were issued in the future and, by planning ahead, ensure that existing contracts were brought in line when up for renewal. She would take into account members' concerns about contract performance when drawing up the scope of this service review board.

A member commented that at the next meeting a summary of the audit review on the council's compliance with the Equality Act 2010 would be considered and asked whether the committee could review progress on it again in 6 months' time. The chair suggested that she made a recommendation at the next meeting when the committee considered the report. The internal audit manager said that he would not usually publish the action plan but agreed it could be supplied to the member on request.

During discussion a member said that as a ward councillor he often received complaints from the residents of council dwellings on the standard of repairs. He noted the outcome of the audit review of housing repairs and responsive management and asked what progress was being made in relation to the review of the NNBL and Gasway data by 31 March 2021, and to ensure that both residents and the council, received a good service and value for money. The interim audit manager had reported the findings of this audit review in a detailed report at the last meeting of the committee. The issue had been the completion of the action plan which had been agreed in November. This would be followed up on a self-assessment basis to see that actions were in place against the agreed timescale. The interim director of people and neighbourhoods confirmed that the actions were progressing and would be reported to the audit team in April as required. A progress report would then be reported back to the committee as part of the internal audit report.

The chair thanked the interim audit manager for the report. He had concerns about contract management and had been surprised at the "passive management" of the waste management contract and the fact that the incentivisation scheme had been implemented in 2015 but issues had not become known in 6 years, even taking into account Covid as mitigation. The interim audit manager said that it was the nature of the incentivisation scheme. Most of it was upfront as an annual rebate and was a technical two tier scheme, with some of the rebates generated on further efficiency improvements and it could not be seen whether it had happened or was happening. The council would need to ensure that any incentive scheme for contracts going forward was robust. The difficulty with the waste management contract was that it was on service performance, unlike the NNRBL contract which was assessed on profit and cost, and also the council was dealing with a third party. The interim director of people and neighbourhoods said that she would check out the technical detail of the incentive scheme for the waste management contract and let members know.

During discussion the chair said that performance and the accuracy of reports was a fundamental lesson but there had been audit reviews of three contract management areas which had raised concerns. He welcomed the approach of the corporate leadership team working with internal audit to ensure that there were checks and responsibilities assigned to individual officers and the improved governance arrangements. There did need to be more work to provide assurance on contract management across the council, particularly in relation to the HRA and value for money for residents. The interim audit manager said that directors had not identified contract management as a risk in their specific service areas. The business relationship and procurement manager had indicated that she would value consultancy time from internal audit working with her and her team to develop competencies. The approach would be thematic and it was not possible to look at each individual contract. There was a programme to review the large contracts. It would need to be kept under review but the level of coverage was in line with risk at this stage. Two of the largest contracts had now been audited. This was accompanied with a lot of work on performance management and improving governance arrangements across the council. The committee could review this when it had become established.

The interim director of resources outlined the governance arrangements that were being put in place and would help officers report to the committee to provide it with assurance. This included the development of a leadership programme to ensure that the authority had the necessary skill sets, of which performance management was key. A shareholder panel for the council's wholly owned companies, NCSL and NRL, was being established, which would meet quarterly and receive reports from the companies on finance, governance and health and safety. The driving up performance from the supply chain service review board would consider a review of the contract data base and focus on the performance of the key contracts. The performance and delivery board would also review audit recommendations, including on contracts.

The chair said that he was concerned around the spending on the HRA to improve council dwellings, which involved a lot of contractors and suggested that was an area of urgency to look at in terms of procurement and value for money. The committee had noted at the last meeting that the council did not have guidance in place to review policies and procedures and that the corporate governance group was reviewing these. He was concerned that the underlying policies were not in place for the procurement of services. The interim director of resources said that the governance group would be merged into the new performance and delivery board, which she would chair, and focused on delivery, to ensure that these linked to the council's policies and strategies. The group was working on its corporate planning cycle and its first key deliverable was to share with the authority what the key policies and strategies were and what the timelines to review these would be. The board had started at the top with the corporate plan agreed at cabinet and council, and the medium term financial strategy, which covered the capital spend, as part of the budget setting process. Project plans would include procurement timelines. There was a clear requirement from the council's contract procedures on how the council could go to the market. There were some exemptions which had been used recently to make sure that there was a smoot transferral of joint venture services into the NCSL in April. There were very clear rules for this which need to be signed off by the interim director of resources and monitoring officer, and a clear message to officers was made that it was an exception and “not to come back”. She confirmed that she considered that the procurement procedures were in place to ensure value for money at the start of a contract but it was the monitoring of the performance of contracts that was the issue.

In reply to a question from the chair on the capital spend policy, the interim director of resources, together with the finance business partner, explained how capital expenditure was incorporated into the corporate planning cycle. Each service could provide an opening brief for any capital and revenue expenditure implications and an invest-to-save assessment. These would be evaluated and subject to discussion with members. Schemes going forward would be worked up in the summer and placed on the draft capital programme for the next financial year. This process had been established and in place for the last two to three years at least, but the difference this year was that it had been brought forward to feed into the budget process earlier before decisions were made in January. The interim audit manager pointed out that the internal audit plan for 2021-22 included an audit review of the capital programme management.

RESOLVED to note the report.

7. Business Grants payment

The revenues and benefits operations manager presented the report

During discussion members congratulated the revenues and benefits teams for their work carried out in difficult circumstances.

In response to members’ questions, the revenues and benefits operations manager confirmed that overpayments, due to office error and unfamiliarity with the new system, had been recovered by deducting the sum when the claimant made an application for a further grant. If this had not been the case the claimant would have been invoiced for the overpayment and if not repaid, would be liable for prosecution. The five overpayments had been made in the first tranche and early on in the lockdown when there was pressure from government to pay people entitled to a grant as soon as possible. The interim audit manager explained that basic checks had been made. Four of the five overpayments had been picked up by the claimants’ banks. The revenues and benefits operations manager explained that the government had provided a new burdens grant aid to compensate the authority for any financial loss. Other local authorities had been in the same position.

Councillor Stutely, chair of licensing committee, congratulated the team for ensuring that all payments to licensed premises had been made on 24 December, the same day that the government had produced its guidance.

RESOLVED to note the report.

8. Internal Audit Plan 2021-22

The interim audit manager presented the report and outlined the items on the audit plan.

Discussion ensued on the draft audit plan. A member questioned the allocation of days for IR35 compliance which was the same as the new housing system. The interim audit manager said that the audit work on the new housing system included consultancy time. He had allocated 10 days for the IR35 compliance work as a default. It would take as long as it takes as it was a compliance piece of work that had not been undertaken before but he expected that it would take a minimum of 5 days based on previous evidence.

The chair commented on the draft audit plan and said that he welcomed the inclusion of the capital programme management assurance work, the Towns Fund and social housing delivery programme on the plan. There should be more work on contract management, and policies and procedures. A request had been made at the constitution working party to change the committee's terms of reference so that members had greater input into the content of the audit plan rather than the committee just monitoring it or making recommendations for further audit resources. The cabinet member for resources had stated at the working party meeting that the audit plan should be set by the corporate leadership team.

The interim audit manager explained that some of the consultancy work, under contract management, related to the request of the business relationship and procurement manager and the support for her and the team with competency training. There would be a considered approach to contract management. Compliance work did not indicate any risk on contract procurement. The council was reviewing its policies and strategies through its governance arrangements and internal audit would follow these up when appropriate. There was further work being undertaken on the asset management strategy as one review. In April the first round of information gathering for the Annual Governance Statement (AGS) would commence. It was suggested that there would be a compendium of policies and strategies assigned to the officers, whose responsibility it was, appended to the AGS. The chair welcomed that the asset management strategy was being reviewed and asked when there was formal agreement for internal audit to be involved. The interim audit manager confirmed that he had noted it for future audit work and said that internal audit would be involved when its input would be useful. The interim director of resources said that asset management was a priority of the council and that the review was underway. Input from internal audit would be welcome as part of this process. The asset management plan was expected in September 2021.

In reply to member's questions, the interim audit manager explained there were additional days allocated to the audit plan this year to make up for the days lost at the start of the pandemic while officers were being set up to work effectively from home. There was some contingency in the plan and the allocation of days was flexible and dependent on the delivery of the internal audit function which was subject to review. The audit team would ordinarily conduct some work on procurement on compliance and this would be done when the revised procurement strategy had become established. The interim director of resources said that the procurement strategy had been an internal cross-cutting review of the 40 officers comprising the senior management team. It would then be considered at the next meeting of the scrutiny committee for pre-consideration before consideration at cabinet. She pointed out that it had not been possible to conduct outreach consultation with businesses in the city this year.

In reply to a question from the chair, the interim audit manager confirmed that the plan reflected the priorities of each director and that the corporate leadership team had not refused any of his suggestions for inclusion on the plan.

The external audit manager confirmed that external audit was not allowed to rely on the work of the internal audit team, but considered that the plan took into account the risks identified in each directorate and provided good coverage.

The chair in conclusion called on the committee to endorse the internal audit plan and commented that he would like to see more audit work on contract management but that he welcomed the reviews of the asset management and procurement strategies, and the audit approach and improved competencies in the team, as set out in the report.

RESOLVED to:

(1) to endorse the draft internal audit plan;

(2) record the committee's gratitude to Gavin Jones, interim audit manager for his contribution.

CHAIR

NORWICH City Council

Item 6

Committee Name: Audit

Committee Date: 13/07/2021

Report Title: Annual Report on Audit Risk and Fraud 2020-21

Portfolio:	Councillor Kendrick
Report from:	Head of Finance, Risk and Audit
Wards:	All wards
OPEN PUBLIC ITEM	

Purpose

To advise members of the work of internal audit undertaken during 2020-21 and the interim audit manager’s annual audit opinion.

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

The 2020-21 Audit Plan was approved by the audit committee in March 2020 and subsequent revisions agreed at the meeting in November 2020.

Recommendation:

It is recommended that the committee considers the annual Internal Audit report and opinion, noting the work of Internal Audit team for 2020-21

Policy Framework

The Council has three corporate priorities, which are:

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

This report meets all the corporate priorities

This report addresses healthy organisation strategic action in the Corporate

Plan

This report helps to meet council’s financial objective of the COVID-19 Recovery Plan

Report Details

Introduction

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. This report sets out the individual and collective outcomes of the audit reviews undertaken in the year ended 31 March 2021. It also provides an audit opinion of the control environment based on this audit work.

5. 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.

6. 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.

7. During the 2020/21 financial year the Head of Internal Audit role was filled on an agency basis. The draft opinion was supplied by the Interim Audit Manager, who held post up until 31 March 2021, which is the relevant period for the annual update.

8. At the initial point of drafting, there were a small number of outstanding audits to be completed and therefore the report has been updated to incorporate the final details. There has been no change to the assurance level as drafted and it is the opinion of the head of finance, audit and risk that the findings from the remaining audits do not indicate any amendment to the opinion is required.

Audit opinion

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

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

11. The level of assurance provided by Internal Audit is based upon:

    a) All audit reviews undertaken during 2020/21.
    b) Follow up of actions against key audit recommendations made in 2020/21.
    c) Management responses to findings and recommendations.
    d) Effects of significant changes to the council's systems.
    e) The extent of resources available to deliver the audit plan.

12. With the exception of consultancy work, all audit reports include an assurance rating on the basis of the definitions shown in Appendix B. Individual assurance ratings help to determine the overall audit opinion. Completed reviews that received a less than satisfactory assurance rating are summarised in Section 3 of this report.

13. Audit work has been undertaken to obtain all information and explanations considered necessary to provide sufficient assurance that the control environment is both reasonable and effective. Whilst no assurance can ever be absolute, on the basis of audit work completed, it is the opinion of the interim audit manager that during 2020/21 the council had a governance, risk and control framework that provides a reasonable level of assurance regarding the economic, efficient and effective use of resources in achievement of its objectives.

14. This opinion is caveated by the need to fully embed risk management processes across the council. It should however be noted that good progress has been made during the year to reconstitute the council's corporate risk register and develop fully functioned directorate registers that feed through to the corporate register.

15. Governance arrangements have continued to be strengthened by the chief executive and his leadership team to review performance and risk management in a more structured and formal way, including setting up new internal decision-making boards in January 2021which will be in place during 2021/22.

16. There have been no significant issues identified in respect of key financial systems and controls, with a focus to ensure that a sound control environment remains in place in light of the challenge and changes to working practices associated with Covid-19.

17. The council has identified a need to strengthen competencies and make improvements in the way in which contracts are managed effectively to drive out efficiencies and service improvements. This will continue to be an area of audit focus given recent limited assurance opinions for the management of a couple of large contracts.

Audit opinion structure

18. The opinion structure for audits is shown in Appendix B.

Audit plan 2020-21

19. A revised audit plan was reported to the audit committee in November 2021. The table below summarises the status of audit work undertaken.

	Audit		Days	Status/Opinion
Anti-fraud & corruption	National Fraud Initiative	Responsive	20	Ongoing
	Investigations Contingency	Responsive	10	Ongoing
Key Financial Systems	Payroll	Assurance	10	**Draft - Reasonable**
	Housing Rent/Arrears	Assurance	15	**Final - Reasonable**
	Housing Benefits	Assurance	15	**Final - Reasonable**
	Council Tax	Assurance	10	**Final - Reasonable**
	National Non Domestic Rates (NNDR)	Assurance	10	**Final - Reasonable**
	Cash & Bank	Assurance	10	**Draft - Substantial**
	Accounts Payable	Assurance	10	**Draft - Substantial**
	Accounts Receivable	Assurance	10	**Final - Reasonable**
	Purchase Cards	Assurance	10	**Final - Reasonable**
Risk Management	Consultancy	Consultancy	20	Complete
Contract Management	Waste Services	Assurance	20	**Final - Limited**
	Joint Ventures Insourcing	Consultancy	50	Complete
IT Audit	Cyber Security	Assurance	10	**Final - Reasonable**
	New Housing System Phase 1 pre implementation	Assurance	10	**Final - Reasonable**
Other Compliance	Policies & Procedures	Assurance	10	**Final - Limited**
	Business Support Grants	Assurance	25	**Final & Ongoing**
	New Starters & Leavers Procedures	Assurance	5	Included as part of payroll key financial systems work
Other Consultancy	New Housing System Implementation Project	Consultancy	10	Complete
Service Reviews	Equalities Duties	Assurance	20	**Final - Limited**
	Licensing	Assurance	20	**Final - Reasonable**
Governance	Information Governance Group	Consultancy	5	Complete
	Data Breach Response	Consultancy	5	Complete
	Corporate Governance Group	Consultancy	5	Complete
	Annual Governance Statement	Consultancy	15	Complete
Grants	Disabled Facilities Grant	Assurance	10	**Complete**

	Audit		Days	Status/Opinion
Advice & Guidance	Ad hoc Advice & Guidance	Consultancy	15	Complete
	Follow Up Audit Recommendations	Assurance	20	Complete
Reporting	Committee Reporting	Consultancy	15	Complete
	Management Reporting	Consultancy	20	Complete
	Audit Plan	Consultancy	10	Complete
		Total Days	**450**	

Audit work

20. The following table shows the number of recommendations by level from 2020-21 audits.

Risk Priority	Definition	Occur-rences
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.	1
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	40
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	34

21. Since the previous audit committee, the following areas of work have been completed and reported.

Key financial systems

22. **Housing rents / arrears** - reasonable assurance

- The review noted that the reconciliation of the Capita Housing (Academy) rents system to e5 general ledger had been prepared by finance on a monthly basis with identified variations due to be cleared by year-end. This has now been completed for the year-end.
- Write-offs of debts, where further recovery action has been exhausted, are not always authorised in accordance with the corporate financial procedures or within limits delegated to individuals by the head of housing. To determine the level of authorisation required for write-off, the service had been using the largest single debt as the determining value, not the total of rent and all ancillary costs (such as recharges for repairs and court costs).
- There is a backlog of debts over £2,000 that the service needs to present for approval by the chief finance officer (CFO), before being written off. A revised process has been agreed with the CFO, and is due to be implemented as soon as possible.

23. **Housing benefits** – reasonable assurance

Testing identified no major control issues and one error that has been corrected.

24. **Council tax** – reasonable assurance

The review did not identify any significant issues although a number of accounts were identified as having no end date on the system. These had been provided by the resident. Errors have been rectified, but further controls need to be implemented to mitigate errors in the future.

25. **Accounts payable** – substantial assurance (draft report)

This was the first audit completed on the new finance system e5. The audit review covered controls in place for payments, including prevention of duplicate payments and fraud relating to supplier set up and changes. Testing identified no major control issues.

26. **Payroll** – reasonable assurance (draft report)

There are three agreed actions (2 medium, 1 low priority) from the previous audit relating to arrangements with the payroll service provider. These are in progress with the council and payroll provider. There are a small number of outstanding evidence items that need to be provided by the service area, but the work has found no high priority recommendations and a provisional opinion of reasonable assurance is provided. The committee will be updated if there are any additional findings.

27. **Cash and bank** – substantial assurance (draft report)

Regular bank account reconciliations have been carried out during the year. Testing identified no major control issues.

IT audits - completed by external audit providers.

28. **Cybersecurity** – reasonable assurance

The review took the form of a maturity assessment covering the National Cyber Security Council's framework "10 steps to Cyber Security".

The report noted several areas where the council is applying good practice, including password controls. No "operational effectiveness matters" were identified.

Key areas identified for action are:

- There are a number of IT related policies that require review, including the IT security policy that users are required to sign off before being granted access to the council's network.
- The corporate risk register (CRR) requires further work to monitor IT risks in their own right. The interim audit manager has subsequently separated the GDPR and IT risks, but this requires further action regarding the enhancement of IT risk management within the CRR.

This was agreed by the infrastructure support manager and will be included as part of the senior management review of the CRR for the next quarterly performance report.

- Vendor support lifecycle monitoring needs to be more formal to ensure a more strategic view is maintained for budgeting and training needs purposes.

29. **New housing system pre implementation phase 1** – reasonable assurance

The review looked at aspects of the core phase of the project, to inform phase one of the development project.

The report noted several areas where the council is applying good practice, including a consistent approach for documenting the existing and new business processes. No “operational effectiveness matters” were identified.

Key areas identified for action are:

- Complete the development and deployment of testing scripts.
- Complete the data protection impact assessments.
- Develop appropriate post-implementation reviews at appropriate milestones during the project.

Equalities duties

30. An audit review was undertaken at the request of the chief executive to provide assurance over the efficiency and effectiveness of the council’s systems to ensure compliance with statutory provisions as part of the Equality Act (2010).

31. Audit work found that the council hadn’t fully comply with the statutory duty of setting and publishing specific, measurable equality objectives at least every four years. Priorities are reported to cabinet but these need to be more clearly defined as objectives, more overtly presented on the council’s website and have associated measurable actions in place that are reported periodically to the leadership team. Recommendations have been made to address these issues.

32. The audit identified multiple areas with adequate controls in place or where the council is positively progressing its duties. Other findings where recommendations were made include:

- Simplifying the newly revised Equality Impact Assessment (EIA), which is very long in comparison to other councils.
- Outstanding actions from the EIA are currently not reported at senior level.
- At the time of review, no action plan was in place/under development regarding improving staff diversity outside the BAME findings.

- Creation of a data bank of relevant equality data collected by the council that officers can access for evidence when drawing up a proposal/EIA.

33. The high importance recommendation regarding the statutory duty has been immediately addressed and an Equality, Diversity and Inclusion policy 2021/22 was agreed by cabinet in June 2021. The policy includes four objectives and how they will be achieved. An action plan for these is currently being developed.

Anti- fraud & corruption

34. The council participates fully 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.

35. The NFI is conducted every two years and involves data matching across a number of datasets from over 1,200 participant organisations from across the public and private sectors. A data extraction exercise was completed as at the end of September 2020, and uploaded securely on a number of datasets, based on required specifications. Data matches have now been received and are being reviewed by service leads on a risk basis.

36. Additional datasets were requested in respect of the various (1st tranche) government business support grants, paid to businesses to alleviate the effects of Covid 19, as a drive to identify illegitimate grant claims and errors. 39 data matches were received back from NFI in May 2021 and are being reviewed on a risk basis.

37. There was one money laundering referral during Q4. This was reviewed and a referral made to the National Crime Agency. There was no financial impact on the council and it did not require a detailed investigation.

38. As reported to the committee in November 2020, there was one whistleblowing issue raised. This has been reviewed as part of the existing audit work and did not merit a specific investigation.

Other work

Risk management

39. As reported at the last audit committee meeting, internal audit has administered a full redesign of risk management processes in the council. The corporate register is fully operational as are three of the four directorate registers that feed into this process. Support work has been provided to develop the risk register for the remaining directorate.

40. Risks have been reassigned to reflect the new council structure that is now in place from 19 April 2021. The corporate register will continue to be presented to the audit committee twice yearly with the next review programmed for the September meeting.

Business support grants

41. Regular assurance group meetings have continued with the audit manager, the head of finance, audit & risk and the revenues & benefits operations manager to oversee post event assurance work to identify fraud and error, including the review of data matches from the National Fraud Initiative, and to fulfil reporting requirements to the government.

Other governance work

42. Internal audit has continued to provide advice and support to officers in a number of areas and working groups in line with the audit plan.

Follow up of audit recommendations

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

44. Reports on the status of all high and medium priority recommendations are now sent to each director on a quarterly basis, and a summary report is reviewed by the corporate leadership team as part of its quarterly performance framework report.

45. Appendix A details the outstanding high priority audit recommendations that require implementation.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.

46. There are no proposals in this report that would reduce or increase resources.

Legal

47. There are no specific legal implications arising from this report.

Statutory Considerations

Consideration:	**Details of any implications and proposed measures to address:**
Equality and Diversity	See section on Equalities Duties in the main report.
Health, Social and Economic Impact	None identified

Crime and Disorder	None identified
Children and Adults Safeguarding	None identified
Environmental Impact	None identified

Risk Management

Risk	Consequence	Controls Required
Audit actions identified are not resolved.	The control environment does not operate effectively.	Audit recommendations are follow-up to ensure implementation. Outstanding actions are reported to the corporate leadership team on a quarterly basis.

Other Options Considered

48. There are no alternative options to this report.

Reasons for the decision/recommendation

49. The committee is recommended to review and note the attached report from the council's external auditor.

Tracking Information

Governance Check	Name	Date Considered
Relevant Executive Director	Annabel Scholes	05/07/21
Legal opinion	Katrina Hulatt	05/07/2021
Relevant finance officer	Hannah Simpson	02/07/2021
Chief Finance Officer (or Deputy)	Annabel Scholes	05/07/2021
Monitoring Officer (or Deputy)	Katrina Hulatt	05/07/2021

Background papers:

None

Appendices:

Appendix A: Outstanding & Completed high priority recommendations

Appendix B – Audit Opinions & Definitions

Contact Officer:

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Appendix A: Outstanding & Completed high priority recommendations

Outstanding high priority actions:

Audit	Recommendation	Agreed action	Agreed date	Status / comments
Information Security & GDPR	The Information Asset Register (IAR) has not been updated since 2016 and has not been approved by the Corporate Information Assurance Group (CIAG). Information Asset Owners were not aware of the assets they owned. The Register does not have GDPR considerations as it was last updated prior to the regulation coming into place. The council should review and update the Information Asset Register on an annual basis.	In 2019 we worked on the schedule of processing and decided to update the IAR in 2019. This will be commenced as planned and will include GDPR considerations. ***Responsible Officer – Data Protection & Security Team Leader***	*~~Mar 20~~* *~~Sep 20~~* *~~Dec 20~~* *July 21*	89 review requests were sent to officers within the council – one request for each team. Currently 4 are still outstanding and have been last chased on 18/06/21. Progress to be reported to next CIAG. It is intended that the newly appointed experienced data protection officer will be responsible for completing all the outstanding actions from this GDPR audit.
Information Security & GDPR	The council should present the IAR to the CIAG on an annual basis, once updated, to gain official approval for the document.		*~~Dec 20~~* *~~Apr 21~~* *Oct 21*	Not yet started due to dependence on above.
Information Security & GDPR	The council does not currently have the capability to remove certain records according to their own retention schedule, due to the limitation of key systems. The Schedule of processing is not fully completed The council should push to replace software that prohibits the adherence to the schedule of processing retention rules with their IT partners.	This is well known and published on our website for customers. IT is working with software suppliers to identify their disposal functionality, which will be implemented over the coming year. The schedule of processing is a working document and is continually being updated. It will be reviewed at CIAG. ***Data Protection Security Team Leader and IT***	*~~Mar 21~~* + *Sep 23*	IT suppliers were contacted by LGSS IT. Some have come back with their timelines for compliance. There is no date for this as we are entirely dependent on the software providers working on a solution, but realistically this will be a long-term project – likely to be at least 5 years. As software is upgraded, which includes ability to remove data, this will be tested. Currently, we have software for Civica, which is being deployed, and Northgate revs and bens which was being tested, but has found issues and so testing has been

Audit	Recommendation	Agreed action	Agreed date	Status / comments
				suspended. For new software provisions such as E5 and iTrent, the ability to follow retention guidelines has been stated in the specification.
Contract management - housing repairs & responsive maintenance	Verification of accuracy for received reports. The council does not undertake any testing or receive any independent verification regarding the accuracy of reports received from NPSN. The absence of any sample checking of the veracity of information (e.g. actual costs and prime records supporting performance) being provided to the council by NPSN is a significant weakness in the control environment. The council should introduce sample check processes in-house, including drilling down to source data and confirming competitiveness of rates, to validate reports provided by NPSN, or alternatively obtain independent verification.			Overall good progress has been made with the various agreed actions for this recommendation. Considerable work carried out jointly between the business intelligence team (NCC) and NPS to provide assurance KPI definitions are being followed, contractor data is accurate, sufficient and robust quality checks are in place. Some of the actions now completed – see table further below.
		Although no specific actions/projects initiated to ensure IT systems used to record contractor data are fit for purpose ensure the requirements have been incorporated into work on implementing the new housing IT system. ***Responsible Officer – Head of Neighbourhood Housing***	~~Mar 21~~ July 2021	In progress, alongside the implementation of the new housing IT system.
		Continue to review any remaining KPI definitions derived from contractor data with NPS to ensure all definitions are clear, unambiguous and in line with contracted obligations ***Responsible Officer – Head of Neighbourhood Housing***	~~End of Q1 2021-22~~ July 2021	In progress.

Completed high priority actions:

Audit	Recommendation	Agreed action	Agreed date	Status / comments
Equalities duties	Develop the 2020-22 priorities to more overriding objectives and evidence-based priorities with specific and measurable equality objective(s) and an appropriate action plan. Ensure these are reviewed, minimum every four years, and readily available on the website.	The council has articulated its equality objectives as part of its regular reporting to Cabinet on the progress of the reducing inequalities strategy. These go beyond The Equality Act considerations, and were last agreed by Cabinet in March 2020. What is published in the cabinet report is supported by a range of project plans, including the current review of our EIAs etc, and performance measures including within corporate KPIs. Specific objectives for 2021/22 have been developed as part the draft equality, diversity and inclusion policy 2021/22. We will be seeking Cabinet approval in June. Progress against the objectives will be reported to CLT assurance. The objectives will be reviewed through the current equalities review, and informed by the political priorities for 2022/23, and the revised corporate plan for 2022/23. These will then be scrutinised by scrutiny committee and agreed by cabinet. ***Responsible Officer – Strategy Manager***	June 2021	Completed Cabinet agreed the Equality, Diversity and Inclusion policy 2021/22 on 9 June 2021.The policy includes four objectives with reasoning, how they will be accomplished and who is responsible for it. A project plan and action plan around these objectives is currently being developed. The document is currently only within the Cabinet papers on the website but has been passed on to the designers and web team as a high priority to be published on the Equality section of the website.

Audit	Recommendation	Agreed action	Agreed date	Status / comments
Contract management - Housing repairs & responsive maintenance	(The actions for this recommendation are partly completed, part not, so repeated from the outstanding table above) Verification of accuracy for received reports. The council does not undertake any testing or receive any independent verification regarding the accuracy of reports received from NPSN. The absence of any sample checking of the veracity of information (e.g. actual costs and prime records supporting performance) being provided to the council by NPSN is a significant weakness in the control environment. The council should introduce sample check processes in-house, including drilling down to source data and confirming competitiveness of rates, to validate reports provided by NPSN, or alternatively obtain independent verification.	As a one-off exercise, neighbourhood housing services to review format of current data and ensure it is compliant with KPI definitions	Mar 21	Completed.
		Neighbourhood housing services to document quality assurance steps currently being undertaken by NPS to ensure these are sufficiently robust.	Mar 21	Completed.
		Neighbourhood housing services to undertake a more in-depth review of data quality (a data health check) for KPI's as directed. This will then be ad hoc and where required in future, but all data and definitions are being checked as a one-off exercise as above.	Mar 21	Completed
		Service improvement team to review survey methodology used by Gasway as part of existing service improvement plan. This project will undertake a comprehensive review of the current approach to transactional satisfaction surveys. It consists of 2 stages: STAGE 1: This stage is purely exploratory/investigative in nature leading to the production of a report which includes recommendations for any potential changes. STAGE 2: This stage will implement any agreed changes set out in the report delivered in Stage 1	Mar 21 Dec 20 Mar 21	Completed.

Appendix B: Audit Opinions & Definitions

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

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

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

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

Key to priority of recommendations

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

NORWICH
City Council

Item 7

Committee Name: Audit

Committee Date: 13/07/2021

Report Title: Draft AnnualGovernance Statement 2020-21

Portfolio:	Councillor Kendrick
Report from:	Executive director of corporate and commercial services (S151 officer)
Wards:	All wards
OPEN PUBLIC ITEM	

Purpose

This report presents the Annual Governance Statement (AGS) for 2020/21 for consideration by the audit committee prior to sign off by the chief executive and leader of the council.

Recommendation:

That 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.

Policy Framework

The Council has three corporate priorities, which are:

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

This report meets all the corporate priorities

This report addresses healthy organisation strategic action in the Corporate Plan

Report Details

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) A review of the extent to which the council has complied with each element of its Code of Corporate Governance;
   b) Self-assurance statements prepared by executive directors and heads of service;
   c) The interim internal audit manager's opinion on the council's internal control environment;
   d) A review by the corporate leadership team (CLT).

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:

   a) The council's responsibilities for ensuring a sound system of governance;
   b) 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;
   c) An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
   d) The identification of any significant governance issues, and agreed actions taken, or proposed, to deal with significant governance issues;
   e) A conclusion demonstrating a commitment to monitoring implementation through the next annual review.

6. 'Significant governance issues' are those that:

a) seriously prejudice or prevent achievement of a principal objective of the authority;
b) 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;
c) have led to a material impact on the accounts;
d) the audit committee advises should be considered significant for this purpose;
e) the chief internal auditor reports on as significant in the annual opinion on the internal control environment;
f) have attracted significant public interest or have seriously damaged the reputation of the organisation; or
g) 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 constitution which forms 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. The guidance provides seven principles of good governance, to categorise examples within the code.

8. Part 2 – Responsibility for Functions of the Constitution 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*".

Timetable

9. The date for final publication of the accounts and AGS has been put back to 30 September 2021. The AGS will continue to be reviewed up to the point of being finalised to ensure that it is current at the time of publication. Actions associated with the AGS will be reported during the year to the Audit Committee.

Conclusion

10. 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.

Consultation

11. As set out above.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.

12. There are no proposals in this report that would reduce or increase resources.

Legal

13. There are no specific legal implications arising from this report.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	No implications arising from this report
Health, Social and Economic Impact	No implications arising from this report
Crime and Disorder	No implications arising from this report
Children and Adults Safeguarding	No implications arising from this report
Environmental Impact	No implications arising from this report

Risk Management

Risk	Consequence	Controls Required
The report contains an action plan for areas where the governance arrangement can be improved and strengthened.	If actions are not addressed there is a risk of reputational or financial risk.	The action plan will be monitored by the corporate leadership and updates provided to the audit committee.

Other Options Considered

14. There are no alternative options to this report.

Reasons for the decision/recommendation

15. This report meets the requirement to provide clear and timely reporting on the council's financial position.

Tracking Information

Governance Check	Name	Date Considered
Relevant Executive Director	Annabel Scholes	
Legal opinion	Katrina Hulatt	
Relevant finance officer	Hannah Simpson	02/07/2021
Chief Finance Officer (or Deputy)	Annabel Scholes	05/07/2021
Monitoring Officer (or Deputy)	Katrina Hulatt	05/07/2021

Background papers:

None

Appendices:

Contact Officer:

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Annual Governance Statement 2020-21

1. Statement by Leader of the Council and Chief Executive

Strong internal assurance and corporate governance is at the heart of every high performing organisation. Despite a challenging year the council has continued to have in place good governance arrangements as well as driving forward additional improvements to further strengthen processes and ensure continued robust decision making.

The Covid-19 situation led to significant changes to the working practices for the council. As soon as the issue became apparent, the council put in place its business continuity/emergency planning procedures. These processes have worked well and been refined as the Covid-19 response has continued. The council developed a blueprint for recovery which was approved by Cabinet in June 2020, this has provided the framework for the council's response as well as looking at how to build on opportunities arising from the pandemic to modernise the organisation and increase flexibility. Throughout the pandemic the Council has worked in partnership with the Norfolk CEOs and Leaders groups to co-ordinate and deliver the Covid-19 response.

Alongside the Covid-19 response there has been a clear focus on enhancing the governance arrangements and internal assurance processes. A number of key changes have been instigated during the year, including:

- Development of a new senior management structure with the changes implemented in April 2021. A key principle is that the new team will be responsible for overseeing ongoing improvements to governance, scrutiny and assurance both in relation to their own areas of responsibility and in relation to cross-cutting issues.
- As part of the changes a new Senior Leadership team (SLT) has been formed, this new forum will bring together the Executive Directors and Heads of Service to oversee the development of cross-cutting issues across the council.
- Quarterly Corporate Leadership Team (CLT) assurance meetings to scrutinise on a regular basis the budget position, performance against key corporate indicators, risk register, audit actions and workforce data. The process has ensured that key issues are highlighted and responses to poor performance are explored. The corporate risk register is reported quarterly to Cabinet and is also reviewed by the Audit Committee twice a year.
- A review of the council's constitution to ensure it continues to meet good practice and provides a strong decision-making framework. The amended constitution was approved by Full Council in March 2021.
- Improvements to the internal board structure to provide a concise route for feeding recommendations and proposals through to CLT, allowing for a clear and transparent decision-making process. The board structure is also intended to help break down silos and lead to more collaborative working across the council. The structure includes a new Resources, Performance and Delivery Board to monitor performance across the council including budget development and monitoring, corporate KPIs and risk monitoring and mitigation.
- Development of a single corporate planning and budgeting process. This is designed to allow a more holistic approach to directorate & financial planning as well as governance.

- Development of a shareholder panel to manage the council's wholly owned companies as a group. The panel will provide strategic direction, strong oversight, monitor performance and provide each entity with the commercial freedom to maximize their chances of success.

These improvements will continue to embed during 2021/22 and we will monitor their implementation and operation not only as part of our next annual review, but also continuously throughout the year.

Signed:

......………………………………….	………………………………….
Alan Waters	Stephen Evans
Leader of the Council	Chief Executive
Date:	Date:

2. Scope of responsibility

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

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

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

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

2.5. During the year the role of Monitoring Officer has been carried out by a senior officer from NpLaw. Under change to the senior management structure, the new head of legal and procurement will take on this responsibility and continued to be supported by NpLaw. Recruitment has taken place for this role with the formal appointment to take place in July 2021.

3. The purpose of the governance framework

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

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

3.3 The governance framework has been in place at Norwich City Council for the year ended 31 March 2021 and up to the date of the approval of this statement.

4. The governance framework

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

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

5. Key elements of the Governance Framework

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

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

- Under the Localism Act 2011 the new standards regime was adopted by council on 19 June 2012, including the members' code of conduct as documented in the councils constitution. Changes relating to a new standards framework based on guidance from the LGA to all Local Authorities, are planned for later in 2021-22, with a draft report due to be presented to Standards Committee in July 2021.
- Training is provided to new members, any issues or failings are reported at Standard Committee meetings and advice is provided to members by the monitoring officer as identified, or as requested.
- There is a separate code of conduct for employees, which is supported by HR policies and procedures. New employees are given a copy of the code of conduct and other key policies, and there are regular reminders regarding compliance with the policies. Employees are required to confirm that they have read the code of conduct and other key policies.

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

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

- Corporate policies and strategies, are available on the council intranet. Employees are required to confirm that they have read key policies relating to conduct, security and certain personnel matters.
- Managers within the council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations. This is a key control and as such each year heads of service are asked to conduct a self-assessment of the systems of internal control within their services and highlight actions intended to address any areas for improvement.

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

- Progress on delivering the Corporate Plan is communicated through a performance management framework. The Scrutiny Committee receives regular reports on performance against the Corporate Plan in addition to matters referred to it by Cabinet. In order to demonstrate its openness the authority also publishes:
  - Constitution
  - Council, Cabinet and Committee Reports
  - Scheme of delegation to officers
  - Various transparency reports, such as Pay Policy Statement and Payments over £500

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

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

- Information on current and closed consultations, including reports and minutes, is available on the council website.

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

- The council has a clear vision of what it is trying to achieve, as set out in its corporate plan 2019-2022, which forms the council's overarching policy framework.
- The changing pace council blueprint (operating model) has been developed as a guide for how Norwich City Council designs services and structures to deliver the vision and priorities within its corporate plan in a way that proactively addresses the financial pressures and changing policy and legislative environment it faces.
- Details of all the above, together with any committee reports referred to in this statement, can be found on the council website at www.norwich.gov.uk
- The corporate plan sets out the city council's strategic direction including its vision, mission and priorities. The corporate plan 2019-2022 was approved by council on 26 February 2019.
- This has been developed in the light of the wider city vision work, which has been undertaken under the 'Norwich 2040' banner. This started with a significant piece of resident and stakeholder engagement to identify consensus about what the strengths and challenges of Norwich are. It then continued with analysis of the findings to shape a vision for Norwich in 2040 which provides a shared set of aspirations for Norwich
- The city vision is therefore the starting point for the corporate plan. This has been combined with information and analysis including:
    - Analysing information on levels of need in the city such as looking at demographics, economic, environmental and equalities data
    - Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.
    - Understanding how other local authorities are responding to similar challenges
    - Looking at the potential future factors that may impact on Norwich and the council
    - Discussions with councillors and officers
    - Reflecting the Medium Term Financial Strategy and transformation programme which helps plan resource allocation
- The draft corporate plan was informed by consultation with members, residents, local organisations and other stakeholders.
- In June 2020, Cabinet agreed the Covid-19 Blueprint for Recovery, one of the first in the country to do so. This document provided an overview of the council's initial response to the virus, and identified a number of priority themes and actions to frame the council's – and the city's – recovery. The Blueprint made clear that the city's response to Covid 19 would require a partnership approach and over the last 12 months the city council has continued to work with City Vision partners

within business, the community and beyond, to make progress on key issues to steer the city through this challenging period. The council reports on progress in delivering the recovery blueprint to Cabinet on a six-monthly basis.

- Medium term financial plans are presented to council on an annual basis for the general fund and Housing Revenue Account along with capital, investment and treasury management strategies. The plans set out the level of general fund savings that need to be achieved in the coming and each of the following four years. An annual consultation on the budget is also undertaken. The delivery of the corporate priorities is managed through service plans for each service area and monitored through the council's performance management and reporting system.

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

- The council's vision and mission are:
  - The corporate vision – To make Norwich a fine city for all
  - The corporate mission – To put people and the city first
- The three corporate priorities are:
  - People living well
  - Great neighbourhoods, local environment and housing
  - Inclusive economy
- The corporate plan is underpinned by a range of strategic and operational plans, which set out in more detail how the council's vision and priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver.
- Due to the fluid nature of 2020-21 with priority activities switched to deliver the Covid-19 response, service and team plans were not all completed. Following the senior management restructure in April 2021, new directorate plans will be developed and cascaded through the services and teams. These will be designed to encourage a more joined up way of working, with clear links to corporate priorities. Thematic service reviews are also currently in progress, looking at the development of cross-cutting services.

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. An updated constitution has recently been prepared by the monitoring officer, with input from corporate leadership team and the cross-party constitution working party. This was approved by Council in March 2021. The Monitoring Officer has delegated authority to make changes to factual references or changes required by law to the constitution or appendices.
- The review of the constitution did not include updating the codes and protocols contained within the constitution. Many of these, such as the members' code of conduct and the officer employment rules, will be reviewed by lead officers and

presented to Council for approval and inclusion in the new constitution in due course.

- Key partnerships have been identified and are included in the council's partnership register.
- During 2020/21 the Council entered into a number of new partnerships. The most significant of these is the Town Deal Board that is in place to oversee the delivery of the £25m that the City Council was awarded by the Ministry of Housing, Communities and Local Government to deliver eight key projects. Details of the Board membership, terms of reference and meetings can all be seen on it's webpage at: Norwich Town Deal | Norwich City Council
- One of the projects funded through the Towns Deal is the East Norwich Regeneration Project. This project will develop a comprehensive Masterplan for this important growth area of the city, enabling the City Council and partners to ensure that the new urban quarter becomes a high-quality addition to the city, providing a base for the long-term growth of Norwich. To oversee the development of this project the City Council formed a new public private partnership in 2020 to provide input from a wider range of stakeholder to guide the masterplan. Details of the Board membership, terms of reference and meetings can all be seen on it's webpage at: East Norwich regeneration | Norwich City Council

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. Key priorities have been identified and are being monitored alongside the Covid Recovery Plan, which was agreed by Council in June 2020.

  The annual review of the corporate plan was agreed at Council in February 2021 and notes that the Covid recovery blueprint continues to serve as the key document setting out the council's key themes and activities over 2021-22.

  Following the senior management restructure of the council in April 2021, directorate plans will be developed to reflect the council's priorities and manage resources.
- The council uses an electronic performance management system which supports the performance management regime by holding high level indicators, risks and actions used to deliver the corporate plan. Performance is reported monthly to portfolio holders, quarterly to cabinet and twice-yearly to scrutiny. Latest quarterly results are published on the website here.
- 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 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 2020-21 is included in the narrative report to the statement of accounts for the year ending 31 March 2021.
- A key component of the council's performance framework and its drive for quality improvement is the work of internal audit. Their work assists management in an advisory and proactive capacity in addition to providing traditional assurance on systems and the control environment. As part of the senior management re-evaluation of performance and risk the council has moved to a risk-based approach for the audit function aligned to the corporate risk register and corporate priorities. Going forward, internal audit will be a tool for improvement acting in the role of critical friend and taking a pro-active role in assisting with the governance of corporate programs.
- Change and transformation within the council is underpinned by its changing pace blueprint (operating model) to ensure the council meets its savings targets while continuing to improve services and delivery models wherever possible. This approach is supported by a range of tools such as the council's organisational change toolkit to ensure staffing changes are carried out effectively, and its project management toolkit to ensure the effective delivery of projects.
- The ongoing process of transformation is driven by the corporate leadership team and senior management team (including all the heads of service) with regular briefings for the leader and portfolio holders and major change proposals being formally approved by Cabinet and Council as appropriate.
- The corporate leadership team's assurance group provides a regular and systematic forum for reviewing performance, finance, HR and audit reporting.
- During the year the council has continued to strengthen its internal board structure to provide a concise route for feeding recommendations and proposals through to CLT, allowing for a clear and transparent decision-making process.
- The structure includes a new Resources, Performance and Delivery Board to monitor performance across the council including budget development and monitoring, corporate KPIs and risk monitoring and mitigation. The Customer, Information and Digital board oversees the delivery of the IT service, driving council efficiencies and digital transformation as well as ensuring customer facing interaction meets the council's customer model. The Housing Commissioning and Asset and Investment boards have also continued to support the effective delivery of services during the year.

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 includes the council's procedure rules, details of member responsibilities, executive and non-executive functions, officers with statutory functions, employee and members codes of conduct, protocol for member / officer working arrangements, financial regulations, contract procedure rules, officer scheme of delegation and various joint arrangements.
- The council has a corporate governance framework for working in partnerships, with significant partnerships and joint ventures. During 2020/21 these were:

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

  Since 1 April 2021 the work of NNE has transferred to Norwich Commercial Services Limited (NCSL).

- For the two companies, which are wholly owned by the council, Norwich Regeneration Limited (NRL) and NCSL, decision-making boards are in place, as detailed in section 20 below.

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 governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) are regularly monitored to ensure compliance. The council continually seeks to improve financial management practices and processes to deliver sound financial governance.

- The CIPFA Financial Management (FM) Code is intended to provide guidance about good and sustainable financial management, along with assurance that resources are being managed effectively. As such, the code requires authorities to demonstrate that processes are in place which satisfy the principles of good financial management. An initial self-assessment against the principles of the code has been conducted. Many of the requirements of the FM Code represent good practice and are already reflected in the council's planning, policies and systems, however there are areas for continuous improvement and an action plan will be developed to monitor and track the planned improvements.

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. During 2020/21 the responsibilities of the monitoring officer rest with a senior officer at Nplaw, the council's shared legal service. Following the senior management restructure this role will sit with the head of legal and procurement. Following a recruitment exercise, formal appointment to the post is expected in July 2021. The Monitoring Officer undertakes to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions.
- It is important that members and officers work together to promote good governance within the council. The monitoring officer plays a key role in this and therefore it is vital that members and officers work with the monitoring officer to discharge the statutory responsibilities and other duties (as set out in the constitution).

- There are working arrangements and understandings in place between the monitoring officer, members and the corporate leadership team, which are designed to ensure the effective discharge of the council's business and functions. These arrangements are detailed in the monitoring officer protocol.
- The Council has appointed the executive director of development and city services as deputy monitoring officer to cover a conflict of interest if the monitoring officer or NpLaw cannot advise.

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

- The role of head of paid service is defined in the Local Government and Housing Act 1989. In Norwich City Council it is assigned to the chief executive as set out in the constitution and all necessary powers are delegated to him/her to fulfil the statutory role. The constitution requires the head of paid service to determine and publicise a description of the overall service 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 report to cabinet on changes to the senior management structure and on any 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 the constitution and publicised on the council's web site.
- The council is also required to provide the head of paid service with staff, accommodation and other resources sufficient to enable the performance of the function. In Norwich City Council, the annual budget proposed to council by cabinet, prepared by officers, seeks to align the provision of council resources with the delivery of the corporate plan. In this manner, the head of paid service is ensuring that the council is fulfilling its duty. During the year, any proposals that are made to significantly alter the manner of service delivery, to reduce or enhance a service, sets out the staffing and resource implications for that proposal. This is standardised in committee report formats to ensure that all relevant matters are considered when proposals are made. All cabinet papers are subject to scrutiny.
- A review (or appraisal) of the chief executive's performance is undertaken each year. The process is managed by an independent individual and takes account of the views of the Leader, cabinet and each opposition leader about how the chief executive has discharged all of his functions in relation to the role. There are also informal opportunities throughout the year for the adequacy of the chief executive’s performance to be discussed e.g. at weekly leader meetings and monthly meetings of group leaders.

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

- The cross-party councillors’ development group sets the strategic and policy direction for all aspects of councillor development which includes:
    - promoting the development of members

- developing, monitoring and evaluating the councillors training and development programme

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

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

- The council has a risk management policy and a risk management strategy, which have been approved by cabinet and are published on the council website.
- Individual projects and partnerships are also subject to risk assessments.
- The council’s risk management policy was last updated in 2019/20. A revised combined risk management strategy and policy is being prepared, for presentation to a future audit committee.
- Corporate and directorate risk management arrangements were refreshed during the year and regular reports are now reviewed by the corporate leadership team assurance group and cabinet.
- The council has a corporate business continuity plan for the effective management of business continuity issues, in order to ensure the continued delivery of services. Both business continuity and the management of major contracts are included in the corporate risk register. A business continuity policy and framework was approved by Cabinet on 25 June 2014.
- Due to Covid 19 the council has effectively been practising business continuity since February 2020. It was agreed that a review of the business continuity plan would be delayed until later in 2021 due to continued Covid response work, the rollout of new IT equipment, and the implementation of the new management structure. The business continuity framework will also be updated and reflect changes in how this activity will be managed going forward.

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 reviewed its counter fraud arrangements, reflecting professional guidance and good practice. Anti-fraud and corruption, whistleblowing and anti-money laundering policies are published on the website and intranet.
- The policies are promoted to employees, who 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.

- The council participates in the Cabinet Office's national fraud initiatives (NFI) and regularly reports the results to audit committee.

- The Anglia Revenues Partnership Fraud Team investigate Housing Benefit and Council Tax discounts and exemptions where cases of potential fraud or error exist

- As part of the Covid-19 response, the council has paid out grants to businesses in line with the government schemes. During the year the council has complied with the reporting, risk assessment and payment assurance process requirements.

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 Overview and Scrutiny committee and provides regular updates on their work to the council's scrutiny committee.
- A member of the council is also a member of the Norfolk Health and Wellbeing Board and inputs into the progression of the Norfolk Health and Wellbeing Strategy.
- A member of the council is also a member of the police and crime panel, and a member of the council's scrutiny committee is a member of the Norfolk Countywide Community Safety Partnership Scrutiny sub panel to provide regular updates on their work to the council's scrutiny committee.

  The council's early intervention and community safety manager represents the council on the Norfolk County 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:

- During 2020-21 internal audit was led by a professionally qualified interim internal audit manager 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.
- From April 2021 best practice standards have continued to be adhered to, with internal audit being managed by the head of finance audit and risk.

- In April 2021 Cabinet approved the decision to enter into a partnership arrangement for the delivery of internal audit services. The head of internal audit role will be provided by South Norfolk Council from July 2021, with outsourced provision of the internal audit reviews expected from April 2022. Agreement of the Internal Audit plan and monitoring of the agency agreement remains the responsibility of the corporate leadership team and the head of finance, audit and risk, with oversight by the Audit Committee. This ensures the council maintains sufficient council control over the direction and delivery of internal audit services.

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

- The council has an audit committee with terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference were reviewed in October 2017 in line with the latest CIPFA guidance and can be found in 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.
- Norwich Regeneration Limited (NRL) has a board consisting of two councillors, two non-executive directors, who were appointed during 2020-21, the NRL managing director and with an ongoing invitation for two directors to attend meetings. The board combines a broad range of experience including finance, business case development, procurement, risk management as well as general management. NpLaw provide company secretary support to the board. The board is able to call on additional expertise as required including officers of the council, a financial advisor, a project manager, estate agents, architects and legal.
- The board has put in place a scheme of delegation to allow day to day decisions to be taken without the need for a full board meeting but major decisions are reserved for the board.
- NRL has a business plan in place, which goes through rigorous scrutiny requiring the approval of the council as shareholder as well as the NRL board. The business plan for 2021-22 was presented to Cabinet in March 2021 and is currently undergoing an external review to provide the council with independent advice, scrutiny and assurance over its underlying assumptions prior to any detailed business cases being considered.

  Risks are managed at a company level through the business plan and board meetings while project risks are managed through the project process for each project.

- Norwich Commercial Services Limited (NCSL) was set up in September 2020. It has a board consisting of an independent chair and director, three non executive directors (one independent, two council members) and the managing director as executive director.

  NCSL has a business plan in place, which was approved by the council as shareholder as well as the NCSL board. The business plan for 2021-24 was presented to Cabinet in April 2021.

  Risks are managed at a company level through the business plan and board meetings. In line with the shareholder agreement, updating reports are taken to the councils Cabinet twice per year.

- To further strengthen the governance arrangements, a shareholder panel is being developed to manage the council's wholly-owned companies as a group. The panel will provide strategic direction, strong oversight, monitor performance and provide each entity with the commercial freedom to maximise their chances of success.

~~6.~~ Current & Emerging Issues

Covid 19 update

The Covid 19 pandemic that commenced in March 2020 led to significant changes to the working practices of the council.

The majority of staff were enabled to work from home, committee meetings were initially only held where necessary, with those that occurred held remotely, and meetings open to the public were live-streamed on the council's You Tube channel. From May 2021 meetings returned to face to face meetings, in line with statutory requirements.

Covid is managed at officer level by the county wide Health Protection Board and Norfolk CEOs group. The council's chief executive officer is a member of both. At a political level This is through public sector leaders board, attended by the chief executive and leader of the council.

The council has effectively been practising business continuity since February 2020. An evaluation of the effectiveness, across all service areas, of the business continuity and emergency planning arrangements that were put in place will be carried out later in 2021 to identify any improvements that can be made for the future. Updates to directorate and service business continuity plans will be completed, to take into account the restructure of the council, and then feed into the update of the corporate business continuity plan.

The council developed a blueprint for recovery, which was approved by Cabinet in June 2020. This Covid Recovery Plan includes the key strategic areas for the council to focus on, including building on opportunities arising from the pandemic to modernise the organisation and increase flexibility. This continues to serve as the key document setting out the council's key themes and activities over 2021-22, as detailed in the report, relating to the corporate plan, presented to Council in February 2021.

Covid-19 has had significant impacts on the council finances, in particular areas including car parking revenue, rental income, planning application fees, and council tax and business rates. This was closely monitored by finance and corporate leadership team, and Cabinet councillors were regularly briefed.

The Council took taken positive short term action to secure the sustainability of the council's finances whilst managing the significant financial impacts of Covid-19. Proactive mitigations were put in place over the summer to recover the projected deficit and through managers continuing these actions the Council has managed to control spending to support the positive investments approved in the budget. Government funding was received towards the costs of the pandemic which, when combined with the positive short-term saving decisions taken by the council, has meant that no general reserves are needed to balance the outturn position in 2020/21.

The medium term financial challenge to the council remains uncertain with many new grants only awarded for 1 year, whilst the impact from Covid-19 will be seen for years to come. As part of the 2021/22 Budget it was agreed that the underspend is used to fund two new earmarked reserves: one to manage future budget risks and the other to fund support costs for the transformation change programme. These reserves will be key in managing the financial risk and uncertainty over the short term as the Covid recovery continues and wider government support to the economy and taxpayers is reduced.

The medium-term finance strategy (MTFS) was reviewed during the year to take these factors into account and was presented to the 2021-22 budget Council meeting in February 2021. Delivery of saving proposals (2021/22 and future year planning) in the context of the council still being impacted by the Covid-19 recovery continues to be a risk to the council.

New and emerging legislation

- The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020, came into force 4 May 2021, and gives those in problem debt the right to legal protections from their creditors, and a minimum of 60 days breathing space (some different regulations for mental health crisis cases). In anticipation of this, and linked to debt recovery during the Covid pandemic, the council developed a new corporate non-commercial debt policy, which consolidated all recovery for non-commercial debts into one policy. Therefore it covers recovery of arrears of housing rents, council tax, overpayments of housing benefits and council tax reduction, and other invoiced sundry debts. The policy was approved by Cabinet in September 2020, and immediately put into place. It is published on the councils' website.
- The CIPFA Financial Management Code 2019 took full effect from April 2021. By complying with the principles and standards within this code authorities are able to demonstrate their financial sustainability.
- Environmental bill; domestic abuse bill; changes to homelessness / rough sleeping requirements
- Environmental legislation could have an impact on the council as landlord of commercial properties.
- Government White Paper Social Charter for Social Tenants and Building safety bill.
- Revision to Public Contract Procedures 2015 based on the governments green paper on transforming public procurement.
- Voter ID legislation affecting processes and preparations for the elections in 2022.

- New planning bill will be introduced during this parliament - this could significantly affect fee income. Further details awaited but expected to be heavily influenced by ‘Planning for the Future’ 2020.

7. Review of effectiveness

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

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

1. The council and cabinet

- In February 2019 the council approved the new corporate plan 2019-2022, which is reviewed each year in line with the medium term financial strategy and in parallel to the development of the budget for the following year to ensure the necessary resources are in place for its delivery. This was updated in 2019 with changes to the key performance measures, which had been agreed by cabinet and the scrutiny committee. The council will continue to engage with stakeholders to inform the setting of corporate priorities beyond 2021-22, reflecting the changing landscape of local government finance and emerging opportunities and challenges for Norwich.
- The council approves medium term financial plans for the general fund and housing revenue account along with capital, investment and treasury management strategies. These provide the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.
- During 2020-21 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council’s savings requirements, alongside the Covid Recovery Plan, which was agreed by Cabinet in June 2020.
- 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.
- Cabinet approved key strategies and policies such as the Procurement Strategy 2021-2024, and the Risk Management Policy.
- Cabinet has continued to be involved with the progress of risk management, and for approving mitigations taken for risks that exceeded the councils risk appetite. The corporate risk register was last presented to Cabinet in March 2021.

- Cabinet approved business plans, including NPS Norwich Limited, and the councils wholly owned companies Norwich Regeneration Ltd and Norwich Commercial Services Ltd.
- In June 2020 Cabinet approved the terms of reference for the East Norwich Partnership, a new public-private sector partnership to steer preparation of a masterplan to deliver a new residential-led mixed-use quarter that will support the future growth of the city.
- Quarterly performance monitoring reports are presented to scrutiny committee and cabinet – cabinet also receives budget monitoring reports. Performance monitoring reports during 2020-21 covered achievement against the council’s detailed priority actions and performance measures detailed in the corporate plan 2019-22.
- The council's constitution working party recommends to cabinet and council any changes to the constitution. As detailed elsewhere in this report, a revised constitution was approved by council in March 2021.

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 2019-20 was presented to scrutiny committee on 16 July 2020 and to Council on 21 July 2020.

3. The audit committee

- The council has an audit committee with terms of reference which cover internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts.
- The committee receives reports on corporate risks, the work of internal audit, including the head of internal audit’s annual report, and external audit reports, letters and briefings. It also reviews and approves the annual governance statement.
- The Local Audit and Accountability Act 2014 introduced changes to the appointment process for external auditors. The committee reviewed options for appointing external auditors, and endorsed a recommendation to use PSAA Ltd, who was specified as the sector-led appointing body under the Local Audit (Appointing Person) Regulations 2015. This was recommended to cabinet and approved by full council.
- The committee reviewed counter fraud policies including anti-fraud and corruption, anti-money laundering, and whistleblowing. These were recommended and approved by cabinet.
- In line with good practice, the annual report on the work of the audit committee in 2019-20 was discussed by the audit committee on 14 July 2020 and presented to council on 21 July 2020.

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.

5. Chief finance officer

- The chief finance officer is a statutory appointment. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council as member of the corporate leadership team, ensuring that expenditure is lawful and within resources, advising on systems of internal financial control, and supporting the audit committee.
- The council continues to strive to improve financial management practices and processes, and 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 2019-20.

6. Internal audit

- The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the head of internal audit to give an opinion on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.
- The annual report, from the head of finance, internal audit and risk, will be presented to the Audit Committee in July 2021. This report will outline the key findings of the audit work undertaken during 2020-21, including any areas of significant weakness in the internal control environment.
- From the audit reviews undertaken during 2020-21, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. The need to improve risk management and some aspects of contract management were identified and audit reviews will continue to focus in this area.

  In line with the Chief Executive's vision, future audit coverage will provide increasing focus on value added and proactive advisory work in addition to traditional opinion based reviews.

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

- It is the opinion of the head of finance, internal audit and risk, taking into account all available evidence, and the opinion of the interim internal audit manager before he left, that **reasonable assurance** may be awarded over the adequacy and effectiveness of the Council's overall internal control environment, during the financial year 2020/21 The detail to support this assessment is provided in the annual internal audit report.

7. Corporate governance group / resources, performance and delivery board

- The corporate governance group was an internal officer group meeting every four months, responsible for reviewing all aspects of the council's governance arrangements. The group consisted of chief finance officer, monitoring officer, head of HR and learning, internal audit representative and two directors.

- The resources, performance and delivery board was set up in January 2021 and has taken over the functions of the corporate governance group. This board includes the executive director of corporate and commercial services, head of finance, internal audit and risk, head of strategy engagement and culture, and monitoring officer.

- The embedding of the new resources, performance and delivery board and combined reporting to corporate leadership team and Cabinet will be key in driving strong financial and performance management across the council.

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 2019-20 was presented to audit committee on 24 November 2020 . The annual audit letter 2019-20 was presented to audit committee on 9 March 2021.
- For 2019-20 EY issued unqualified audit opinions on the financial statements, value for money conclusion and whole of government accounts. There were no significant risks identified.

Improvement and efficiency.

- The council has been on a significant journey of improvement over recent years which has been recognised by a number of awards including
  - Gold award winner in the 'Climate Action of the Year' category, Global Good Awards 2020.
  - Achieved silver standard status for the Council's Home Options service by the peer led, National Practitioner Support Service.
  - The city council's housing development on Goldsmith Street won the RIBA Sterling Prize 2019.

8. Governance issues and actions

Internal Audit Reviews

8.1. There were no significant control issues identified from audit reviews during 2020-21. However, there were areas where updated corporate management controls need to be embedded going forward. These are included in the action plan at appendix 1 below.

8.2. The annual governance statement 2019-20 reported significant control issues relating to the contract management for the housing repairs and maintenance contract. Actions to address these tissues, has been monitored throughout the year. Details are included in appendix 2 below.

8.3. Internal audit completed a review of a different large contract during 2020-21. Although this did not identify significant control issues, a number of recommended actions were reported, indicating a need to generally continue to improve the control environment for contract management.

8.4. Actions to address audit findings are monitored by the new resources, performance and delivery board, the corporate leadership team and the councils audit committee where appropriate.

Embedding of Improvements to Governance Arrangements

8.5. Alongside the Covid-19 response there has been a clear focus on enhancing the governance arrangements and internal assurance processes. A number of key changes have been instigated during the year, including: launch of a new senior management structure; quarterly Corporate Leadership Team (CLT) assurance meetings including risk management; improvements to the internal board structure; development of a single corporate planning and budgeting process; and development of a shareholder panel to oversee the council's wholly owned companies.

8.6. These improvements will continue to embed during 2021/22 and we will monitor their implementation and operation not only as part of our next annual review, but also continuously throughout the year.

Action Plans

8.7. Key actions to address the governance issues and developments have been included in Appendix 1. These will be delivered over the course of the year and monitored by the corporate leadership team and the council's audit committee.

8.8. The progress and updates on the actions identified in the 2019/20 Annual Governance Statement are included in Appendix 2.

9. Conclusion

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

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

APPENDIX 1

2021/22 ACTION PLAN

Issues & actions identified	Lead officer	Target implementation date
Risk management: Risk management needs to be embedded across directorates and service planning to support progress made on corporate risk register (see Appendix 2).	Executive Directors	December 2021
Information governance • Strengthening resilience and capacity in the area of information governance. • Action is in the process of being taken – Corporate Information Assurance Group (CIAG) in place and will meet monthly, reviewing of appropriate policies, procedures and practices, and the preparation of a business case for recruiting a specialist IG co-ordinator. However, as this will take some time to implement and take effect, so consideration required to mitigating the risks in this area in the meantime.	Executive director, community services	December 2021
Review of business continuity plans Full review of the service and corporate business continuity plans, and the BCM framework, to update in line with the restructure and take into account lessons learned from using the BCPs during the Covid 19 pandemic.	Executive Director, regeneration and city services	December 2021
New board structures Embedding the responsibilities of the three new boards: • Resources, performance and delivery board • Customers, IT and digital board • Health & safety board	Chief Executive	December 2021
Project Place – phase 2 Delivery of second phase of project place, including the transfer of repairs and maintenance services to NCSL and asset services to the council, is underway. Project team with relevant technical skills established, key activities and milestones mapped and progressing. Risks and issues with appropriate mitigation actions identified.	Executive director, community services	April 2022

Issues & actions identified	Lead officer	Target implementation date
Housing tenancy management system implementation The implementation of Northgate Housing Tenancy and Estate Management System to provide improved housing services and support the transfer of repairs and maintenance and asset management services to NCSL and the council.	Executive director, community services	December 2022
Housing Board Reviewing the terms of reference and embedding the responsibilities of the Housing Commissioning Board to drive improvements in housing services through review of the Housing Revenue Account Business Plan	Executive director, community services	September 2021

APPENDIX 2

2020/21 ACTION PLAN UPDATE

Issues & challenges identified	Lead officer	Target implementation date	Progress
Joint venture insourcing (Project Place) • Delivery of first phase of project including setting up of new company and associated governance arrangements	Executive director of community services.	April 2021	**Complete** • Phase 1 of project completed. • Wholly owned company, NCSL, set up and governance arrangements in place – see notes in AGS above. • Work from Norwich Norse Environmental satisfactorily moved to NCSL from 1 April 2021. • Phase 2 of project progressing to in-source the work of NNBL to NCSL and NPSN to City Council. • Project risk register in place.
Risk management: • Overhaul and develop a new Corporate risk register • Develop new Directorate risk registers	Corporate Leadership Team	November 2020	**Complete – with development of Directorate risk registers added to the 2021/22 Action Plan** • Revised corporate risk register (CRR) in place and has been updated in line with the new management structure. • Procedures for reviewing and updating CRR set up. • Two of three directorate risk registers in place, support being provided for completion of the remaining one. • Review of risk management strategy and policy carried out. A few updates to be completed, then this will be presented to a future audit committee during 2021, along with the updated CRR.
Address internal audit findings: • Housing repairs and responsive maintenance contract management.	Executive director of community services.	March 2021	**Ongoing** • Progress has been made with the actions identified in the Audit. • The one high priority audit recommendation (with numerous actions) continues to progress.

Issues & challenges identified	Lead officer	Target implementation date	Progress
			• For the medium priority recommendations, nine actions were agreed. Two have been completed, three are awaiting confirmation from NNBL and five ongoing.

APPENDIX 3

KEY STRATEGIES AND POLICIES RELATING TO GOVERNANCE

Strategy / policy	Owner	Last updated	Next review due	Comment
Risk management strategy and policy	Head of finance, audit and risk	January 2018	September 2021	New policy has been drafted but needs updating for any changes in risk management responsibility moving away from audit, and then signing off by executive director of corporate and commercial services and CLT. Expected to go to Audit Committee in September
Whistleblowing	Head of HR	May 2020	July 2021	Overall policy wording remains appropriate but needs updating for new contacts and corporate restructure.
Anti-fraud and corruption	Head of finance, audit and risk	February 2021	July 2021	Overall policy wording remains appropriate but needs updating for new contacts and corporate restructure and changes associated with audit responsibilities.
Anti-money laundering	Head of finance, audit and risk	December 2020	July 2021	Overall policy wording remains appropriate but needs updating for new contacts and corporate restructure.
NCC complaints policy	Customer contact manager	2021	None	Statutory. Needs review. Will commence July 2021.
Communications strategy	Communications Manager	2013	None	New comms strategy being worked up ready for June 2021
Corporate plan	Strategy Manager	2019	2022	Statutory.
Equality, inclusion and diversity policy	Strategy Officer	None. Start date 2022.	None	Statutory. Strategy development will commence September 2021
Contract procedure rules	Business relationship & procurement manager	March 2021	March 2024	Updated as part of constitution.

Strategy / policy	Owner	Last updated	Next review due	Comment
Procurement and contract management strategy	Business relationship & procurement manager	April 2021	April 2022	Period 2021 to 2024 review on annual basis.
Financial regulations	Head of finance, audit & risk	March 2021	March 2024	Updated as part of constitution
Financial procedures	Head of finance, audit & risk	November 2013	September 2021	Linked to Enabling Services Review
Charging policy	Head of finance, audit & risk	July 2010	November 2021	Link to income review as part of the corporate planning process 2022/23.
Commercial property investment strategy	Head of property & economic development	2018	2021	This needs an update post adoption of the strategic asset management framework (see below).
Strategic asset management framework	Head of property & economic development	In progress.		To replace the asset management strategy, which is out of date. In progress – expected to be complete by Sept 2021. An interim version may be adopted before a full version later in 2022-23
IT user security policy	Data protection and systems team leader	March 2021	Oct 2021	Full review of the policy in progress.
Data protection policy	Data protection and systems team leader.	Feb 2020	July 2021	Statutory. To be updated every 2 years, needs review. Will be commenced July 2021.
Safeguarding children and vulnerable adults policy	Early intervention and community safety manager.	2019	July 2021	Review to be commenced July 2021.
Health and safety policy	Environmental health & public protection manager	June 2019	Aug 2021	Health and safety policy and performance standards reviewed and updated in 2021

Strategy / policy	Owner	Last updated	Next review due	Comment
Business continuity management policy & framework	Emergency planning manager	2014	Review due 2021	A review of the BCP will take place later in 2021 due to continued Covid response work, the rollout of new IT equipment, and new management structure. The business continuity framework will also be updated and reflect changes in how BCM will be managed going forward
Environmental strategy 2020-25	Environmental strategy manager	July 2020		Adopted July 2020. Refresh currently ongoing, alongside refresh of carbon management programme.

NORWICH City Council

Item 8

Committee Name: Audit

Committee Date: 13/07/2021

Report Title: Draft Statement of Accounts 2020-21

Portfolio:	Councillor Kendrick
Report from:	Executive director of corporate and commercial services (S151 officer)
Wards:	All wards
OPEN PUBLIC ITEM	

Purpose

This report presents the formal unaudited draft Statement of Accounts.

Recommendation:

It is recommended that the committee reviews the draft Statement of Accounts 2020-21

Policy Framework

The Council has three corporate priorities, which are:

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

This report meets all the corporate priorities

This report addresses healthy organisation strategic action in the Corporate Plan

This report helps to meet council's financial objective of the COVID-19 Recovery Plan

Report Details

Background

1. 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. The unaudited draft statement of accounts will be authorised by the Executive Director of Corporate and Commercial Services (S.151 officer) ahead of publication on the council's website.

2. The Ministry of Housing, Communities and Local Government (MHCLG) has put in place revised regulations that come into force on 31 March 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020/21 and 2021/22 for all local authorities.

3. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead, local authorities must commence the public inspection period on or before the first working day of August 2021. This means that accounts that must be confirmed by the responsible finance officer and be published by 31 July 2021 at the latest. The publication date for audited accounts has consequently moved from 31 July to 30 September 2021.

4. In line with the requirements, the unaudited Statement of Accounts will be accessible on the council website. Our period of public inspection will run from 26 July until 6 September 2021.

5. In line with the external audit plan (also on the agenda), the council will not achieve the publication date for audited accounts as EY have scheduled for the work to be undertaken in November and December 2021.

6. Covid-19 has continued to present challenges both in terms of working arrangements and additional financial activity to account for and report. Despite this the team have worked hard to prepare the financial statements, including liaison with budgets managers and external partners.

Statement of Accounts

7. The draft statement of accounts is attached at Appendix 1. Its format is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom (supported by International Financial Reporting Standards) and includes a full balance sheet and statement of cash flow movements.

8. Group Accounts have been prepared which consolidate in the financial performance and position of the council's wholly-owned subsidiaries Norwich Regeneration Limited and Norwich City Services Ltd.

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

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

- an overview of the council’s medium term financial plans, future outlook, and key risks going forwards;
- a summary of the council’s financial performance for 2020/21 along with information on how well the council delivered its key priorities during the year; and
- a guide to the key features of the primary statements and notes that make up the financial statements.

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

11. There have been no significant changes to the accounting standards in 2020-21.

Covid-19 Implications

12. Since setting the 2020-21 budget in February 2021, the global economic environment has fundamentally shifted in light of the Covid-19 pandemic. The 2020/21 financial year has been a full year dealing with the issues generated by the ongoing pandemic. For the 2020/21 financial reporting period, we have had to consider a range of potential reporting impacts, including:

    - Impact on property, plant and equipment valuations
    - Consideration of expected credit losses and bad debt provisions
    - The impact on Narrative reporting
    - Reporting judgements and estimation uncertainty
    - Financial impacts on group entities
    - Accounting for government grants to support business during the pandemic.

13. The narrative report contains details of the current and future impacts on the council’s operations and finances, as well as the operational impacts it has had on the council in 2020/21.

14. The council has received a significant level of government funding in relation to Covid-19, in particular to fund business support payments. The associated grant restrictions and conditions vary between schemes and have been assessed on an individual basis to form a judgement on the accounting treatment. The review and analysis have been shared with the external auditors.

15. To prepare the Statement of Accounts independent valuations have been undertaken on the pension and property assets. Note 4 in the accounts provides further details on the assumptions made about future and other major sources of estimation uncertainty and the sensitivity of valuations. Management will continue to monitor information available about asset valuations and the implications for the accounts until the accounts audit is finalised.

Consultation

16. Details of the public inspection period in paragraph 4.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.

17. There are no proposals in this report that would reduce or increase resources.

Legal

18. There are no specific legal implications arising from this report.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	None identified
Health, Social and Economic Impact	None identified
Crime and Disorder	None identified
Children and Adults Safeguarding	None identified
Environmental Impact	None identified

Risk Management

Risk	Consequence	Controls Required
None identified		

Other Options Considered

19. There are no alternative options to this report.

Reasons for the decision/recommendation

20. 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.

Tracking Information

Governance Check	Name	Date Considered
Relevant Executive Director	Annabel Scholes	
Legal opinion	Katrina Hulatt	
Relevant finance officer	Hannah Simpson	02/07/2021
Chief Finance Officer (or Deputy)	Annabel Scholes	05/07/2021
Monitoring Officer (or Deputy)	Katrina Hulatt	05/07/2021

Background papers:

None

Appendices:

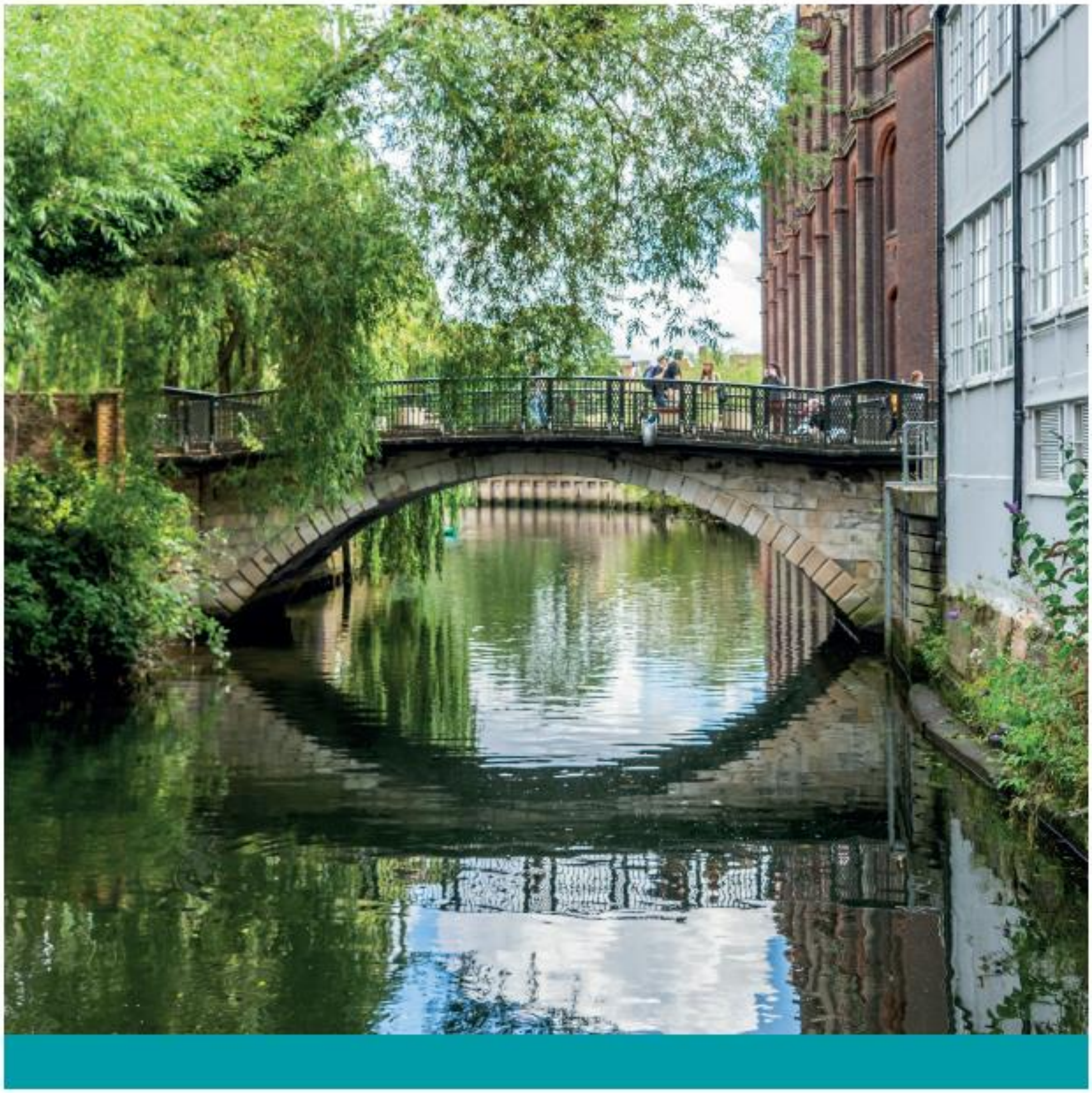
Contact Officer:

Name: Hannah Simpson

Telephone number: 01603 989569

Email address: hannahsimpson@norwich.gov.uk

Appendix
Audit committee - 13 July 2021



Statement of accounts

for the year ending 31 March 2021

NORWICH City Council

Contents

Narrative Report

1. Introduction

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

However, local authority financial statements are complex and can be difficult to understand: they must comply with the Chartered Institute of Public Finance & Accountancy's (CIPFA) "Code of Practice on Local Authority Accounting in the United Kingdom 2020/21", which is based on International Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.

This narrative report will provide the reader with:

- An understanding of the council, its strategic priorities, and the local and national context in which it operates.
- A summary of the council's financial performance for 2020/21 along with information on how well the Council delivered its key priorities during the year.
- The response and future challenges related to Covid-19.
- An overview of the council's medium term financial plans, future outlook, and key risks going forwards.
- A guide to the key features of the primary statements and notes that make up the financial statements.

The council is required to publish an Annual Governance Statement to accompany the Statement of Accounts. This sets out the arrangements the council has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The 2020/21 Annual Governance Statement can be found at: *https://www.norwich.gov.uk/downloads/download/1978/statement_of_accounts*

2. Norwich City Council

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

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

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

The political make-up of the city council during the 2020/21 civic year was as follows:

- Labour 27 seats,
- Green Party 8, and
- Liberal Democrats 3.

There was one vacancy as a member of the green group resigned in the summer of 2020.

Labour had a majority of the seats and therefore had overall control. The Cabinet for the 2020/21 civic year consisted of eight members of the Labour group including the Leader of the Council, as follows:

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

Following the elections held on 6 May 2021 and 17 June 2021, the political makeup is

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

The Council employs 554.4 full time equivalent (FTE) employees (as at 31 March 2021). The actual number of employees is 647 of whom 427 are full time and 220 are part-time employees.

The Council delivers some of its services in partnership with other organisations. During 2020/21 the most significant of these being Norse Property Services Norwich Ltd (land and property management), Norwich Norse Environmental Ltd (street and other cleansing, grounds maintenance and tree work), Norwich Norse Building Ltd (housing and non-housing repairs and maintenance), CNC Building Control and NPLaw (legal services).

The council insourced the LGSS joint venture contract (provision of finance, internal audit and IT services) on 1 April 2020. The council insourced the Norwich Norse Environmental Ltd contract on 1 April 2021. The council will be insourcing the other Norse joint venture contracts back into council control from April 2022.

3. Strategic direction of the Council

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

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

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

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

Our mission: put people and the city first.

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

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

Our core values: these drive how we will all work and act as teams and employees of the council. Taken together, these summarise what we promise to do and be as a council for the city and its residents. These are:

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

4. Local context

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

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

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

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

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

Running alongside this is a review of the Council's whole operating model to make sure we can deliver the services that our residents, visitors, businesses and partner organisations want and need, within the resources we have.

The council has launched a programme of service reform, with a range of service reviews. These service reviews, which commenced in September 2020, will aim to identify service improvements as well as savings options for future years. The service reviews will look to build on the momentum of, and lessons from, the council's response to Covid19 to identify new ways of delivering, to better meet the needs of our customers and deliver services more efficiently, thereby protecting frontline services where possible.

There will be service specific and cross-cutting reviews on themes including digital council, delivering value from our assets, and simplifying and improving customer entry points. The aim of the reviews is to improve the efficiency of service delivery so as to avoid a reliance on service cuts to balance the budget in future years.

5. National Context & Future Outlook

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

Covid-19

The global economic environment has fundamentally shifted in light of the Covid-19 pandemic. It has had a dramatic impact on the financial outturn for 2020/21.

Council's Response

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

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

In June 2020, Cabinet agreed the Covid-19 Blueprint for Recovery, one of the first in the country to do so. This document provided an overview of the council's initial response to the virus, and identified a number of priority themes and actions to frame the council's – and the city's – recovery.

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

An update was provided to Cabinet on progress in December 2020, across the 8 Blueprint themes:

- Securing the Council's finances
- Modernising the Council; Re-imagining local services
- Supporting the most vulnerable
- Business and the local economy
- Housing, regeneration and development
- Arts, Culture and Heritage
- Climate change and the green economy
- Harnessing social capital

The Blueprint made clear that the city's response to Covid 19 would require a partnership approach and over the last 12 months the city council has continued to work with City Vision partners within business, the community and beyond, to make progress on key issues to steer the city through this challenging period. The Norwich 2040 City Vision, of a city which is connected, creative, dynamic, fair and liveable, is as vital as ever.

Financial Implications

The council continues to face a substantial financial challenge. The sustained period of austerity over the past decade has decreased the city's council's own budgets whilst putting huge financial pressures not just on council resources, but those of partners, local businesses, and residents, particularly the most vulnerable residents.

Alongside austerity, the council has to manage ongoing and unprecedented risk arising from the Covid-19 pandemic as well as the longer term uncertainty around changes in future local government funding.

The Covid-19 pandemic has had a significant impact on the 2020/21 budget; this is due to a combination of increased costs and lost income (e.g. from car parks, commercial rents, planning fees, licensing, event bookings).

In response to the financial challenges of the Covid-19 pandemic, the Council took a number of proactive short-term saving decisions to partially offset the additional costs and loss of income. The most significant saving was in borrowing costs with a net saving in 2020/21 of £2.28m. Costs were also reduced through the cancellation of council-run events and the deferring planned maintenance work into future years.

The council was also awarded four tranches of government Covid-19 Emergency funding which totalled £2.78m to assist in dealing with the crisis. This funding has been vital in offsetting the additional Covid-19 related costs the council has incurred in areas such as IT support for homeworking, rough sleeping, support for the council's leisure provider, additional contractual costs, and staff overtime arising from the delivery of the Covid-19 response.

The council has also received a number of other additional one-off grants to offset the impacts of Covid-19. The most significant of these has been from the Sales, Fees and Charges Compensation Scheme. The key income streams covered by the grant are car parking fees, planning fees and sales losses from council venues such as St Andrews Hall and the Norman Centre.

The receipt of this funding, alongside the positive short-term saving decisions taken by the council, has led to an overall general fund underspend and means no general reserves are needed to balance the outturn position in 2020/21.

The medium-term financial challenge to the council remains uncertain with many new grants only awarded for one year; whilst the impact from Covid-19 will be seen for years to come. As part of the 2021/22 Budget it was agreed that the underspend is used to fund two new earmarked reserves: one to manage future budget risks and the other to fund support costs for the transformation change programme. These reserves will be key in managing the financial risk and uncertainty over the short term as the covid recovery continues and wider government support to the economy and taxpayers is reduced.

Government Funding and Reforms

The financial year 2021/22 is the eleventh year of austerity and the level of funding allocated to local government continues to be insufficient to support the demand for council services. This, together with increased pressures from Covid, means that the council will not receive adequate resources to cover its costs over the medium term.

The financial settlement covered only 2021/22, with the government implementing a 'roll forward' finance settlement. This means at least a one-year delay to the longer-term local government financial reforms. It remains unclear on the timeframe for the government reforms and whether a multi-year settlement will be provided for 2022/23 and beyond.

The settlement for 2021/22 included a number of one-off Covid-19 related grants. The allocations to Norwich for these grants totalled £1.521m. Other grant funding is expected to be available to the council through the announced extension of the sales, fees and charges reimbursement scheme until June 2021. These grants have removed the need to budget for a draw down on reserves in 2021/22 but the one-off nature of the funding means the longer-term savings challenge for the council remains.

Given the lack of clarity on future local government funding from April 2022, local authorities have no reliable basis on which to appropriately plan their medium term budgets as it is unclear how much funding there will be, how it will be distributed, and the means of delivery.

Consequentially, the forecasts for 2022/23 onwards in the MTFS are not to be taken as robust figures and they are largely based on the current status quo continuing, particularly concerning how much business rates income the government allows the city council to retain in the future.

6. Medium Term Financial Plans and Risks

The latest general fund Medium Term Financial Strategy (MTFS), Housing Revenue Account (HRA) Business Plan, and capital, investment & treasury management strategies were approved by Council in February 2021 and can be found at this link: The council's 2021/22 budget and medium term financial strategy.

General Fund

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

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

Current forecasts, given the caveats highlighted above, show that a further £11.8m of gross permanent savings will need to be found over the four-year period from 2022/23. This quantum of savings represents 21% of the 2021/22 proposed gross expenditure budget (excluding the housing benefits budget).

In addition to the ongoing financial challenges, the 2021/22 budget has included £3.175m of short term growth items, with the majority related to the impact of Covid-19 on the council's income streams in areas such as car parking, rental income, licensing income and fees and charge from cultural and leisure activities. At this stage it is not clear for how long and to what extent these impacts will be continue and therefore a high level assumption has been adopted to unwind the short term growth evenly over a two year period. This means that that base budget in 2022/23 includes a possible £1.574m of short term growth (year 2) which will be met from further one-off savings in 2022/23.

General Fund MTFS 2021/22 to 2023/24 £000s

	2022/23	2023/24	2024/25	2025/26
Budget base	23,837	25,025	27,072	29,530
Resources	(16,369)	(16,786)	(17,288)	(17,745)
Savings required (cumulative)	**7,467**	**8,240**	**9,784**	**11,785**
Permanent savings (cumulative)	(3,200)	(6,400)	(9,600)	(11,800)
Short-term savings	(1,574)	0	0	0
Required use of reserves	**2,693**	**1,840**	**184**	**15**

In order to respond to this challenges, the council has launched a programme of service reviews (see Section 5: Local Context). The aim of the reviews is to improve the efficiency of service delivery so as to avoid a reliance on service cuts to balance the budget in future years. However, given the scale of the challenge, reductions to some services cannot be ruled out.

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

Housing Revenue Account (HRA)

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

The HRA does not face the same financial pressures as the council's general fund, although the account has lost significant income in recent years from the government's enforced four year rent reduction enacted in the Welfare Reform and Work Act 2016. Additionally, there are significant potential risks to rental income streams arising from the Covid-19 pandemic, the accelerated roll out of Universal Credit and the continuing Right-to-Buy legislation.

The HRA is forecast to make a surplus of income over expenditure of £5.039m in 2021/22 and it is proposed to use this surplus along with £10.640m of existing reserves to fund capital investment new social housing.

The Direction on the Rent Standard 2019 enables authorities to increase rent annually by up to CPI (Consumer

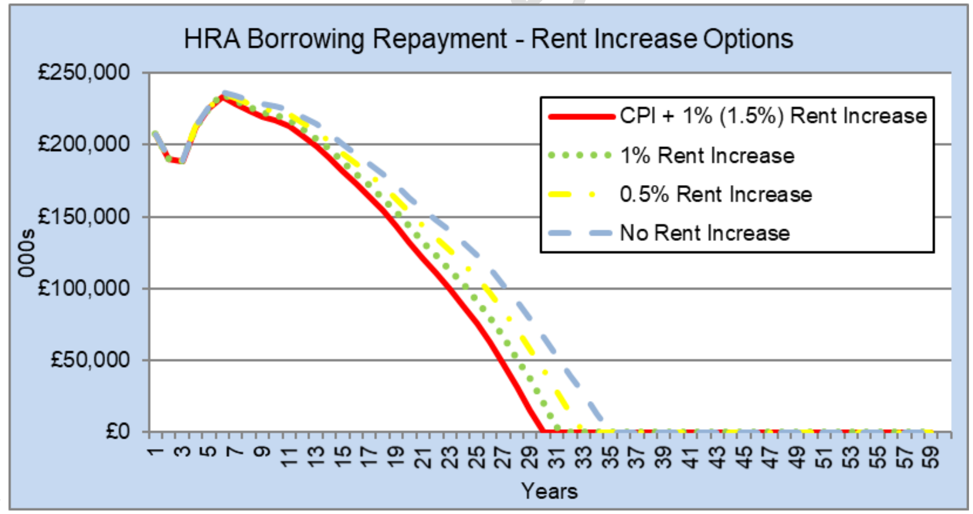
Price Index) as at the preceding September plus 1%, which would result in the average HRA rent increasing to £80.28.

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

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

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

Ability to repay HRA borrowing



Capital Strategy

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

The council's proposed capital programme for 2021/22 is £69.456m. In addition further capital ambition projects may seek approval from council later in the year, subject to viable Business Cases.

Unlike the HRA, the general fund has insufficient capital resources to meet investment needs for the future. An initial view, without having the benefit of up-to-date condition surveys for all assets held, is that in excess of £21m of backlog maintenance is required on the council's assets over the medium term. Due to constrained finances, it is considered that this level of investment is unaffordable. Therefore a comprehensive review of the entire general fund's land and property assets will be undertaken, with a view to optimising the contribution property makes to the council's strategic and service objectives by identifying assets that require investment, are not financial performing, or are surplus to service needs.

The council's overall financial position

The council has a strong balance sheet and holds over £1 billion of long-term assets (mostly land and property). In addition, it has significant general reserves both for the general fund (£9.98m) and HRA (£43.368m) as at 31 March 2021.

The council's general fund services are under the most financial pressure, both for revenue and capital expenditure. The huge uncertainties surrounding the economic environment post the Covid-19 pandemic plus the changes in the local government finance regime from 2022/23 hinder robust forward financial planning for the general fund.

The council holds £103.394m of investment properties which generate a revenue stream for the council. 14% of the General Fund's gross expenditure budget for 2021/22 will be funded from commercial income (investment property income and interest from lending to the council's wholly owned housing development company). A proportion of the income is set aside into earmarked reserves to mitigate against the risks associated with these commercial activities.

In November 2020 the government published the results of a consultation on the Public Works Loan Board (PWLB) future funding terms. The result is that local authorities will no longer be able to invest in projects that are purely debt-for-yield activity. However the local authorities can continue to borrow for the crucial work that local government does on service delivery, housing, and regeneration. The proposals, mean that the Public Works Loan Board are no longer a source of lending to local authorities investing in commercial properties to generate income.

The council's 2020-21 capital budget contained £25m for asset investments (for either new properties or investment in the existing portfolio) with the aim of generating additional rental income and this has not been spent due to the results of the consultation.

The funding of non-financial investments along with the proposed capital programme will significantly increase the council's capital funding requirement (its indebtedness or underlying need to borrow). If projects and programmes proceed to plan, then the capital financing requirement will increase by £80.5m from 2020/21 to 2025/26, a 37% increase. This is being driven predominantly by HRA investment.

The council currently has £75m of cash holdings and short-term investments and will therefore need to borrow externally at some point to fund the capital financing requirement. The strategy for switching from internal to external borrowing is set out in in the Capital Strategy approved by Council in February 2021.

The council's policy for using borrowing as a means of funding capital expenditure is also described in the Capital

Strategy. Essentially the council will only borrow money (increase its capital financing requirement) in cases where there is a clear financial benefit, such as a new income stream or budget saving, that, at the very least, will fund the costs arising from the borrowing (interest and MRP (Minimum Revenue Provision) costs).

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

Financial Risks

Financially the Council faces a large number of challenges in the coming years. The 2021/22 Budget Report identified the key financial risks facing the Council as set out in the Council's Corporate Risk Register.

- Risk: 1. Council Funding Short Term (covid-19 related)
- Risk: 2. Council Funding Medium- Long Term
- Risk: 3. Commercialisation (investment property, Norwich Regeneration Ltd, other commercial income sources)
- Risk: 5. Second wave of Covid-19
- Risk: 6. Impact of Brexit
- Risk: 10. Joint Venture contracts

7. Performance against our priorities

Corporate KPIs

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

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

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

The table summarises the KPI information for the full performance year under each corporate priority. These are RAG rated red, amber or green. Green is on target, amber provides an early warning for possible intervention and red suggests intervention is necessary.

Overall council performance reflects a very challenging operating environment, with significant economic and financial challenges for the city and the council, changing resident and business behaviours, and new and changing patterns of demand. The council's C19 recovery blueprint and update report show how the council is responding to these challenges and individual areas of council performance are highlighted below. Specific areas where anticipated performance is not on track are being addressed through service management, organisational change and working with partners. Ultimately this highlights the need for adequate resourcing of local government to ensure resilience of key services, especially in challenging times.

Corporate priority	Red	Amber	Green	No data	Total
People Living Well	3	1	6	0	10
Great Neighbourhoods	4	5	9	2	20
Inclusive Economy	2	2	4	1	9
Healthy Organisation	3	1	7	3	14
Total	**12**	**9**	**26**	**6**	**53**

A limited amount of data remains unavailable due to issues in gathering data or pauses in service delivery as a result of Covid-19. There are six indicators where delivery of the service or area of work was not possible, or data collection was prevented, as a result of Covid-19.

Areas to highlight from the performance reporting include:

- 34 empty houses have been brought back into use this year; this figure has exceeded the annual targeted of 20.
- Availability of core ICT systems continues to perform strongly, with systems available 99.9% of the time.
- Norwich market occupancy rate remains strong with an annual average of 97.8%.

- Number of food premises moving from non-compliant to compliant is 91.5% over the year.

Full details and further information on the Council's performance can be accessed here.

2020/21 Financial Performance

Revenue Expenditure

2020/21 actual against budget for each service area

Cost of Services	Budget £000	Actual £000	Variance £000
Corporate	(14,410)	(17,076)	(2,666)
Resources	4,741	4,303	(438)
Chief Executive	225	207	(18)
Communications & Culture	1,806	2,115	309
Neighbourhoods	12,885	11,554	(1,332)
Place	(5,247)	(2,716)	2,531
HRA	0	(4,831)	(4,831)
Net revenue expenditure	**0**	**(6,445)**	**(6,445)**

2020/21 General Fund outturn

The final outturn for the General Fund is a surplus of £1.6m which represents 1.13% of the gross expenditure budget reflecting sound financial management and good budgetary control.

Detailed information on how service areas performed against budget in 2020/21 is provided in the outturn report to Cabinet on 9 June 2021.

2020/21 General Fund outturn

General Fund	Budget £000	Outturn £000	Variance £000
Expenditure	143,295	171,184	27,887
Income	(54,931)	(47,881)	7,050
Grants and subsidies	(88,365)	(124,916)	(36,551)
Total in year variance	**0**	**(1,613)**	**(1,614)**
Budgeted reserves used in year			517
Transfer to Business Change Reserve			913
Transfer to Risk Reserve			700
Total movement in GF reserve (as shown in the EFA & the movement in reserves statement			**516**

Significant key variances are as follows:

- £3.423m unbudgeted income from Government's sales, fees and charges income compensation scheme – partially covers some overspends listed below
- £2.672m unbudgeted Covid-19 funding designed to support local authorities in dealing with challenges arising from Covid-19
- £2.278m lower than budgeted net borrowing costs due to internal, rather than external, borrowing
- £0.398m underspend in relation to business rates pool levy; no payment required based on collection fund outturn
- £0.292m net underspend relating to cancellation of key events i.e. Lord Mayor's Procession

The overall underspend was partially offset by:

- £3.093m reduction in car parking income compared to budget – this loss has been partially compensated through the government's sales, fees and charges reimbursement scheme
- £1.215 net reduction in rental income from current tenanted investment properties (£0.53m) No income from new commercial property acquisitions in 2020/21 (£0.69m)
- £0.773m lower than anticipated housing benefit subsidy recovery rates & lower overpayments identified
- £0.497m reduction in planning fee income compared to budget - this loss has been partially compensated through the government's sales, fees and charges reimbursement scheme
- £0.332m cost of support payments to Riverside Leisure Centre and loss of management fee income.
- £0.289m reduction in income from The Halls, tourist information centre and Norman centre. This loss has been partially compensated through the government's sales, fees and charges reimbursement scheme.
- £0.245m reduction in income in respect of bus shelter advertising
- £0.233 reduction in net rental income from the market mainly due to in year rent reductions agreed
- £0.200m additional Covid-19 costs for recycling relating to increased labour, disposal and PPE costs
- £0.173m reduction in budgeted income relating to licenses – taxis & liquor

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

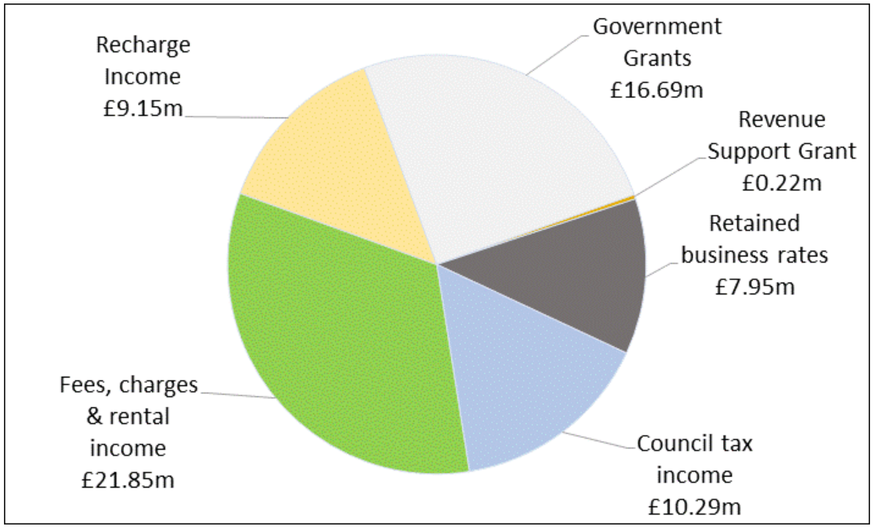
The General fund repairs reserve has been increased by £0.387m, the amount being the underspend on the repairs budget in 2020/21. This will be used to meet the future repair and maintenance liabilities on general fund properties.

As agreed as part of the 2021/22 budget papers, a Budget risk reserve has been created with a contribution of £0.700m from the provisional outturn. This will be used to manage the financial risks associated with both the future impacts of the pandemic and the delivery of the 2021/22 budget savings identified.

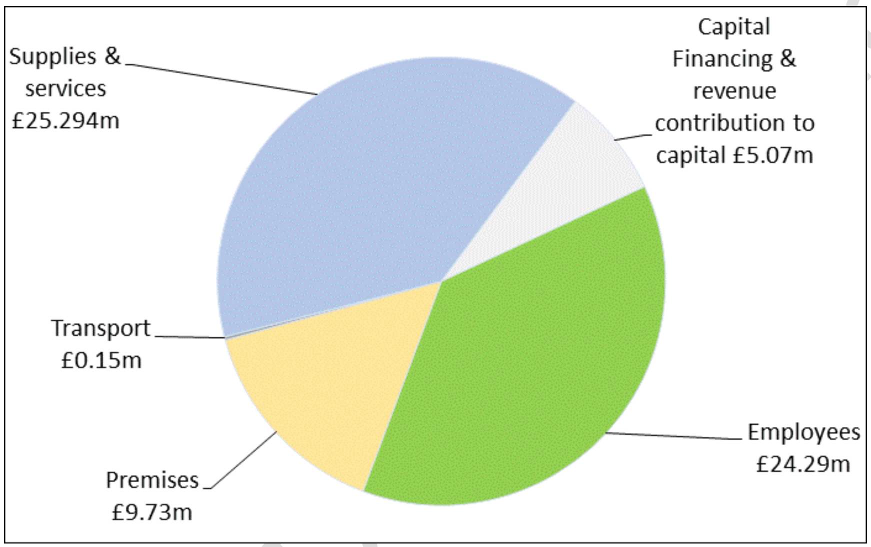
The remainder of the general fund underspend (£0.913m) has been transferred to the new Business change reserve. This reserve will be used to fund costs linked to the change programme which are not delivering specific savings, for example project management and benchmarking. It will also support training and development of our workforce to ensure we have the skills required to de-liver the ambitions of the Council.

The following pie charts show how the money was spent (excluding housing benefit payments and recharge expenditure) and where the money came from in 2020/21.

General Fund – how the money was spent in 2020/21



General Fund - where the money came from in 2020/21



2020/21 Housing Revenue Account outturn

HRA	Budget £000	Outturn £000	Variance £000
Expenditure	68,580	63,361	(5,220)
Income	(68,580)	(68,192)	389
Total in year variance	**0**	**(4,831)**	**(4,831)**
Budgeted contribution to reserves			(4,570)
Total movement in HRA reserve (as shown in the EFA & the movement in reserves statement			**(9,401)**

The final outturn position for the HRA is a surplus of £4.831m which represents 7% of the total expenditure budget.

Significant key variances are as follows:

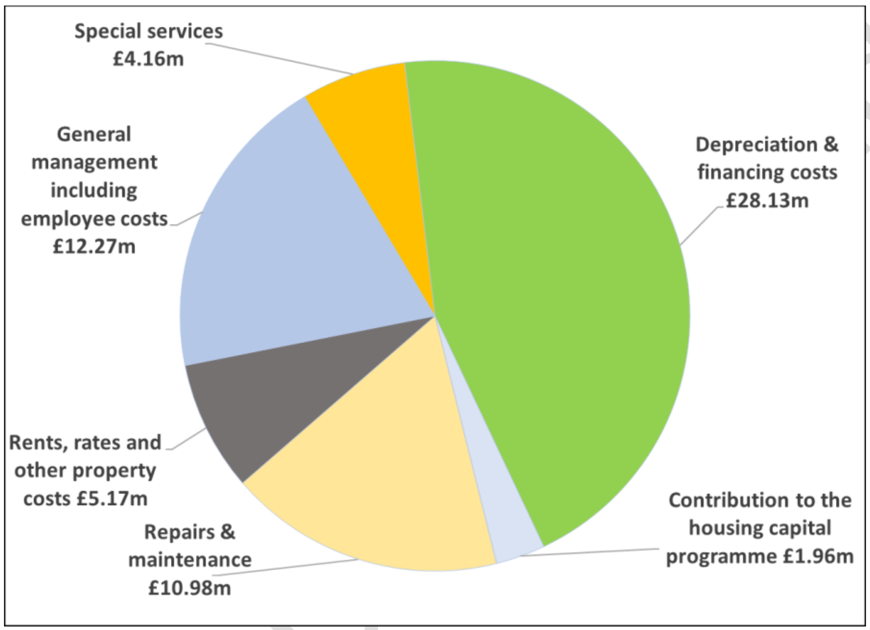
- £2.842m repairs underspend mainly caused by delays in non-essential repair work, due to Covid-19 related restrictions and retendering of some contracts
- £0.521m lower than budgeted cost of recharges from the general fund
- £0.354m sheltered housing tenancy management underspend mainly due to lower than budgeted gas costs, alarm costs funded from repairs budget and no spend on furniture/fittings
- £0.303m depreciation underspend - final figure lower than originally expected after full analysis
- £0.250m budget originally for new property improvements, however new properties will have adjustments made during the build process therefore, this budget was not required
- £0.233m employee savings across the service mainly due to vacancies

- £0.184m reduced revenue contribution to capital to reflect the 2020/21 requirements of the new build capital programme
- £0.172m unutilised contingency fund

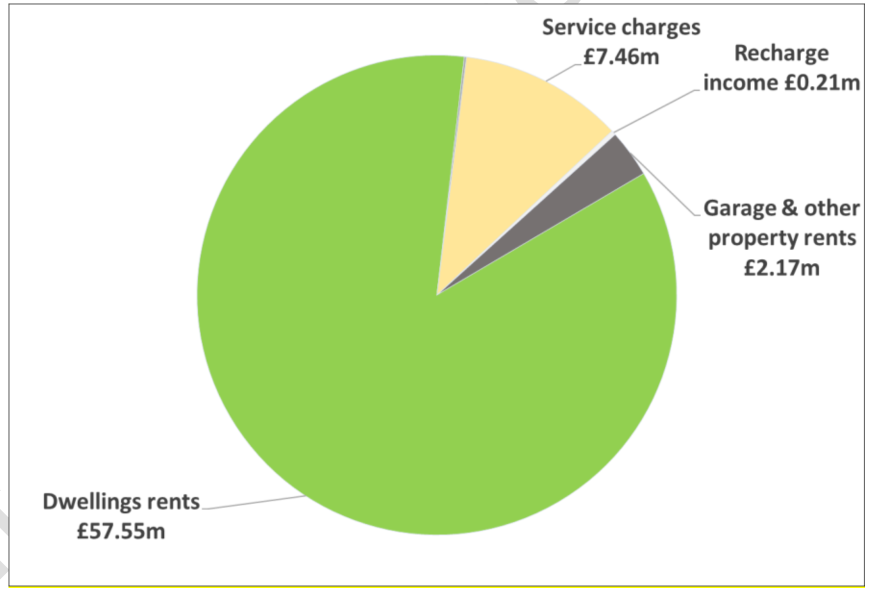
The overall underspend was partially offset by:

- £0.229m provision for bad debts: based on a 98.75% recovery rate. Although the full income due has been raised, there is a requirement to calculate a provision for those debts considered to be at risk. Some of this may be recovered in future years. The figure shown relates to both rental and service charge income.

HRA – how the money was spent in 2020/21



HRA- where the money came from in 2020/21



Capital Expenditure

2020/21 capital outturn

Capital Programme	Current Budget (£000)	Provisional Outturn (£000)	Variance (£000)
General Fund	39,311	5,851	(33,460)
Housing Revenue Account	51,270	18,518	(32,752)
Total Capital Programme	**90,581**	**24,369**	**(66,212)**
Capital loans to wholly owned companies		7,390	
Total Capital Funding Requirement		**31,759**	

2020/21 funding of the capital programme

Source of Funding	£000
Borrowing	9,030
Revenue Contribution (RCCO)	2,941
Major Repairs Reserve (MRR)	13,813
Retained One for One RTB (Right To Buy) Capital Receipts	1,401
Other Capital Receipts	1,401
City Cycle Ambition Grant	3
Grants & Contributions funding	1,573
CIL (Community Infrastructure Levy) Strategic Pool	924
Section 106	95
Leaseholder Contributions	577
Funding of 2020/21 Capital Programme	**31,759**

The planned capital programme for 2020/21 was significantly restricted by the Covid-19 pandemic. Many schemes were unable to proceed and have been extended into 2021/22. However, significant investment of £1.3m was made in IT; £0.7m of which has funded new laptop computers, enabling staff to work from home and the council to continue to operate during periods of lockdown.

Additionally, changes to the Public Works and Loans Board borrowing regulations have prevented further borrowing for commercial property acquisition, meaning that the £25m budget within the 2020/21 capital programme remains unspent.

During the 2020/21 financial year, the housing capital programme delivered upgrades to over 4,491 council homes, including heating upgrade works to over 1,020 properties, over 250 new kitchens, 470 new bathrooms and 530 replacement doors. Additionally, over 600 properties have benefitted from structural or roofing upgrades whilst 200 properties received renewable energy installations or additional insulation.

Although no new build council homes have been completed during 2020/21, work has continued on the development programme with budgets for three significant new sites at Argyle Street, Three Score and Mile Cross being added to the capital programme during the year. Additionally, £2.3m has been invested in eleven new council homes by buying back properties formerly sold under Right to Buy or acquiring through the open market.

Grants of Right to Buy receipts to Registered Providers totalling £0.6m have also enabled the development of further new affordable homes in the city, although progress on some developments was again restricted due to the Covid-19 pandemic.

Detailed information on 2020/21 performance against the capital budget is provided in the outturn report to Cabinet on 9th June 2021.

8. 2020/21 Statement of Accounts

The Statement of Accounts sets out the financial performance of the Council for the year ended 31 March 2021 and its financial position at that date.

It comprises core and supplementary statements together with disclosure notes.

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

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

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

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

Expenditure and Funding Analysis

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

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

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

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

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

Net (Surplus) / Deficit on General Fund and HRA balance in year	*This part of analysis shows how annual expenditure is used and funded from resources (government grants, fees & charges, council tax and business rates).* For the General Fund the year-end outturn position is a surplus of (£20.825m), alongside total transfers to reserves of £20.309m in line with the proposed

	approach to managing reserves set out in the Medium term financial Strategy. For the HRA the year-end outturn is a surplus of (£9.25m), alongside total net transfers from reserves of £0.151m. This results in an overall increase in HRA general reserves of £9.40m.
Adjustments between the funding & accounting basis	*This part of the analysis shows the adjustments that have been made in order to comply with generally accepted accounting practices.* These total £4.36m and comprise: • Depreciation & Impairment • Revaluation gains/losses • Capital grants and contributions credited to the CIES • Reversal of the HRA depreciation charge • Pension reserve adjustments • Collection fund adjustment account adjustments.
Net expenditure in the CIES	*This shows the accounting cost of providing each service (shown also in the CIES) after adding together the year-end outturn position against the budget with the adjustments required under accounting standards.* It is a surplus of £25.71m.

Comprehensive Income and Expenditure Statement (CIES)

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

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

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

Key figures to note:

Cost of Services	*This shows expenditure on continuing operations analysed by service area (based on the way the Council operates and manages its services). These lines are reconciled to the budget outturn position in the Expenditure & Funding Analysis.* The 2020/21 cost of services is a surplus of £1.36m compared to a deficit of (£18.07m in 2019/20. The main reason for the movement is an in-year revaluation gain on the Council's HRA dwellings compared to the prior year where there was a revaluation loss.

Other operating income & expenditure	*This includes the surplus or deficit from the sale of property, plant or equipment.* Total other operating income and expenditure is a (£1.058m) surplus largely arising from gains on the disposal of HRA dwellings (against the carrying value of the properties).
Financing and investment income and expenditure	*Includes interest receivable and payable, net rental income on the properties held purely for investment purposes; and the interest element of the pension fund liability.* The net costs have decreased from 2019/20 when an impairment provision of £4m was made on the council's loan to its wholly owned subsidiary. In addition, rental income from investment properties has increased as a result of new acquisitions during the 2019/20 financial year.
Taxation and no-specific grant income and expenditure	The total net grant income of £29.12m is an increase of £6.81m from the prior year. This is due to addition Covid-19 related grant income. There is a reduction in non-domestic rates income predominantly because of additional reliefs provided by central government to businesses. The council has been compensated for the loss of income through additional Section 31 grant (showing within the non-ringfenced government grant line).
Other income & expenditure	*This includes surplus/deficit on revaluations of non-current assets and actuarial gains/losses on the local government pension scheme. These are both calculated annually by our property valuers and actuaries. These items are non-cash transactions and do not impact on the general fund reserve balances, being reversed out through the Movement in Reserves Statement.*

Movement in Reserves Statement (MIRS)

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

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

Reserves are analysed into two categories: usable and unusable.

Usable reserves

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

Unusable reserves

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

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

Reserve	Purpose	Amount as at 31/3/21 (£000)
GENERAL FUND RESERVES		
General reserve	This is a usable reserve which has not been earmarked for a specific future use. However, the agreed MTFS strategy is to use this reserve over the next 4 years to part fund the annual budget.	**9,980**
Invest to save reserve	The reserve has been set up to support the delivery of savings and efficiencies. The reserve is expected to be utilised to support the implementation of a new ways of working and IT investment over the next 2-3 years.	**2,513**
Revenue grants unapplied reserve	This holds the grants and contributions received which have yet to be applied to meet expenditure. The use of the balance is restricted and can only be used to fund the specific expenditure/service area awarded the grant income.	**3,491**
S31 Earmarked reserve	This holds the unutilised balance of the S31 grant monies received from central government to fund Business Rates relief. The balance has increased by £17.47m in 2020/21. This is due to additional Section 31 grant being set aside; the funding will be utilised to offset the collection fund deficits impacting the general fund over the next two years.	**19,518**
Insurance reserve	This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual review.	**1,081**
Commercial property reserve	Has been established to reduce the risks associated with holding commercial property by providing funding for any future void and rent free periods as well as repairs and upgrades to the investment property portfolio.	**2,465**
Elections reserve	This is to provide funding for future elections, the cost and funding of which varies each year depending on the type of elections being held.	**113**

Mousehold Heath Reserve	Set aside for use on Mousehold Heath.	**30**
NRL reserve	This reserve has been established to smooth any fluctuations in net income received by the Council from lending to NRL. It was increased in 2019/20 to also provide a buffer in case the company is unable to repay the loan balance in full.	**3,350**
General Fund repairs reserve	This is to provide future funding for required maintenance on general fund properties, the costs of which can vary each year according to the differing repairs requirements.	**831**
Budget risk reserve	This reserve will be used to manage the financial risks associated with both the future impacts of the pandemic and the delivery of the 2021/22 budget savings identified.	**700**
Business change reserve	This reserve will be used to fund costs linked to the change programme which are not delivering specific savings, for example project management and benchmarking. It will also support training and development of our workforce to ensure we have the skills required to deliver the ambitions of the Council.	**913**

HOUSING REVENUE ACCOUNT (HRA) RESERVES		
General reserve	This is also a usable reserve which has not been earmarked for a specific future use. The use of this is incorporated into the HRA business plan.	**43,368**
Invest to save reserve	This will fund the HRA's share of implementing the Fit for the Future programme (see above).	**1,772**
Tenancy & estate management system	Reserve to support the project to replace the IT system for housing rents.	**415**
CAPITAL RESERVES		
Major Repairs Reserve (MRR)	The MRR is a statutory reserve which can only be used to fund new capital investment in HRA assets or the financing of historical capital expenditure by the HRA.	**10,019**
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which can only be used to fund capital expenditure. Some of this reserve will already be committed for schemes that are progressing or have been approved in the future capital programme. The breakdown of the reserve is as follows:	**56,875**

	• £6.6m General Fund – earmarked to fund the 5 year capital programme • £26.4m HRA - included within HRA Business Plan funding (in line with housing strategy) for specific schemes • £24.0m HRA Retained One for One receipts - earmarked for new social housing but can only fund 40% of total cost of scheme	
Capital grants unapplied	This holds the grants and contributions received towards capital projects which have yet to be applied to fund expenditure. The use of the balance is restricted and can only be used to fund the specific capital projects awarded the grant income.	**4,274**
TOTAL USEABLE RESERVES		**161,706**

Balance Sheet

The Balance Sheet provides a “snapshot” of the Council’s position at a specific point in time showing what it owns and owes as at 31 March 2021. It is very similar to other public sector or private sector balance sheets.

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

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

The Council continues to maintain a strong balance sheet with net assets of £705.953m. With a current ratio (current assets/current liabilities) of 1.5:1, the Council is able to pay all its short term liabilities with current assets and is holding cash and cash equivalents of £45.133m.

Key figures to note:

Non-current assets including: • **Property, plant & equipment** • **Heritage assets** • **Intangible assets** • **Investment property** • **Long term debtors**	*Non-current assets have a life of more than one year. For most authorities, including Norwich City Council, the biggest balance by far is property, plant and equipment. These are tangible (i.e. physical) assets that are used to deliver the authority’s objectives and services.* *With some exceptions they need an existing use value. Any changes in valuations are matched by changes in reserves (generally the unusable revaluation reserve).* Plant, property and equipment has been valued at £953m as at 31 March 2021 – an increase of £23.4m. This is mainly driven by asset additions of £20m, disposals of £6m, upward revaluations of £27m and depreciation charged of £18m. The Council dwelling valuations are undertaken annually by qualified valuers. As at 31 March 2020 there were 14,553 HRA council dwellings, which is a reduction of 104 units from 2019/20. This is includes the loss of 115 dwellings mainly through

	Right to Buy sales and the addition of 11 dwellings. Investment properties held by the council are valued at £103.4m at 31 March. Long term debtors total £16.3m at 31 March. This includes the loan balances with the Council's wholly owned subsidiaries Norwich Regeneration Ltd (£12.65m) and Norwich City Services Ltd (£1.64m). A £3.25m provision for doubtful debt has been included to reflect the fact that Norwich regeneration may not be able to repay the balance in full.
Current assets	*These are assets that are either held as cash or other assets that, in the normal course of business, will be turned into cash within a year of the balance sheet date.* Cash & cash equivalents total £45.1m at 31 March 2021. The balances have increased by £9.14m from the prior year. Short term investments however total £30.0m, which is an increase £21.0m from the prior year. The higher balances reflect the additional grants monies the council was holding for Covid-19 business grants and the preceptors share of S31 grants. Short term debtors include housing rent debt, the VAT recovery claim, collection fund debtors and trade receivables. The increase in the balance is mainly due to a £22.7m debtor, reflecting the county council and central government's share of the in-

	year business rates deficit in the collection fund.
Current Liabilities	*Short term creditors include trade creditors, collection fund shares for central government and Norfolk County Council and year end expenditure accruals. These are amounts which are anticipated to be settled within 12 months.* The short-term creditors balance has increased by £37.4m from 19/20. The main element of the increase relates to a s31 grant balance repayable. During the pandemic the government paid across grant to cover the loss of income from additional business rates reliefs. As the billing authority, the council also received the major preceptors' share of the grant to minimise in-year cashflow issues. This additional share will be repayable in 2020/21 to match when the deficit is recoverable from the preceptors (county council and central government).
Long term liabilities & provisions	*Includes borrowings, any amounts owed for leases and an estimate for the cost of meeting the council's pensions obligations earned by past and current members of the pension scheme.* ***Borrowing*** - the Council has not taken or repaid any borrowing during the year. ***Provisions*** – represent future liabilities over how much the authority owes or when it will have to pay. The Council's provision relates to Business Rates valuation appeals and

	probable redundancy costs for restructures agreed during 2020/21. ***Pension Liabilities*** - *The* Council has net pension liabilities of £209.9m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. The Council's pension is revalued every three years to set future contribution rates. The latest triennial valuation took place at 31 March 2019. Statutory arrangements are in place for funding the deficit, which will be by increased employer contributions over the remaining working life of the employees. Details of the Council's pension liability calculated under IAS19 are shown in note 8 of the core financial statements.

Cash Flow Statement

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

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

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

Housing Revenue Account (HRA)

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

Collection Fund

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

Business Rates

As part of the response to the pandemic the government announced additional business rates reliefs to cover 100% of the rates due by businesses in the retail, hospitality and leisure sectors. These reliefs have reduced the income received directly from business rates payers and results overall in an in-year deficit of £47.0m. The element of the lost income relating to the additional reliefs has however been compensated for by a Section 31 grant from central government.

The element of the business rates deficit relating to the City Council is £17.816m and the additional S31 grant is £17.092m. Due to the required accounting treatment, there is a timing difference between when the two elements impact on the general fund (S31 grant income in 2020/21 and the deficit in 2021/22). To manage the impact of this the additional grant income received in 2020/21 has been transferred into the S31 Earmarked reserve and will be returned into the general fund in 2021/22 to offset the impact of the business rates deficit.

Council Tax

The council was awarded £2.037m of grant to provide a Council Tax Hardship Fund. The council developed a scheme to determine how this fund should be distributed to those currently part of the council tax reduction scheme. In addition to the Government directive of awarding £150 to working age customers in receipt of a partial CTR award, the council decided to award additional funds to reduce their liability for 2020/21 to zero. The same principle has been applied to pensionable age customers.

The overall year-end council tax surplus is £0.871m which will be taken into account in considering distribution of balances between the preceptors (city, county, and police) in the future. The City Council's share of the surplus is £0.119m.

Group Financial Statements

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

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

Norwich Regeneration Ltd

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

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

- accelerate housing delivery in the City
- catalyse regeneration opportunities
- generate a return for the council's General Fund.

NRL's first project is housing development at Trinity Gardens at Rayne Park in Threescore. This commenced on site in May 2017 to deliver 179 new homes over four phases to provide a mixture of private and social housing for Norwich residents.

179 homes have now been constructed with 122 new homes made available for private sales, 8 new homes being rented privately, and 49 new homes sold to the HRA for social letting.

The first phase of the development (79 homes) was built and subsequently sold at a loss to the company, due partly to lower-than-expected property sales values and private sector rental returns. This led to significant revisions to governance of the company and its operating procedures as well as revisions to the contracts of the remaining phases of the development.

Company activities in 2020/21 have been impacted by the pandemic. Construction activity was required to stop on 26 March due to the impact of Covid-19. NRL worked closely with the main contractor to assess and mitigate the risk of covid-19. In the light of the lockdown period and new measures necessary on-site revisions to both contracts were necessary. These revisions see extensions to the two contracts of 10 and 15 weeks respectively meaning the revised date for completion of section 3 and 4 moved to April 2021, and section 2 to July 2021. As a result of the unforeseen delays, Cabinet agreed to an increase in the loan facility available to the company in June 2020.

Despite the challenges and delays caused by the Covid-19 pandemic, the company has seen strong sales performance during the year. The company is pleased to report that 73 homes across Sections 2, 3 and 4 of have now been sold for private sale. One property is held by the company as a marketing suite and a facility to conclude the conveyancing process of these sales. The total gross sales value from the sale of these 73 homes is £17.8m. The deferred sales value of the marketing suite is £0.24m.

The retained losses in Norwich Regeneration Limited are £4.449m at the end of 2020/21, an improvement on the position forecast in the March 2020 despite the challenges presented by the pandemic. The company however has long term assets - property that it is renting on the private sector market valued at £2.005m and work in progress assets of £8.220m.

In order to finance the development, NRL borrows money at commercial interest rates from the Council. As at 31 March 2021 the company has a loan outstanding with the Council of £12.65m (2019/20: £9.40m). The loan balance peaked at £15.65m during the financial year with the company making at repayment of £3.00m on 31 March 2021.

To support the company in 2020/21, the council increased its shareholding with an investment of £1.15m cash equity. This takes the total equity investment in the company to £3.87m at 31 March 2021 (2019/20: £2.72m).

The company's Business Plan was presented to Cabinet in March 2021. It is based the delivery of three further projects for the company, all on sites which are within the Council's ownership. The precise level of investment is uncertain at this stage and will be set out in the detailed business cases required for the council to approve any additional financing. At this stage the total level of investment in loan and equity to the company to deliver the business plan is likely to be in excess of £20m.

It is the council's role as shareholder to strike the right balance between risk and reward. Although the company has undoubtedly improved in terms of operations and governance – there are clear risks which need to be weighed up. These include significant risks in relation to the UK housing market and construction sector, particularly in the context of ongoing disruption from Covid-19 and emerging issues relating to Brexit. In light of the required investment and associated risk, an independent expert analysis of the assumptions and forecasts in NRL's business plan has been commissioned. The results of this will be considered by the council and used to inform future investment decisions.

A draft Statement of Accounts for Norwich Regeneration Limited has been prepared and will be subject to audit by Aston Shaw. The accounts will be presented to the company's Board of Directors in July 2021 for approval.

Norwich City Services Ltd

NCSL is a private limited company wholly owned by Norwich City Council. It was incorporated on 9 June 2020.

The council created NCSL to help meet its aspirations to transform the way the services are delivered to the City and its people and to have more flexibility and direct control over budgets and expenditure.

NSCL will deliver environmental and building repairs and maintenance services. Previously these services have been provided through joint venture arrangements with the Norse Group. Norwich Norse Environmental Limited staff joined NCSL on 1 April 2021 and Norwich Norse Building Limited staff will transfer on 1 April 2022.

The council has entered into a contract with the company to provide environmental services for the six-year period from 1 April 2021 to 31 March 2027, with the option to extend for a further period of 5 years on an annual basis. The annual value of the contract is £6.6m. The environmental services being delivered include grounds maintenance, streets cleansing, parks and open spaces maintenance, arboricultural services, pest control, stray dog service, building cleansing, car park cleansing and other associated works.

From 2022/23 the building maintenance element of the company will focus on the provision of a reactive maintenance service for the council's housing stock. The services will include routine repairs and maintenance, major and minor repairs, voids, and heating repairs. A reactive and responsive service will also be provided for commercial properties owned by the council.

Cabinet approved the NCSL business plan in April 2021. The company's main objectives for Year 1 of operation are to:

- deliver quality services efficiently and effectively;
- implement improvements to service delivery whilst maintaining and increasing service quality;
- produce a robust plan for the effective transfer of the Building Maintenance service and employees in April 2022;
- ensure that employees are motivated, engaged and well supported within their roles; and
- support and help Norwich City Council to implement and achieve the overarching strategic priorities and outcomes as identified within the Corporate plan, the C19 recovery plan, the Environmental strategy and the Norwich 2040 Vision.

To finance the set-up of the company including the capital works on its depot building, the council has provided NCSL with both loan and equity financing during 2020/21. A 20-year capital loan of £1.140m was advanced to the company as well as a working capital loan of £0.500m. Cash equity investment was made into the company of £0.370m.

The retained losses in Norwich City Services Ltd are £0.015m at the end of 2020/21 with net assets of £0.355m.

The losses relating to set up costs for the new company are expected to be recouped through future trading.

A draft Statement of Accounts for Norwich City Services Limited has been prepared and will be subject to audit by Aston Shaw. The accounts will be presented to the company's Board of Directors in July 2021 for approval.

Additional disclosures

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

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

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Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Certificate of Chief Finance Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of Norwich City Council as at 31 March 2021 and its income and expenditure for the year then ended.

Signed: Date:

[To be signed]

Annabel Scholes
Executive Director, Corporate and Commercial Services (S.151 Officer)

Comprehensive Income and Expenditure Statement (CIES) *

	2020/21			2019/20 Re-stated		
	Expenditure	**Income**	**Net**	**Expenditure**	**Income**	**Net**
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Resources	62,019	(50,741)	11,278	63,718	(51,352)	12,366
Chief Executive	708	0	708	912	(27)	885
Customers, Communications & Culture	6,476	(553)	5,923	6,221	(1,058)	5,163
Neighbourhoods	19,789	(9,227)	10,562	18,013	(7,464)	10,549
Place	11,398	(5,796)	5,602	18,236	(12,895)	5,341
Housing Revenue Account	32,455	(67,889)	(35,434)	51,148	(67,382)	(16,234)
Cost of Services	**132,845**	**(134,206)**	**(1,361)**	**158,248**	**(140,178)**	**18,070**
Payments to the Government Housing Capital Receipts Pool			1,097			1,097
(Gains) on the disposal of assets			(2,074)			(6,242)
Provision Market			(86)			(376)
Livestock Market			5			(51)
Other Operating Expenditure			**(1,058)**			**(5,572)**
Pension interest cost and expected return on pension assets			4,014			4,912
Interest receivable and similar income			(896)			(1,199)
Interest payable and similar expenses			8,231			8,236
Changes in fair value of investment properties						
(Gains)/Losses on disposal of investment properties			(168)			(32)
Impairment losses			(750)			4,000
Impairment of Soft Loans			92			127
Other investment income			0			(365)
Income and expenditure in relation to investment properties and changes in their fair value			(4,711)			(53)
Financing and Investment Income and Expenditure			**5,812**			**15,626**
Council Tax Income			(9,937)			(9,714)
Non Domestic Rates			13,823			(4,085)
Non-ringfenced government grants			(29,007)			(4,368)
Capital grants and contributions			(3,984)			(4,127)
Taxation and non-specific grant income and expenditure			**(29,105)**			**(22,294)**
(Surplus) or Deficit on Provision of Services			**(25,712)**			**5,830**
Surplus on revaluation of non-current assets.			(14,117)			(3,564)
(Surplus)/deficit from investments in equity instruments designated FVOCIE			109			(1,198)
Actuarial (gains)/losses on pension assets/liabilities			37,881			(39,752)
Other Comprehensive Income and Expenditure			**23,873**			**(44,514)**
Total Comprehensive Income and Expenditure			**(1,839)**			**(38,684)**

*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.

The 2019/20 prior year figures have been re-stated to reflect the directorate changes in service departments.

Balance Sheet

	Notes	31-Mar-21	31-Mar-20
		£'000	**£'000**
Property, Plant & Equipment	14	953,406	930,027
Heritage Assets	15	25,553	25,553
Investment Properties	16	103,394	105,677
Intangible Assets	17	614	621
Long term Investments	20	6,263	4,852
Long Term Debtors	19	16,263	11,209
Long Term Assets		**1,105,493**	**1,077,939**
Short Term Investments	21	30,005	9,000
Assets Held for Sale	18	-	131
Short term Debtors	22	38,513	13,252
Inventories		27	27
Cash and Cash Equivalents	Cash Flow	45,133	35,988
Current Assets		**113,678**	**58,398**
Short Term Borrowing		(3,398)	(886)
Short Term Creditors	23	(71,132)	(33,736)
Provisions	34	(378)	-
Capital Grants Receipts in Advance Short Term	26	(3,410)	(488)
Current Liabilities		**(78,318)**	**(35,110)**
Long Term Creditors	24	(2,411)	(2,805)
Long term Borrowing	27	(217,579)	(220,136)
Other Long Term Liabilities		(210,032)	(169,739)
Provisions	34	(2,959)	(3,135)
Capital Grants Receipts in Advance Long Term	26	(1,919)	(1,306)
Long Term Liabilities		**(434,900)**	**(397,121)**
Net Assets		**705,953**	**704,106**
Usable Reserves	MIRS	161,706	123,373
Unusable Reserves	12	544,247	580,733
Total Reserves		**705,953**	**704,106**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Signed: Date:

[To be signed]

Annabel Scholes
Executive Director, Corporate and Commercial Services (S.151 Officer)

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	Earmarked H.R.A. Balance Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	**9,464**	**14,603**	**33,968**	**2,500**	**51,069**	**8,307**	**3,462**	**123,373**	**580,733**	**704,106**
Movement in reserves during 2020/21										
Surplus/ (deficit) on provision of services	317	-	25,395	-	-	-	-	25,712	-	25,712
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(23,873)	(23,873)
Total Comprehensive Income & Expenditure	**317**	**-**	**25,395**	**-**	**-**	**-**	**-**	**25,712**	**(23,873)**	**1,839**
Adjustments between accounting basis & funding basis under regulations (note 9)	20,508	-	(16,146)	-	5,728	1,712	812	12,612	(12,612)	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**20,825**	**-**	**9,249**	**-**	**5,728**	**1,712**	**812**	**38,324**	**(36,485)**	**1,839**
Transfers to/from Earmarked Reserves (note 10)	(20,309)	20,401	221	(313)	-	-	-	-	-	-
Transfers between reserves	-	-	(70)	-	70	-	-	-	-	-
Other Adjustments	-	-	-	-	8	-	-	-	(2)	(2)
Increase/(Decrease) in 2020/21	**516**	**20,401**	**9,400**	**(313)**	**5,806**	**1,712**	**812**	**38,324**	**(36,487)**	**1,837**
Balance at 31 March 2021 carried forward	**9,980**	**35,004**	**43,368**	**2,187**	**56,875**	**10,019**	**4,274**	**161,707**	**544,246**	**705,953**

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

Cash Flow Statement

	2020-21	2019-20
	£'000	£'000
Taxation	(19,528)	(42,332)
Grants and Contributions	(94,892)	(58,749)
Housing Rents	(59,563)	(59,190)
Sales of goods and rendering of services	(28,581)	(66,531)
Interest received	(844)	(825)
Other receipts from operating activities	(304)	449
Cash inflows generated from operating activities	**(203,712)**	**(227,178)**
Cash paid to and on behalf of employees	22,048	18,785
Housing benefit payments	46,287	49,652
NNDR Tariff payments	26,190	28,181
Cash paid to suppliers of goods and services	59,284	85,900
Payments to the capital receipts pool	1,097	1,097
Interest paid	8,368	8,181
Other operating cash payments	8,304	6,860
Cash outflows generated from operating activities	**171,578**	**198,656**
Net cashflows from operating activities	**(32,134)**	**(28,522)**
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,088)	(14,417)
Purchase of property, plant and equipment, investment property and intangible assets	17,325	72,951
Purchase of short-term and long-term investments	45,520	23,500
Proceeds from the sale of short-term and long-term investments	(23,000)	(38,500)
Capital grants	(8,268)	(1,294)
Other Capital payments	0	800
Other payments for investing activities	7,861	3,021
Other receipts from investing activities	(3,274)	(9,979)
Net cashflows from investing activities	**26,076**	**36,082**
Cash Receipts - long/short term borrowing	0	(20,262)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	107	101
Repayments of long/short term borrowing	0	0
Changes in Council Tax and NNDR balances held for preceptors	(3,194)	812
Net cashflows from financing activities	**(3,087)**	**(19,349)**
Net (Increase) / decrease in cash and cash equivalents	**(9,145)**	**(11,789)**

	2020-21	2019-20
	£'000	£'000
Cash and cash equivalents 1 April	35,988	24,199
Net increase / (decrease) in cash and cash equivalents	9,145	11,789
Cash and cash equivalents 31 March	**45,133**	**35,988**
Cash	313	688
Call accounts and short term deposits	20,000	19,000
MMF	21,070	15,000
Bank balances	3,750	1,300
Cash and cash equivalents 31 March	**45,133**	**35,988**

Notes to the Accounts

1. Accounting Policies

Going Concern

The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

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 (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an authority was in financial difficulty, the prospects are thus that alternative arrangements might be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at 31 March 2021. 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 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

The Statement of Accounts has been prepared on a 'going concern' basis.

Accruals of Income & Expenditure

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

- Revenue from the sale of goods is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Rental income from the Council's housing stock is accounted for on the basis of a full year, i.e. 365 or 366 days as appropriate.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet; the de Minimis for accruals is £5,000. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

Cash & Cash Equivalents

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

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

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

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

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

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

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

Charges to Revenue for Non-Current Assets

Services 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.
- revaluation and impairment gains, where they reverse losses previously charged to services
- 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.

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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that these benefits are charged to the General Fund in the financial year in which payment is made.

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 cost line in the CI&ES 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

The majority of the Council's employees 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 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 based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the 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 pensions liability is analysed into the following components:
    - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
    - past service cost -the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of the cost of other Operating Expenses

- net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income 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 defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- remeasurements comprising:
  - the return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains or losses - changes in the net pension's 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 and Housing Revenue Account to be charged with the amount payable by the Council 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 appropriations 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 and Housing Revenue account 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.

Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Non-exchange transactions, such as those relating to taxes, benefits, and government grants, do not give rise to financial instruments.

They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

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 initially measured at fair value and 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.

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.

Liabilities include trade payables. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities.

Financial Assets

There are three main classes of financial assets measured at:

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

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

Expected Credit Loss Model

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

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

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

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

Exceptional Items

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

Government Grants & Contributions

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

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

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

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

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

Community Infrastructure Levy

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

Part of the CIL income is retained to offset the cost of administration and is accounted for as income in the Comprehensive Income and Expenditure Statement. The rest is intended for use to finance capital and is treated as capital contributions. As it is received without conditions it is recognised immediately as capital grants and contributions income and is then transferred to the Capital Grants Unapplied Reserve. A small proportion of the monies may be used to fund revenue expenditure.

The income from CIL is accounted for on an accruals basis and recognised immediately in the CI&ES at the commencement date of the chargeable development. Surcharges and interest received in accordance with the CIL regulations will be accounted for as if they were CIL receipts.

Investment Property

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

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

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

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

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

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 to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and that authority will be able to generate future economic benefits or deliver service potential by being able to use the asset. Costs relating to the development of computer software for internal use are capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred in the development phase. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Council will receive benefits from the software.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its useful life, to the appropriate line in the Comprehensive Income and Expenditure Statement. No intangible assets are recorded with indefinite lives. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive
Income and Expenditure Account, but they are not proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

Interest in Companies and Other Entities

Local authorities are required to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. In order to assess whether the Council has interests relevant to group accounts, consideration has been given to involvement with companies, partnerships, voluntary organisations, and other public bodies to determine whether

- the Council has a formal interest in a body which gives it access to economic benefits or service potential and that the body is an identifiable entity carrying on a trade or business of its own.
- the interest constitutes control over the majority of equity capital or voting rights or over rights to appoint the majority of the governing body or the interest involves it exercising, or having the right to exercise, dominant influence over the entity, such that the entity is classified as a subsidiary of the Council.
- If the authority does not have control, whether its interest involves it being able to exercise a significant influence over the entity without support from other participants, such that the entity is classified as an associate of the authority.
- If the authority does not have control, whether its interest allows it to direct the operating and financial policies in conjunction and with the consent of the other participants in the entity, such that the entity is classified as a joint venture for the authority.

Consideration has been given to the relationship with all potential entities and the following disclosures have been made:

Interests in other entities as shown in a note to the Core Financial Statements

The relationship with the body disclosed is not material and therefore there is no entity where the Council's interest is such that it would give rise to the requirement to prepare group accounts.

The position is reviewed and updated on an annual basis.

The Council has gone through a process in line with the Code guidance flowcharts and concluded Group Accounts are required in 2020/21. Further detail on the Group boundary judgement is included in note 3 and the Group Financial statements.

Leases

The Council as Lessee

Finance Leases

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

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

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

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

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

Operating Leases

All other leases are treated as operating leases.

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

The Council as Lessor

Finance Leases

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

Operating Leases

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

Overheads & Support Services

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

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

Fair Value Measurement

The council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. The Council also discloses fair values for financial assets and liabilities categorised as loans and receivables. 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 year end. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

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

Property Plant and 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.

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

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

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

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

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

<u>Componentisation</u>

The 2020/21 CIPFA Code of Practice on Local Authority Accounting states that each part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item shall be depreciated separately, applied from 1 April 2010 onwards. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In adopting the Code, the Authority has developed the following Componentisation Policy using the approach set out in LAAP bulletin 86:

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

This policy excludes land assets which are already identified separately.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals & Non-Current Assets Held for Sale

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

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

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

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

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the CI&ES 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 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.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The Council maintains two groups of reserves, usable and unusable.
Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of non-current assets are initially credited to the CI&ES, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.

- Capital Grants Unapplied: the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer apply, they are credited to the CI&ES and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.

- Earmarked Reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.

- General Fund: this represents all other usable reserves for the general fund, without legal restrictions on spending, which arise from annual surpluses or deficits.

- Housing Revenue Account (HRA): This is a statutory reserve for the HRA.

- HRA Earmarked Reserves: this represents reserves from the HRA which arise from annual surpluses or deficits.

- Major Repairs Reserve: This is a statutory reserve which can only be used to fund new capital investment in HRA assets or the financing of historical capital expenditure by the HRA

Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. 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.
- Capital Adjustment Account: Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.

- Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.

- 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.

- Collection Fund Adjustment Account: this represents the differences arising from the recognition of Council Tax income and Non-Domestic Rates in the Comprehensive Income and Expenditure Statement as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.

- Accumulated Absences Reserve: this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.

- Financial Instruments adjustment account: this 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.

- Financial Instrument Revaluation Reserve: this contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
    - revalued downwards or impaired and the gains are lost.
    - disposed of and the gains are realised.

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.

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.

The Collection Fund

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

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, including the Government. The amounts of debtors, adjustments for doubtful debts, overpayment creditors and receipts in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The element of the Collection Fund due to preceptors is held as part of the Short Term Creditors balance. Annual changes in the amounts held for preceptors are shown as part of financing activities in the Cash Flow Statement.

The amounts legally credited to the General Fund are those estimated before the start of the financial year, including distributions of estimated surplus, or contributions towards estimated deficits. In accounting terms, however, the Council's share of the collectable debit (including adjustments to allowances for doubtful debts and appeals) are credited to the Comprehensive Income and Expenditure Statement. The difference between the cumulative amounts for statutory and accounting purposes forms the Collection Fund Adjustment Account (an unusable reserve) and the annual adjustment forms part of the accounting and financing adjustments.

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

There are a number of Business Rates reliefs available to rate payers which are mandatory, the government funds these reliefs in full (except for Small Business Rate relief which it funds in part) via s31 grant to each authority. The s31 grant included in the CIES for the year that which is equal to the NNDR3 outturn. Any excess of this amount compared to the estimated NNDR1 figure is transferred to a S31 earmarked reserve and distributed in subsequent years against any deficit amounts.

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

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

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

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

- Amendments to IFRS 3 Business Combinations. Definition of a Business.
- Amendments to IFRS9, IAS 39 and IFRS 7. Interest Rate Benchmark Reform:
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
  Interest Rate Benchmark Reform – Phase 2:

3. Critical Judgments in Applying Accounting Policies

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

- There is a high degree of uncertainty about future funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Note 18 Financial Instruments details the authority's Investment Strategy and approach to managing risk. None of the authority's investments are impaired;
- The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and assets are recognised or derecognised (as appropriate) as Property, Plant and Equipment in the Council's Balance Sheet
- The Council has reviewed all property assets in accordance with the policy for Investment Properties and classified as appropriate
- The Council has reviewed all property assets in accordance with the policy for Assets Held for Sale and reclassified as appropriate
- Insurance fund levels are maintained on advice from the council's insurance manager

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

Property, Plant and Equipment

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

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

The significant assumptions applied in estimating the fair values are:

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

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

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

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

Investment Properties

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

Post Retirement Benefits

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

Group Boundaries

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

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

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

Due to the material levels of transactions going through Norwich Regeneration Ltd (NRL) in 2020-21, consolidated group accounts have been prepared. Consolidated group accounts have been prepared for NCSL Ltd due to the material level of transactions that will be going through and for future comparative purposes. As a subsidiary, the accounts of both NRL and NCSL have been consolidated with those of the Council on a line-by-line basis, and any balances and transactions between parties have been eliminated in full.

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

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

Covid-19 and Valuation Uncertainty

In accordance with the Royal Institution of Chartered Surveyors (RICS) Guidance, in valuing in accordance with the RICS Valuation – Global Standards (The Red Book), the valuer has declared a 'material valuation uncertainty' in the valuation report used in carrying out this assessment for some properties in the leisure and hospitality sector. This is on the basis of uncertainties and limited transactional evidence in markets caused by COVID-19. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available for Norwich City Council.

The council holds other land and buildings with a net book value of £128.8m – of which £29.873m are specialised assets on depreciated replacement cost (DRC) basis and the remainder non-specialised assets on either an existing use value (EUV) or fair value (FV) basis. The council holds investment property with a net book value of £103m – all of which is valued on a fair value basis.

EUV is an estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing, DRC refers to specialised assets which are valued on a depreciated replacement cost basis e,g. community centres. Here the valuer bases their assessment on the cost to replacing the service potential of the assets, whereas Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As part of the annual valuation program, the valuer undertook a full portfolio review of all investment properties and other land and building within the following categories:
- Offices
- Other
- Parking
- Community centres
- Industrial
- Retail
- Residential
- Development Land

Current RICS Guidance is that as property markets are mostly functioning again, Material Valuation Uncertainty would not generally be reported for many categories of property. This is not the case for properties in the leisure and hospitality sector, where many remain closed or have their operations restricted by government regulations and there is an absence of market evidence on which to base a judgement.

There has been no significant reduction in the occupancy, use and demand for Norwich City Council properties as a result of Covid-19, although as the pandemic and government response to it, including the withdrawal of grants and financial assistance continues to evolve, markets may react and tenants may still struggle or fail.

The review by the valuers has assessed the material valuation uncertainty classification still applies to some properties in the hospitality and leisure sectors. This is because the use of these premises is still currently restricted and there is an absence of relevant/sufficient market evidence on which to base the judgements. Based on the portfolio review, the conclusion of the valuer and council is that MVU clause is still applied to properties valued at £18m (2019/20 £29.4m included retail). This figure includes 13-25 London Street & 4-8 Bedford Street which is predominantly retail and valued as such however the upper floor has a gym and restaurant which arguably falls into hospitality and leisure.

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

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Business Rates	Since the introduction of the Business Rates retention Scheme in April 2013, Local Authorities are liable for successful appeals against business rates charged to business in 2020/21 and earlier financial years in their proportionate share. As at the 31 March 2021 70 appeals remain outstanding relating to the 2010 rating list. A provision has been recognised for the best estimate of the amount that businesses have been overcharged for the period totalling £2.2m. Following the 2017 revaluation, a new check, challenge and appeal process has been introduced by the Valuation Office Agency; the impact of which is highly uncertain. As at the 31st March 2021 264 challenges are outstanding. However, 224 of these are Covid 19 related Material Change of Circumstances challenges and the government have legislated to rule out such appeals. A provision has been made for the estimated success of future appeals from the 2017 list of £5.18m which equates to 6.6% of annual net rates payable. A 1% increase in the coverage of net rates for the 2017 list would increase the provision by £0.8m.	Should the outstanding appeals be successful, the amount owed to businesses may be more than estimated, in which case the proportionate share of this would require an increase to the provision. However there may be appeals that are not successful or they may be successful but the amount owed to businesses be less than estimated, which would result in a reduction in the appeals provision.
Property, Plant and Equipment (excluding Housing Stock) £148.8m	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for assets would increase by £0.250m for every year that useful lives had to be reduced.

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Property, Plant and Equipment (excluding Housing Stock) £148.8m	Apart from infrastructure, community and assets under construction, the basis of value for all assets is Current Value. Current value may be either the Existing Use Value, Depreciated replacement Cost or Fair Value depending on the property type and classification. Of the balance £29.873m (20%) of assets are held at depreciated replacement cost (DRC). This method is used where there is no established property market which would enable a reliable valuation by any other method.	Property values are affected by a number of factors and a 1% change in the assumed valuation of other land and buildings and surplus assets totalling £128.836m would equate to £1.29m.
Pensions Liability £209.9m	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 acturies allowed for the impact of full GMP indexation in the calculation of 31 March 2019 funding valuation results. The Employer's valuation results position is used as the starting point for the accounting roll forward calculations and therefore an allowance for full GMP indexation was included within the closing balance sheet position of last year's Accounting Date. Other recent court cases have been considered but no further adjustments made this year for their impact. At the accounting date.	The sensitivities resulting in an impact on the Council's finances are disclosed in Note 8.
Arrears	At 31 March 2021, the Council had a balance of sundry debtors for £4.9m. A review of significant balances suggested that an impairment of doubtful debts ranging from 10% to 100% was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase in the amount of the impairment for doubtful debt would be required.

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Housing Stock £804.6m	The housing stock is not individually componentised, for valuation purposes a beacon approach is used with the assumption that the beacon property is fully upgraded. Each property in that beacon is then reduced by percentages for each component that is not upgraded.	The percentages used to reduce the value may not reflect the true depreciated value of the individual components. The valuation of housing stock may be under or overstated Property values are affected by a number of factors - a 1% change in the assumed valuation would equate to £8.046m.
Housing Stock £804.6m	The housing stock is not individually componentised, for depreciation purposes council dwellings have their individual components identified as to date of upgrade and using the asset life as advised by the council's valuers, the depreciation associated with each properties components is calculated.	The use of standard lives to calculate components and assumption of full depreciation on components not upgraded may not be valid. The depreciation of council dwellings may be under or overstated The depreciation charge is £15m. It is estimated that the annual depreciation charge for assets would increase by £0.276m for every year that useful lives had to be reduced.
Fair value measurement of investment property	The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. Further information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in Note 16.	The total value of investment properties is £103.394m. Of this £82.721m (80%) is a Level 2 valuation and £20.672m (20%) Level 3 valuation. Level 3 valuations use significant unobservable inputs to determine the fair value measurements. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for investment properties and financial assets A 1% change in the assumed valuation of investment property would equate to £1.034m

5. Expenditure and Funding Analysis

	Net Expenditure Chargeable to the GF & HRA balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
Resources	11,329	50	11,279
Chief Executive	804	96	708
Customers, Communications & Culture	5,975	52	5,923
Neighbourhoods	10,051	(512)	10,563
Place	3,554	(2,049)	5,602
Housing Revenue Account	(21,025)	14,409	(35,434)
Net Cost of Services	**10,687**	**12,047**	**(1,359)**
Other income & expenditure	918	1,976	(1,058)
Financing and Investment Income	2,619	(3,193)	5,812
Taxation and non-specific grant income	(44,297)	(15,189)	(29,108)
(Surplus) or deficit	**(30,072)**	**(4,360)**	**(25,712)**
Opening General Fund and HRA balance at 31 March 2020	(43,432)		
Net (Surplus) / Deficit on General Fund and HRA balance in year	(30,072)		
Transfer between reserves	20,158		
Closing General Fund and HRA balance at 31 March 2020	**(53,346)**		

Analysed between General fund and HRA balances	**General Fund**	**HRA**	**Total**
Opening General Fund and HRA balance at 31 March 2019	(9,464)	(33,968)	(43,432)
Net (Surplus) / Deficit on General Fund and HRA balance in year	(20,825)	(9,249)	(30,074)
Transfer between reserves	20,309	(151)	20,158
In year movement in reserves	**(516)**	**(9,400)**	**(9,916)**
Closing General Fund and HRA balance at 31 March 2020	**(9,980)**	**(43,368)**	**(53,348)**

	Adjustments for capital purposes £'000	Net Changes for Pension adjustments £'000	Other Difference £'000	Total Adjustments £'000
Resources	300	252	(502)	**50**
Chief Executive	-	96	-	**96**
Customers, Communications & Culture	(489)	541	-	**52**
Neighbourhoods	(840)	328	-	**(512)**
Place	(2,222)	174	-	**(2,049)**
Housing Revenue Account	14,238	220	(49)	**14,409**
Net Cost of Services	**10,988**	**1,610**	**(552)**	**12,047**
Other income & expenditure	1,976	-	-	**1,976**
Financing and Investment Income	821	(4,014)	-	**(3,193)**
Taxation and non-specific grant income	3,985	-	(19,174)	**(15,189)**
(Surplus) or deficit	**17,770**	**(2,404)**	**(19,726)**	**(4,360)**

Expenditure Funding Analysis 2019/20 (Restated)

	Net Expenditure Chargeable to the GF & HRA balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
Resources	10,777	(1,590)	12,367
Chief Executive	879	(6)	885
Customers, Communications & Culture	4,642	(521)	5,163
Neighbourhoods	9,610	(939)	10,549
Place	(1,648)	(6,989)	5,341
Housing Revenue Account	(15,781)	453	(16,235)
Net Cost of Services	**8,479**	**(9,591)**	**18,070**
Other income & expenditure	511	6,083	(5,572)
Financing and Investment Income	3,152	(12,474)	15,626
Taxation and non-specific grant income	(18,196)	4,098	(22,296)
(Surplus) or deficit	**(6,055)**	**(11,884)**	**5,829**
Opening General Fund and HRA balance at 31 March 2019	(42,556)		
Net (Surplus) / Deficit on General Fund and HRA balance in year	(6,055)		
Transfer between reserves	5,179		
Closing General Fund and HRA balance at 31 March 2019	**(43,432)**		

Analysed between General fund and HRA balances	**General Fund**	**HRA**	**Total**
Opening General Fund and HRA balance at 31 March 2018	(11,653)	(30,903)	(42,556)
Net (Surplus) / Deficit on General Fund and HRA balance in year	(1,720)	(4,335)	(6,055)
Transfer between reserves	3,909	1,270	5,179
In year movement in reserves	**2,189**	**(3,065)**	**(876)**
Closing General Fund and HRA balance at 31 March 2019	**(9,464)**	**(33,968)**	**(43,432)**

	Adjustments for capital purposes £'000	Net Changes for Pension adjustments £'000	Other Difference £'000	Total Adjustments £'000
Resources	(1,435)	(160)	5	**(1,590)**
Chief Executive	-	(6)	-	**(6)**
Customers, Communications & Culture	(485)	(36)	-	**(521)**
Neighbourhoods	(892)	(47)	-	**(939)**
Place	(6,938)	(50)	-	**(6,989)**
Housing Revenue Account	508	(54)	-	**453**
Net Cost of Services	**(9,242)**	**(353)**	**5**	**(9,591)**
Other income & expenditure	6,083	-	-	**6,083**
Financing and Investment Income	(7,562)	(4,912)	-	**(12,474)**
Taxation and non-specific grant income	4,127		(29)	**4,098**
(Surplus) or deficit	**(6,594)**	**(5,265)**	**(24)**	**(11,884)**

6. Adjustments between Accounting Basis and Funding Basis under regulations

2020/21	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'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	(2,194)	(18,131)	-	-	-	(20,324)	20,324
Excess dep'n over HRA MRA	-	-	-	-	-	-	-
Revaluation gains / (Losses) on Property, Plant and Equipment	56	15,506	-	-	-	15,012	(15,012)
Movement in Market Value of Investment Properties	(96)	-	-	-	-	(96)	96
Capital Grants and Contributions Applied	1,252	14	-	-	-	1,266	(1,266)
Movement in Donated Assets Account	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(1,971)	(550)	-	-	-	(1,971)	1,971
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	(570)	(7,354)	-	-	-	(7,924)	7,924
	-	-	-	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement	-	-	-	-	-	-	-
Statutory provision for the financing of capital investment	1,693	107	-	-	-	1,801	(1,801)
Capital expenditure charged against the General Fund and HRA balances	1,000	1,941	-	-	-	2,941	(2,941)
Adjustments involving the Capital Grants Unapplied Account	-	-	-	-	-	-	-
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,142	577	-	-	(2,719)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,907	1,907	(1,907)
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	766	9,322	(10,088)	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	3,233	-	-	3,224	(3,224)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(10)	(160)	169	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,097)	-	1,097	-	-	-	-
Transfers from Deferred Capital Receipts reserve	-	-	-	-	-	-	-

2020/21	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	(140)	-	-	(140)	140
Adjustments involving the Major Repairs Reserve	-	-	-	-	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	15,525	-	(15,525)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	13,813	-	13,813	(13,813)
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	(133)	-	-	-	-	(133)	133
Adjustments involving the Pensions Reserve	-	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,016)	(2,186)	-	-	-	(10,202)	10,202
Employer's pension contributions and direct payments to pensioners payable in the year	6,214	1,584	-	-	-	7,798	(7,798)
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	(19,174)	-	-	-	-	(19,174)	19,174
Adjustments involving the Accumulated Absence Reserve	-	-	-	-	-	-	-
Difference between accounting and statutory credit for holiday	(370)	(49)	-	-	-	(419)	419
Total Adjustments	**(20,508)**	**16,146**	**(5,729)**	**(1,712)**	**(812)**	**(12,621)**	**12,621**

2019/20 comparative figures	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(6,811)	(18,035)	-	-	-	(24,846)	24,846
Revaluation gains / (Losses) on Property, Plant and Equipment	(422)	(2,178)	-	-	-	(2,600)	2,600
Movement in Market Value of Investment Properties	(3,594)	-	-	-	-	(3,594)	3,594
Capital Grants and Contributions Applied	1,729	227	-	-	-	1,956	(1,956)
Movement in Donated Assets Account	56	-	-	-	-	56	(56)
Revenue expenditure funded from capital under statute	(6,190)	-	-	-	-	(6,190)	6,190
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(875)	(9,658)	-	-	-	(10,533)	10,533
HRA Self Financing Debt						-	-
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement							
Statutory provision for the financing of capital investment	567	101	-	-	-	668	(668)
Capital expenditure charged against the General Fund and HRA balances	207	5,590	-	-	-	5,797	(5,797)
Adjustments involving the Capital Grants Unapplied Account	-	-	-	-	-	-	-
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,670	445	-	-	(2,115)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	3,793	3,793	(3,793)
Adjustments involving the Capital Receipts Reserve:	-	-	-	-	-	-	-
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,417	12,999	(14,417)	-	-	(1)	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	6,897	-	-	6,897	(6,897)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(23)	(231)	255	-	-	1	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,097)	-	1,097	-	-	-	-

2019/20 comparative figures	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,250	-	-	-	-	2,250	(2,250)
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	(1,571)	-	-	(1,571)	1,571
Adjustments involving the Major Repairs Reserve	-	-	-	-	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	15,261	-	(15,261)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	16,750	-	16,750	(16,750)
Adjustments involving the Financial Instruments Adjustment Account	-	-	-	-	-	-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	5	-	-	-	-	5	(5)
Adjustments involving the Pensions Reserve	-	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(10,353)	(2,796)	-	-	-	(13,149)	13,149
Employer's pension contributions and direct payments to pensioners payable in the year	6,242	1,642	-	-	-	7,884	(7,884)
Adjustments involving the Collection Fund Adjustment Account	-	-	-	-	-	-	-
Amount by which Council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(29)	-	-	-	-	(29)	29
Total Adjustments	**(15,251)**	**3,367**	**(7,739)**	**1,489**	**1,678**	**(16,456)**	**16,456**

7. Segmental Income

	2020-21	Restated 2019-20
	Surplus / Deficit on the Provision of Services	Surplus / Deficit on the Provision of Services
	£'000	£'000
Employee benefits expenses	32,617	32,102
Other service expenses	54,595	60,258
Interest payments	8,231	8,236
IFRS 9 adjustment	(658)	0
Depreciation, amortisation, impairment etc.	5,611	30,904
Payments to Housing Capital Receipts Pol	1,097	1,097
Housing Benefit Expenditure	46,644	49,604
Non-Domestic rates tariff	26,190	28,181
Total Expenditure	**174,327**	**210,382**
Fees, charges and other service income	(86,878)	(92,631)
Fair value adjustments	0	0
Interest and investment income	(896)	(6,132)
Council Tax and Non-Domestic Rate income	(22,304)	(41,981)
Grants and Contributions	(42,843)	(8,495)
Housing Benefit contributions and allowances	(44,876)	(49,073)
Gains on the disposal of assets	(2,242)	(6,241)
Total income	**(200,039)**	**(204,553)**
Net	**(25,712)**	**5,829**

Income received on a segmental basis is analysed below:

	2020/21	2019/20
	£000	£000
Revenue from External customers	(86,878)	(92,631)
Other Income	(113,161)	(111,922)
Total Income	**(200,039)**	**(204,553)**

8. Defined Benefit Pension Schemes

	2020-21 £'000	2019-20 £'000
Comprehensive Income and Expenditure Statement		
Current Service Cost	6,733	8,127
Curtailments	67	110
Settlements	(612)	0
Cost of Services	**6,188**	**8,237**
Net interest expense	4,014	4,912
Financing and Investment Income and Expenditure	**4,014**	**4,912**
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	**10,202**	**13,149**
Return on plan assets, less included in interest expense	61,644	24,902
Actuarial gains & losses:		
Changes in demographic assumptions	(5,414)	(11,718)
Changes in financial assumptions	(96,747)	(33,911)
Other	2,636	(19,025)
Remeasurement of the net defined benefit liability	**(37,881)**	**(39,752)**
Total Comprehensive Income and Expenditure Statement	**(27,679)**	**(26,603)**
Movement in Reserves Statement		
Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	10,202	13,149
Employer's pension contributions and direct payments to pensioners payable in the year	(7,798)	(6,699)
Total taken to Note 6	**2,404**	**6,450**

Reconciliation of Fair Value of Employer Assets (scheme Assets):	2020-21 £'000	2019-20 £'000
Value of Assets at 1 April	**270,061**	**295,856**
Effect of settlements	(1,476)	0
Interest income on plan assets	6,090	7,021
Contributions by Members	1,333	1,231
Contributions by the Employer	7,798	6,699
Return on assets excluding amounts recognised in Other Comprehensive Income	61,644	(24,902)
Effect of business combinations	4,814	
Benefits Paid	(16,452)	(15,844)
	333,812	**270,061**

Reconciliation of Defined Benefit Obligation (scheme Liabilities):	**2020-21 £'000**	2019-20 £'000
Value of Liabilities at 1 April	**(439,664)**	**(499,947)**
Current Service Cost	(6,733)	(8,127)
Past Service Cost	(67)	(110)
Effect of settlements	2,088	0
Interest Cost	(10,104)	(11,933)
Contribution by Members	(1,333)	(1,231)
Actuarial Gains and (Losses):		
Change in demographic assumptions	(5,414)	11,718
Change in financial assumptions	(96,747)	33,911
Other experience gains and (losses)	4,001	19,025
Effect of business combinations and disposals	(6,179)	0
Benefits Paid	16,452	17,030
	(543,700)	**(439,664)**
Net Liability at 31st March	**(209,888)**	**(169,603)**

In the 2020-21 accounts the council has recognised changes in the liability arising from changes in assumptions within the re-measurement of the defined benefit liability and reported in Other Comprehensive Income and Expenditure Statement within the Comprehensive Income and Expenditure Statement.

	2020-21	**2019-20**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.9	21.7
Women	24.3	23.9
Longevity at 45 for future pensioners:		
Men	23.2	22.8
Women	26.2	25.5

	2020-21	**2019-20**
Rate of inflation	2.85%	1.90%
Rate of increase in salaries	3.55%	2.60%
Rate of increase in pensions	2.85%	1.90%
Rate for discounting scheme liabilities	2.00%	2.30%

	2020/21				2019/20			
	Quoted Prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of total assets	Quoted Prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of total assets
Cash & Cash Equivalents	4,313		**4,313**	**1.3%**		7,430	**7,430**	**2.2%**
Equity Instruments								
by industry type								
Consumer			**-**		12,397		12,397	**3.7%**
Manufacturing			**-**		9,828		9,828	**2.9%**
Energy and Utilities			**-**		2,997		2,997	**0.9%**
Financial institutions			**-**		8,402		8,402	**2.5%**
Health and care			**-**		7,764		7,764	**2.3%**
Information Technology			**-**		10,323		10,323	**3.1%**
Other			**-**		5		5	**0.0%**
Sub-total Equity Instruments	**-**		**-**		**51,716**		**51,716**	
Private equity		27,231	**27,231**	**8.2%**		20,130	**20,130**	**6.0%**
Bonds								
by sector								
Corporate								
UK Government			-					
Other	3,021		3,021	0.9%	2,520		2,520	0.8%
Sub-total Bonds	**3,021**		**3,021**		**2,520**		**2,520**	
Property								
by geographical location								
UK property		18,277	18,277	5.5%		17,116	17,116	5.1%
Overseas property		4,648	4,648	1.4%		3,920	3,920	1.2%
Sub-total Property		22,926	**22,926**			21,036	**21,036**	
Investment Funds & Unit Trusts								
Equities	191,263		191,263	57.3%	96,679		96,679	29.0%
Bonds	69,524		69,524	20.8%	65,464		65,464	19.6%
Infrastructure		14,537	14,537	4.4%		5,556	5,556	
Other		846	846	0.3%				
Sub-total Investment Funds & Unit Trusts	**260,786**	**15,383**	**276,169**		**162,143**	**5,556**	**167,699**	
Derivatives						(470)	(470)	-0.1%
Other	152.5		152.5	0.0%				
Total Assets	**268,273**	**65,540**	**333,812**		**216,379**	**53,682**	**270,061**	

9. Grant Income

	2020-21 £'000	2019-20 £'000
DWP benefits subsidy - Rent Allowance	(21,171)	(22,539)
DWP benefits subsidy - Rent Rebate	(23,244)	(24,764)
Discretionary Housing Payments	(461)	(389)
Housing Benefits Administration Grant	(609)	(627)
Covid grants	(5,862)	0
Homelessness & Rough Sleeping Initiatives	(1,535)	(1,257)
Other Grants and Contributions	(1,843)	(1,418)
Total within Cost of Services	**(54,725)**	**(50,994)**
Revenue		
Revenue Support Grant	(216)	0
Local Strategic Partnership - Second Homes	0	(12)
Council Tax Admin subsidy	(231)	0
New Homes Bonus	(693)	(676)
NNDR admin grant	(269)	(273)
NNDR Section 31 grant	(20,570)	(2,931)
Covid grants	(6,977)	0
Other Grants and Contributions	(51)	(475)
Capital		
Community Infrastructure Levy - from developers	(881)	(1,220)
Community Infrastructure Levy - from GNGB Strategic Pool	(18)	(93)
Disabled Facilities Grant	(944)	(1,133)
Grants for revenue financed from capital under statute		(10)
Grants and contributions towards capital - from Government	(1,565)	(610)
Grants and contributions towards capital - non Government	(576)	(1,005)
Total within Taxation and non-specific grant income	**(32,991)**	**(8,438)**
Total income from grants and contributions	**(87,716)**	**(59,432)**

10. Material Items of Income and Expense

During 2020/21 NRL repaid loans of £3m (2019/20: £6m), and the Council loaned a further £6.25m to NRL (2019/20: £3m), leaving a net balance of £12.65m outstanding at the end of the financial year (2019/20 £9.4m). A further £1.15m of equity was purchased in NRL by the Council.

During 2020/21 the Council loaned £1.64m to NCSL (2019/20: £0m). £0.370m of equity was purchased in NCSL by the Council.

Due to the Covid 19 pandemic the Government has given the Council £6.978m of grants to administer. This is included as grant income. Further details can be found in the grant income note 9

11. Earmarked 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 the year. 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. It will also be used to mitigate risk associated with premium cost increases.

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 2021 is based on the assessed liability. Included within this balance is an amount to cover potential liabilities following the trigger of the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement.

S31 Earmarked Reserve

Central government compensates local authorities for changes to business rates reliefs. This compensation is made outside of the rate retention scheme by means of a Section 31 (S31) grant directly to the general fund. The S31 Earmarked Reserve holds the unused balance of the S31 grant monies received in 2020/21 and earlier years. These monies will be transferred to the General Fund Reserves in future years to mitigate the delayed impact of deficits on the NNDR Collection Fund as properly accounted for under regulation.

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

Mousehold Consevators Reserve

Mousehold Heath is a unique 88-hectare area made up of heathland, woodland and recreational open space located in the north of Norwich. Norwich City Council owns the land, supports the Conservators and delivers services on their behalf. The reserve holds funding for future costs of maintaining the area.

General Fund Invest to Save Reserves

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

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.

Commercial Property Reserve

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

Norwich Regeneration Ltd Reserve

The Council has a commercial loan of £9.4m (2018/19 £12.4m) with its wholly-owned subsidiary Norwich Regeneration Ltd (NRL). The company is using the loan to finance its house building at the Three Score site and the Council receives an income stream through the loan interest payments.

An earmarked reserve has been set up to smooth any fluctuations in net income received by the Council from the lending to NRL. It will also provide a buffer in case the company is unable to repay the loan balance in full and the council is then required to make minimum revenue provision payments.

Elections Reserve

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

General Fund Repairs Reserve

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

Business Change Reserve

This reserve will be used to fund costs linked to the change programme which are not delivering specific savings, for example project management and benchmarking. It will also support training and development of our workforce to ensure we have the skills required to deliver the ambitions of the Council.

Budget Risk Reserve

This reserve will be used to manage the financial risks associated with both the future impacts of the pandemic and the delivery of the 2021/22 budget savings identified.

HRA Tenancy & Estate Management System

Reserve to support the project to replace the IT system for housing rents.

	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Insurance Reserve	935	(153)	303	1,085	(204)	200	1,081
S31 Earmarked Reserve	2,045	-	-	2,045	-	17,473	19,518
Mousehold Conservators Reserve	9	-	10	19	-	11	30
General Fund Invest to Save Reserve	4,262	(1,809)	557	3,010	(497)	-	2,513
Revenue Grants Unapplied Reserve GF	1,841	(108)	107	1,840	-	1,651	3,491
Revenue Grants Unapplied Reserve HRA	-	-	-	-	-	-	-
Commercial Property Earmarked Reserve	1,058	-	989	2,047	-	418	2,465
Norwich Regeneration Ltd Earmarked Reserve	293	-	3,707	4,000	(650)	-	3,350
Elections Earmarked Reserve	113	-	-	113	-	-	113
General Fund Repairs Reserve	-	-	444	444	-	387	831
Budget Risk Reserve	-	-	-	-	-	700	700
Business Change Reserve	-	-	-	-	-	913	913
HRA Invest to Save Reserve	1,500	-	1,000	2,500	(728)	-	1,772
HRA Tenancy & Estate Management System	-	-	-	-	-	415	415
Total	**12,056**	**(2,070)**	**7,117**	**17,103**	**(2,079)**	**22,168**	**37,192**

12. Unusable Reserves

	2020/21 £000	2019/20 £000
Revaluation Reserve	89,481	76,632
Financial Instruments Revaluation Reserve	1,919	2,028
Capital Adjustment Account	680,323	669,398
Financial Instruments Adjustments Account	(954)	(822)
Deferred Capital Receipts	1,495	1,635
Pensions Reserve	(209,901)	(169,617)
Collection Fund Adjustment Account	(17,697)	1,477
Accumulated Absences Reserve	(419)	
Total Unusable Reserves	**544,247**	**580,731**

Revaluation Reserve

	2020/21 £000	£000	2019/20 £000
Balance at 1 April		76,632	**74,600**
Upward revaluation of assets	15,893		8,644
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,776)		(5,080)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**14,117**	**3,564**
Difference between fair value depreciation & historical cost depreciation	(657)		(632)
Accumulated gains on assets sold or scrapped	(611)		(702)
Amount written off to the Capital Adjustment Account		**(1,268)**	**(1,334)**
Other movements		-	(198)
Balance at 31 March		**89,481**	**76,632**

Financial Instruments Revaluation Reserve

Financial Instruments Revaluation Reserve	2020/21 £000	£000	2019/20 £000
Balance at 1 April	2,028		830
Upward revaluation of investments	-		
Downward revaluation of investments	(110)		1,198
Change in impairment loss allowances			
		1,918	**2,028**
Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-		
Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balances for financial assets designated to fair value through other comprehensive income	-		
Balance at 31 March		**1,918**	**2,028**

Capital Adjustment Account

Capital Adjustment Account	2020/21		2019/20
	£000	£000	£000
Balance at 1 April		**669,398**	**679,756**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(20,320)	-	(24,846)
Revaluation gains / (losses) on Property, Plant & Equipment	15,572		(2,600)
Revenue expenditure funded from capital under statute	(2,521)		(6,190)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(7,926)		(10,533)
Difference between historic cost & carrying value depreciation	657		632
Net written out amount of the cost of non-current assets consumed in the year		**(14,538)**	**(43,537)**
Adjusting amounts written out of the Revaluation Reserve		608	702
Net written out amount of the cost of non-current assets consumed in the year		**(13,930)**	**(42,835)**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital Expenditure	5,802		6,897
Use of the Major Repairs Reserve to finance new capital expenditure	13,813		16,750
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,266		1,956
Application of grants to capital financing from the Capital Grants Unapplied Account	1,907		3,793
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	1,801		669
Capital expenditure charged against the General Fund & HRA balances	2,941		5,797
		27,530	**35,862**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(96)	(3,594)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-	56
Capital expenditure financed from Capital Receipts (NRL loan)		(3,000)	-
Other		420	153
Balance at 31 March		**680,322**	**669,398**

Collection Fund Adjustment Account

Collection Fund Adjustment Account	2020/21 £000	2019/20 £000
Balance at 1 April	**(1,477)**	**(1,507)**
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	352	269
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	18,822	(239)
Balance at 31 March	**17,697**	**(1,477)**

Pension Reserve

Pensions Reserve	2020/21 £000	2019/20 £000
Balance at 1 April	**(169,616)**	**(204,103)**
Actuarial gains or (losses) on pensions assets & liabilities	(37,881)	39,752
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	(10,202)	(13,149)
Employer's pensions contributions & direct payments to pensioners payable in the year	7,798	7,346
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	-	538
Balance at 31 March	**(209,901)**	**(169,616)**

Deferred Capital Receipts

Deferred Capital Receipts Reserve	2020/21 £000	2019/20 £000
Balance at 1 April	**1,635**	**1,433**
IFRS9 Adjustment		(399)
Balance at 1 April	**1,635**	**956**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	2,250
Transfer to the Capital Receipts Reserve upon receipt of cash	(140)	(1,571)
Balance at 31 March	**1,495**	**1,635**

Financial Instruments Adjustment Account

	2020/21 £000	2019/20 £000
Financial Instruments Adjustment Account		
Balance at 1 April	**822**	**826**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	274	-
	1,096	**826**
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	(142)	(4)
Balance at 31 March	**954**	**822**

Accumulated Absences Reserve

	2020/21 £000	2019/20 £000
Accumulated Balances Account		
Balance at 1 April	0	0
Difference between accounting and statutory credit for holiday	(419)	0
Balance at 31 March	**(419)**	**-**

13. Capital Financing Requirement

	2020-21 £'000	2019-20 £'000
Opening Capital Financing Requirement 1 April	325,980	282,779
Prior years adjustment		4,703
Capital Investment		
Property, Plant and Equipment	20,070	27,983
Investment Properties	64	43,112
Heritage Assets	1	8
Intangible assets	176	217
Revenue Expenditure Funded from Capital under Statute (REFCUS)	2,521	6,190
Sources of finance		
Capital receipts	(3,222)	(6,897)
Norwich Regneration Ltd loan repayment	(3,000)	
Government grants and other contributions	(3,173)	(5,749)
HRA Major Repairs Reserve	(13,813)	(16,750)
Sums set aside from revenue and reserves	(2,941)	(5,898)
Other Capital movement		
Capital derecognition	(134)	(141)
Norwich Regeneration Ltd Share capital	1,150	
Norwich Regeneration Ltd loan	6,250	(3,000)
Norwich City Services Ltd Share capital	370	(10)
Norwich City Services loan	1,140	
Finance lease	(107)	
Other	209	
Minimum Revenue provision	(1,694)	(567)
Closing Capital Financing Requirement 31 March	**329,847**	**325,980**

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.

A review of the Capital Financing Requirement has been undertaken to reconcile the amount to the council's balance sheet. This has resulted in a adjustment relating to prior years which increases the CFR carried forward.

The CFR is analysed in the second part of this note.

	31 March 2021 £'000	31 March 2020 £'000
Property, Plant and Equipment	953,407	930,027
Heritage assets	25,553	25,553
Investment Properties	103,391	105,677
Intangible Assets	614	621
Assets Held for Sale	0	131
Long term Investments	6,163	4,752
Long Term Debtors	11,487	6,456
Financial Instruments revaluation Reserve	(1,919)	(2,028)
Financial Instruments Adjustment Account	954	822
Revaluation Reserve	(89,481)	(76,633)
Capital Adjustment Account	(680,322)	(669,398)
	329,847	**325,980**

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.

14. Property Plant and Equipment

Movements in 2020/21	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 2020	**790,620**	**139,786**	**28,770**	**2,862**	**11,923**	**25**	**606**	**974,592**
Additions	16,119	1,054	1,525	23	284	-	1,065	**20,070**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	8,676	444	-	-	-	29	-	**9,149**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(4,579)	(376)	-	-	-	-	-	**(4,955)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	8,992	25	-	-	-	-	-	**9,017**
Derecognition – Disposals	(6,319)	-	(18,358)	-	-	-	-	**(24,677)**
Derecognition - Other	(397)	-	-	-	-	-	-	**(397)**
Demolition	-	(8)	-	-	-	-	-	**(8)**
Assets Reclassified (to) / from Held for Sale	(476)	(16)	-	-	-	-	-	**(492)**
Other Movements in Cost or Valuation	(6)	1,807	-	-	-	-	-	**1,801**
At 31 March 2021	**812,630**	**142,716**	**11,937**	**2,885**	**12,207**	**54**	**1,671**	**984,100**
Accumulated Depreciation & Impairment								
At 1 April 2020	(7,126)	(11,113)	(25,024)	(1,300)	-	-	-	**(44,563)**
Depreciation charge	(14,999)	(2,521)	(729)	(81)	-	-	-	**(18,330)**
Depreciation written out to the Surplus/Deficit on Provision of Services	10,974	39	-	-	-	-	-	**11,013**
Depreciation write-back on revaluation to Revaluation Reserve	4,025	643	-	-	-	-	-	**4,668**
Impairment losses / (reversals) recognised in CIES	(1,132)	(927)	-	-	-	-	-	**(2,059)**
Impairment losses / (reversals) recognised in RR	225	-	-	-	-	-	-	**225**
Derecognition – Disposals	-	-	18,353	-	-	-	-	**18,353**
Derecognition - Other	-	-	-	-	-	-	-	**-**
At 31 March 2021	(8,033)	(13,879)	(7,400)	(1,381)	-	-	-	**(30,693)**
Net Book Value								
At 31 March 2021	**804,597**	**128,837**	**4,537**	**1,504**	**12,207**	**54**	**1,671**	**953,407**
At 31 March 2020	783,495	128,672	3,745	1,561	11,923	25	606	930,027

Comparative Movements in 2019/20	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation								
At 1 April 2019	782,152	140,890	28,147	2,812	11,809	293	7,001	**973,104**
Additions	25,639	1,517	512	49	114	-	152	**27,983**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	364	(1,929)	-	-	-	(40)	-	**(1,605)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(18,711)	(1,026)	-	-	-	-	-	**(19,737)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	4,205	356	-	-	-	-	-	**4,561**
Derecognition – Disposals	(8,469)	-	(119)	-	-	-	-	**(8,588)**
Derecognition - Other	(194)	-	-	-	-	-	-	**(194)**
Demolition	-	(10)	-	-	-	-	-	**(10)**
Assets Reclassified (to) / from Held for Sale	(670)	(25)	-	-	-	-	-	**(695)**
Other Movements in Cost or Valuation	6,305	13	229	-	-	(228)	(6,547)	**(228)**
At 31 March 2020	**790,621**	**139,786**	**28,769**	**2,861**	**11,923**	**25**	**606**	**974,591**
Accumulated Depreciation & Impairment								
At 1 April 2019	(6,141)	(9,880)	(24,442)	(1,220)	-	(7)	-	**(41,690)**
Depreciation charge	(14,729)	(2,493)	(682)	(80)	-	(1)	-	**(17,985)**
Depreciation written out to the Surplus/Deficit on Provision of Services	11,592	104	-	-	-	-	-	**11,696**
Depreciation write-back on revaluation to Revaluation Reserve	3,137	1,784	-	-	-	8	-	**4,929**
Impairment losses / (reversals) recognised in CIES	(1,184)	(616)	-	-	-	-	-	**(1,800)**
Impairment losses / (reversals) recognised in RR	199	(13)	-	-	-	-	-	**186**
Derecognition – Disposals	-	-	100	-	-	-	-	**100**
Derecognition - Other	-	-	-	-	-	-	-	**-**
At 31 March 2020	**(7,126)**	**(11,114)**	**(25,024)**	**(1,300)**	**-**	**-**	**-**	**(44,564)**
Net Book Value								
At 31 March 2020	**783,495**	**128,672**	**3,745**	**1,561**	**11,923**	**25**	**606**	**930,027**
At 31 March 2019	776,012	131,009	3,705	1,591	11,809	287	7,002	**931,415**

Valuations

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

Current year valuations were carried out by:
Deborah O'Shea MRICS (NPS)
Grant Brewer MRICS (NPS)
Jed Snelling (under the supervision of Grant Brewer MRICS, NPS)

HRA Dwellings

The date of valuation is 31 March 2021.

The valuers undertook a full revaluation at 31 March 2021. The valuations were undertaken in accordance with the RICS Valuation – Global Standards as published by the Royal Institution of Chartered Surveyors.

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

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

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

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

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

The valuations are made on the following assumptions:

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

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

HRA Non-Dwellings

The date of valuation is 31 March 2021.

The valuations were undertaken in accordance with the RICS Valuation – Global Standards as published by the Royal Institution of Chartered Surveyors.

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

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

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

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

General Fund Assets

The date of valuation is 1st December 2020.

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

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

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

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

VALUATION CYCLE '000s	Council dwellings	Other Land & Buildings	Community assets	Infrastructure	Vehicles, Plant, & Equipment	AUC	Surplus properties	Total PPE
Valued at historical cost			12,207	1,503	4,536	1,671		**19,917**
Valued at current value								**-**
2020-21	804,597	40,678					54	**845,329**
2019-20		17,090						**17,090**
2018-19		23,379						**23,379**
2017-18		45,729						**45,729**
2016-17		1,960						**1,960**
Total	**804,597**	**128,836**	**12,207**	**1,503**	**4,536**	**1,671**	**54**	**953,404**

15. Heritage Assets

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

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

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

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

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

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

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

Paintings
The Council owns a collection of paintings which are stored, managed, insured, valued and cared for on behalf of the Council by NMAS in line with County Council and National Museums standards. The collection of

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

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

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

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

	Civic Plate & Regalia £000	Paintings £000	Sculptures & Bronzes £000	Statues, Fountain etc £000	Buildings £000	Total Heritage Assets £000
Valuation						
1st April 2019	8,078	4,675	6,930	2,457	3,405	**25,545**
Additions	-	-	-	-	8	**8**
Disposals	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	**-**
31st March 2020	**8,078**	**4,675**	**6,930**	**2,457**	**3,413**	**25,553**
Valuation						
1st April 2020	8,078	4,675	6,930	2,457	3,405	25,545
Additions	-	-	-	-	1	1
Disposals	(1)	-	-	-	-	(1)
Revaluations	-	-	-	-	-	-
31st March 2021	**8,077**	**4,675**	**6,930**	**2,457**	**3,406**	**25,545**

Valuations

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

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

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

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

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

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

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

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

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

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

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

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

16. Investment Properties

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.

	2020/21 £000	2019/20 £000
Rental income from investment property	(7,313)	(4,932)
Direct operating expenses arising from investment property	2,506	1,285
Net (gains)/losses from fair value adjustments	96	3,594
Total	**(4,711)**	**(53)**

	2020/21 £000	2019/20 £000
Balance at start of the year	105,677	65,931
Additions	64	43,112
Disposals	(453)	-
Net gains / (losses) from fair value adjustments	(96)	(3,594)
Transfers (to) / from Property, Plant & Equipment	(1,801)	228
Transfers (to) / from Long Term Debtors	-	-
Balance at end of year	**103,391**	**105,677**

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 2021

Recurring fair value measurements using:	**Other significant observable inputs (level 2) £000**	**Significant unobservable inputs (level 3) £000**	**Fair value as at 31 March 2021 £000**
Industrial	28,646	10,326	38,972
Offices	12,327	3,769	16,096
Other	30,318	4,915	35,233
Residential	1,131	-	1,131
Retail	10,299	1,662	11,961
Total	54,075	20,672	103,393

Investment Property Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2020

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

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

	2020/21					
Investment Properties Level 2	**Industrial £000**	**Offices £000**	**Other £000**	**Residential £000**	**Retail £000**	**Total £000**
Opening balance	**30,631**	**12,622**	**26,145**	**1,131**	**12,869**	**83,398**
Reclassification to/from PPE	-	-	-	-	-	-
Transfer between disclosure category	(3,695)	(123)	3,688	-	-	(130)
Transfers into Level 2	228	-	-	-	-	228
Transfers out of Level 2	-	(103)		-	-	(103)
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	1,716	(69)	477	-	(2,569)	(445)
Additions	-	-	42	-	-	42
Disposals	(235)	-	(34)	-	-	(269)
Balance at end of year	**28,645**	**12,327**	**30,318**	**1,131**	**10,300**	**82,721**

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

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

			2020/21			
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 3	£000	£000	£000	£000	£000	£000
Opening balance	**10,226**	**3,582**	**6,799**	**-**	**1,672**	**22,279**
Reclassification to/from PPE	-	-	(1,801)	-	-	(1,801)
Transfer between disclosure category	(107)	-	103	-	236	232
Transfers into Level 3	-	-	-	-	-	-
Transfers out of Level 3	(228)	-	-	-	-	(228)
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	412	187	(186)	-	(63)	350
Additions	23	-	-	-	-	23
Disposals	-	-	-	-	(183)	(183)
Balance at end of year	**10,326**	**3,769**	**4,915**	**-**	**1,662**	**20,672**

			2019/20			
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 3	£000	£000	£000	£000	£000	£000
Opening balance	10,186	920	3,610	-	66	14,781
Reclassification to OLB	-	-	-	-	-	-
Transfer between disclosure category	-	-	-	-	-	-
Transfers into Level 3	61	2,712	3,186	-	1,520	7,479
Transfers out of Level 3	-	-	-	-	-	-
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	(21)	(50)	(1,110)	-	86	(1,095)
Additions	-	-	1,113	-	-	1,113
Disposals	-	-	-	-	-	-
Balance at end of year	**10,226**	**3,582**	**6,799**	**-**	**1,672**	**22,278**

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

The transfers into level 3 followed reassessment by the valuers.

Valuation process for Investment Properties

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

All valuations are carried out by our external valuers NPS Property Consultants Ltd.

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

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

17. Intangible Assets

	2020/21 £000	2019/20 £000
Balance at the start of the year		
· Net carrying amount	621	573
· Additions	176	218
· Disposals	-	(2)
Amortisation for the period	(183)	(168)
Disposals	-	-
Net Carrying amounts at the end of the year	**614**	**621**
Comprising:		
· Gross carrying amount	1,197	2,150
· Accumulated amortisation	(583)	(1,529)
	614	**621**

18. Assets held for sale

	Current	
	2020/21 £000	2019/20 £000
Balance outstanding at 1 April	**131**	**380**
Assets newly classified as held for sale:		
Property, Plant & Equipment	492	695
Assets declassified as held for sale:		
Property, Plant & Equipment	-	-
Asset disposals	(688)	(985)
Other movements	65	41
Balance outstanding at 31 March	**-**	**131**

19. Long Term Debtors

	2020/21			2019/20
	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	551	-	**551**	635
Deferred Capital Receipt Sale of Airport Shares	-	-	**-**	-
Deferred Capital Receipt – Livestock Market	-	-	**-**	-
Decent Home Loans	2,043	(1,500)	**543**	605
Finance Lease > 1 year	1,715	-	**1,715**	1,808
Home Improvement Loans	205	-	**205**	203
Local Authority Mortgage Scheme	-	-	**-**	-
Housing Benefit Overpayments	5,481	(4,367)	**1,114**	1,451
Shared Equity Dwellings	199	-	**199**	248
SALIX	330	-	**330**	294
Debts with legal charge over property	202	-	**202**	207
Wholly owned subsidiary	14,290	(3,250)	**11,040**	5,400
Other Long Term Debtors	361	-	**361**	355
Total	**25,380**	**(9,117)**	**16,263**	**11,209**

Long Term Debtors include:

Wholly Owned Subsidiary Loan – the Council has advanced a loan to its wholly owned subsidiary Norwich Regeneration Ltd. The balance outstanding on the loan at 31 March 2021 was £12.65m. The Council has advanced a loan to its wholly owned subsidiary Norwich Council Services Ltd. The balance outstanding on the loan at 31 March 2021 was £1.64m.

The authority recognises expected credit losses on all of its financial assets. Current analysis of the company's financial position shows that the council's loan to NRL Ltd might not be fully recoverable. Under accounting standards an assessment of the expected loss has been estimated and an allowance of £3.25m has been recognised (2019/20 £4m).

20. Long Term Investments

	2020/21	2019/20
	£000	£000
Norwich City Services Ltd	370	-
Norwich Regeneration Ltd	3,874	2,724
Municipal Bonds Agency	100	100
Legislator 1656	1,919	2,028
	6,263	**4,852**

Legislator Companies

Legislator 1656 and its subsidiary company Legislator 1657 are jointly owned Local Authority companies. Norwich City Council holds 40% of the shares in Legislator 1656, with Norfolk County Council holding the other 60%. The principal activity of Legislator 1657 is the leasing of investment properties.

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

In 2018/19, as part of the implementation of IFRS 9, the shareholdings in Legislator 1656 and Legislator 1657 were subject to an independent professional valuation and held in the accounts at fair value. In 2020/21 these valuations have been updated to reflect the latest fair value information available.

21. Short Term Investments

	2020/21	2019/20
	£000	£000
Banks	15,002	4,000
Building Societies	-	-
Local Authority	15,003	5,000
Total Short Term Investments	**30,005**	**9,000**

22. Short Term Debtors

	2020/21	2019/20
	£000	£000
Central Government Bodies	22,449	2,581
Other entities & individuals	7,864	8,511
Other Local Authorities	8,009	2,160
National Health Bodies	3	-
Total Short Term Debtors	**38,325**	**13,252**

23. Short Term Creditors

	2020/21	2019/20
	£000	£000
Central Government Bodies	48,892	7,053
Other Local Authorities	8,308	14,030
National Health Bodies	10	3
Trade Creditors	7,271	5,808
Receipts in Advance	4,045	4,336
Other entities & individuals	2,606	2,506
Total Short Term Creditors	**71,132**	**33,736**

24. Long Term Creditors

	2020/21 £000	2019/20 £000
Developer Contributions	1,373	1,533
Lease Liability	680	794
Rent Prepayments	286	387
SALIX	72	91
Total Long Term Creditors	**2,411**	**2,805**

25. 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:

	2020/21			2019/20
	Expenditure £000	Income £000	(Surplus) / Deficit £000	(Surplus) / Deficit £000
Car Parks	3,525	(4,845)	(1,320)	(2,189)
Industrial Estates	(6)	(691)	(697)	(661)
Corporate Estates	3,288	(6,346)	(3,058)	(1,402)
Civic Halls	493	(121)	372	324
Markets	473	(509)	(36)	(126)
Net (Surplus) / Deficit	**7,773**	**(12,512)**	**(4,739)**	**(4,054)**

The decrease in surplus on Car Parks during 2020/21 is related reductions in income as a result of the Covid-19 pandemic.

The increase in surplus on Corporate Estates in 2020/21 is related to a reduction in capital charges and an increase of rental income following acquisitions in the 2019/20 financial year.

26. Grants Receipts in Advance

	31 March 2021 £'000	31 March 2020 £'000
Amounts falling due within one year (All other bodies):		
Homes and Communities Agency Capital Grant	(12)	(12)
DECC Green Deal Community Fund	(6)	(6)
MHCLG Towns Deal Fund	(1,000)	
BEIS SALIX PSDS Grants	(727)	
BEIS Green Homes Grant	(716)	
Disabled Facilities Grant	(342)	
Land Release Fund Grant	(150)	
Other Government Grants & Contributions.	(212)	
Developers Contributions (S106)	(246)	(470)
Total short term capital grants received in advance	**(3,410)**	**(488)**
Amounts falling due after one year (all other bodies)		
Disabled Facilities Grant	-	0
Land Release Fund Grant	(67)	(71)
Other Government Grants & Contributions.	(28)	(28)
Developers Contributions (S.106)	(1,715)	(1,147)
SALIX	(109)	(60)
Total long term capital grants received in advance	**(1,919)**	**(1,306)**

Revenue Grants Receipts in Advance

	31 March 2021 £'000	31 March 2020 £'000
Amounts falling due within one year (All other bodies):		
MHCLG s31 NNDR grant 2020/21	0	(3,098)
BIES Additional Restrictions Grant	(2,875)	
Other Government grants and contributions	(313)	(486)
Other Non-Government grants and contributions	(950)	(1,310)
LEGI Re Guildhall	0	(50)
SALIX	0	(18)
Developers Contributions (S106)	(422)	(331)
Total short term revenue grants received in advance	**(4,560)**	**(5,293)**
Amounts falling due after one year (all other bodies)		
LEGI Re Guildhall	(50)	(50)
Other Non-Government grants and contributions	(236)	(337)
SALIX	(71)	(90)
Developers Contributions (S106)	(1,373)	(1,533)
Total long term revenue grants received in advance	**(1,731)**	**(2,010)**

27. Financial Instruments

Financial Assets

	31 March 2021 Book Value £,000	31 March 2021 Fair Value £,000	31 March 2020 Book Value £,000	31 March 2020 Fair Value £,000
Investments - Amortised Cost	4,244	4,244	2,724	2,724
Investments - FVOCI	2,019	2,019	2,128	2,128
Debtors - Amortised Cost	19,027	19,027	14,371	14,371
Assets not defined as financial liabilities	(2,764)	(2,764)	(3,163)	(3,163)
Long term Assets	**22,526**	**22,526**	**16,060**	**16,060**
Investments - Amortised Cost	30,005	30,014	8,312	8,332
Callable cash - amortised cash	20,000	20,003	10,000	10,009
Bank deposits < 3 months - Amortised Cost	3,750	3,750	10,977	10,977
MMF - Amortised Cost	21,070	21,070	15,000	15,002
Cash - Amortised Cost	313	313	11	11
Debtors - Amortised Cost	9,884	7,838	8,146	8,146
Assets not defined as financial liabilities	28,631	30,677	5,794	5,794
Other financial assets at amortised cost	**113,653**	**113,665**	**58,240**	**58,271**
Total Financial Assets	**136,179**	**136,191**	**74,300**	**74,331**

Financial Liabilities

	31 March 2021 Book Value £,000	31 March 2021 Fair Value £,000	31 March 2020 Book Value £,000	31 March 2020 Fair Value £,000
Short Term Creditors - Amortised Cost	(21,524)	(21,524)	(18,369)	(18,369)
Public Works Loan Board - Amortised Cost	(3,230)	(3,230)	(744)	(744)
Finance Lease - Amortised cost	(114)	(114)	(107)	(107)
Other borrowing	(168)	(168)	(142)	(142)
Liabilities not defined as financial liabilities	(49,494)	(49,494)	(15,260)	(15,260)
Short Term Financial liabilities at amortised cost	**(74,530)**	**(74,530)**	**(34,622)**	**(34,622)**
Public Works Loan Board - Amortised Cost	(211,607)	(242,763)	(214,107)	(236,515)
Other borrowing	(5,777)	(8,904)	(6,029)	(8,823)
Creditors - Amortised cost	(680)	(680)	(794)	(794)
Liabilities not defined as financial liabilities	(1,925)	(1,925)	(2,011)	(2,011)
Long Term Liabilities at amortised cost	**(219,989)**	**(254,272)**	**(222,941)**	**(248,143)**
Total Financial Liabilities	**(294,350)**	**(328,633)**	**(257,563)**	**(282,765)**

The long-term investments of share capital are classified as outside the scope of IFRS 9. This is because as the Council has no immediate plans to sell its subsidiary, the Council believes that the cost of obtaining valuations for this investment would be disproportionate to the benefits to users of the financial statements. The investments are fully consolidated into the Group Accounts.

As at 31 March 2021 the Council held £21m in Money Market Funds (shown within the comparative short term investments). At the inception of the investments, the purpose was solely to collect the repayment of interest and principle. The business model for the Money Market Funds is therefore not based on any other objective of generating profit. The investments have therefore been held at amortised cost.

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

Soft Loans

The Council has made a number of loans to residents in respect of decent home loans and home improvement loans at less than market rates (soft loans). There are a number of small loans making up the balance owing of £2.471m.

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

Decent Homes Loans

	31-Mar-21	31-Mar-20
	£000	£000
Opening Balance Gross	**2,547**	**2,592**
Remeasured carrying amounts at 1 April 2018 under IFRS 9	(442)	(450)
Impairment	(1,500)	(1,500)
Fair value Adjustments	13	8
Loans Repaid	(76)	(45)
Balance Carried Forward	**542**	**605**

The home improvement loans carrying value after fair value adjustments (minus £41K) total £204k.

Valuation Assumptions

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

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

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

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

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

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

	Nominal	Fair Value	Change in fair value during 2020/21	Dividends
	£000	£000	£000	£000
Legislator 1656 Ltd shares	-	1,919	(110)	-
Legislator 1657 Ltd shares	-	-	-	-
Municipal Bonds Agency shares	100	100	-	-
	100	**2,019**	**(110)**	**-**

Items of income, expense, gains or losses

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

	2020/21		2019/20	
	Surplus or Deficit on the Provision of Services	**Other Comprehensive Income and Expenditure**	**Surplus or Deficit on the Provision of Services**	**Other Comprehensive Income and Expenditure**
	£000	£000	£000	£000
Net gains/losses on:				
financial assets measured at amortised cost	0	109	(1,199)	-
investments in equity instruments designated at fair value through other comprehensive income	-	0	-	(1,198)
financial liabilities measured at amortised cost	0	-	8,236	-
Total net gains/losses	**0**	**109**	**7,037**	**(1,198)**
Interest revenue:				
financial assets measured at amortised cost	(845)	-	(1,199)	-
Total interest revenue	**(845)**	-	**(1,199)**	-
Interest expense:				
financial liabilities measured at amortised cost	8,328	-	8,236	-
Total interest expense	**8,328**	-	**8,236**	-

Fair Value of Financial Assets

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31-Mar-21	31-Mar-20
Fair Value through Other Comprehensive Income				
Legislator 1656 Ltd shares*	Level 3	Market approach – adjusted net assets	1,919	2,028
Legislator 1657 Ltd shares	Level 3	Market approach – adjusted net assets	-	-
Total			1,919	2,028

The Council's shareholding in Legislator companies are not traded in an active market. The fair value of £1.919m has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made by an independent third party based on an analysis of the assets and liabilities in the companies' latest audited accounts.

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

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

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

Nature and Extent of Risks Arising from Financial Instruments

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

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

- **Market risk** -the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedures for managing risk

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 25 February 2020. The key issues within the strategy were:

- The Authorised Limit for 2020/21 was set at £405.744m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £375.744m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

Credit risk

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

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

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

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

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

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

	Amount	Historical experience of default	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	£000	£000
	31-Mar-21		31-Mar-21	31-Mar-20
Customers	4,939	12%	593	463

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 £4.939m of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31-Mar-21	31-Mar-20
	£000	£000
Less than three months	2,996	2,194
Three to six months	416	508
Six months to one year	376	196
More than one year	1,152	957
Total	**4,939**	**3,855**

The current provision of £1.638m for sundry debt covers 33% of the balance.

Amounts Arising from Expected Credit Losses

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

	12mth Expected Credit losses	Lifetime Expected Credit Losses – simplified approach	Total
	£000	£000	£000
Opening balance as at 1 April 2020	**-**	**(10,817)**	**(10,817)**
Movement in loss allowance	-	(266)	(266)
Other changes	-	-	-
As at 31 March 2021	-	**(11,083)**	**(11,083)**
Opening balance as at 1 April 2020	**-**	**(6,385)**	**(6,385)**
Movement in loss allowance	-	(4,432)	(4,432)
Other changes	-	-	-
As at 31 March 2020	**-**	**(10,817)**	**(10,817)**

Liquidity risk

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

	31 March 2021 £'000	31 March 2020 £'000
Repayable between:		
less than one year	3,230	744
between 1 and 2 years	50,959	2,500
	54,189	**3,244**

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):

PWLB	**31 March 2021 £'000**	**31 March 2020 £'000**
Less than one year	3,230	744
Between one and two years	50,959	2,500
Between two and five years	59,700	54,959
Maturing in five to ten years	66,000	117,700
Maturing in more than ten years	34,948	38,948
Total	**214,837**	**214,851**
Non-PWLB		
Maturing in five to ten years	499	
Maturing in more than ten years	5,279	6,029

Market risk

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

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

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

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

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

	£000
Increase in interest payable on variable rate borrowings (all Norwich City Council borrowing is at fixed rate)	405
Increase in interest receivable on variable rate investments	0
Impact on Surplus or Deficit on Provision of Services	**405**
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	(17,029)

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

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

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

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

28. Agency Services

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

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

In January 2019 Norfolk County Council's Environment, Development and Transport Committee agreed not to renew the county council's highways agency agreement with the city council in its current form. As of 1st April 2020, therefore, the delivery of most highway services and functions returned to Norfolk County Council. The Norwich Highways Agency Committee meetings ceased from April 2020 onwards.

Norwich City Council is still responsible for parking issues on all city roads, including permit parking, controlled parking extensions, tariffs and enforcement. The council also continues to provide bus-lane enforcement.

The amounts of income and expenditure for 2020/21 and 2019/20 are as follows:

Highways	**2020/21**	**2019/20**
	£000	**£000**
Expenditure	-	2,342
Income	-	(2,223)
(Surplus) / Deficit	**-**	**119**

On-Street Car parking	**2020/21**	**2019/20**
	£000	**£000**
Expenditure	1,101	1,267
Income	(1,448)	(1,334)
(Surplus) paid over to Norfolk County Council	**(347)**	**(67)**

The Council's interest in the Norfolk Joint Museums and Archaeology Committee and the Norfolk Joint Records Committee are not material.

On 1st November 2012 the Norwich Business Improvement District was launched. A Business Improvement District (BID) is a defined area within which businesses pay an additional tax or fee in order to fund projects within the district's boundaries.

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

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

Business Improvement District	2020/21	2019/20
	£000	£000
Billed	894	907
Collected	(876)	(889)
Paid over to Norwich BID	849	881

Business Support Grants

The Government asked the council to administer a number of grants on their behalf through the Covid-19 pandemic. We have listed all the Covid 19 grants where they are non-discretionary and have treated those as an agency transaction, with both income and expenditure going through the balance sheet. Any income not paid out at the balance sheet date has been treated as a creditor in the balance sheet.

	Income	Expenditure	(Surplus) / deficit at 31/03/21
	£000	£000	£000
Retail, Hospitality & Leisure and Small Business Grants	(38,485)	38,340	**(145)**
Local Restrictions Support Grant (Closed) addendum	(3,541)	2,282	**(1,259)**
Local Restrictions Support Grant (Sectors)	-	6	**6**
Local Restrictions Support Grant (Open & closed post 2 December)	(804)	519	**(285)**
Local Restrictions Support Grant (closed) addendum - Tier 4	(1,292)	777	**(515)**
Local Restrictions Support Grant (closed) - addendum - Post 5 January 2021	(10,875)	6,442	**(4,433)**
Closed Business Lockdown Payment	(10,620)	6,310	**(4,310)**
Christmas Support Payment	(83)	61	**(22)**
Business Improvement District	(44)	44	**-**
	(65,745)	54,783	**(10,962)**
	(131,489)	**109,564**	**(21,925)**

29. Officers Remuneration

Post holder information (Post title)	Salary (Inc. fees & Allow-ances)	Expense Allowance	Com-pensation for loss of office	Pension Cont-ributions**	Total Remun-eration
	£	£	£	£	£
Financial Year: 2020-21					
Chief Executive Officer	141,436			20,508	161,944
Director of Place	79,875			11,582	91,457
Director of Strategy and Culture	95,853			13,899	109,752
Director of People & Neighbourhoods (8)	66,115			9,476	75,591
Director of Resources (9)	43,568		82,642	6,317	132,527
Interim chief finance officer (S151) 20/21 (10)	34,326			4,977	39,303
TOTAL COST	461,173		82,642	66,759	610,574

Post holder information (Post title)	Salary (Inc. fees & Allow-ances)	Expense Allowance	Com-pensation for loss of office	Pension Cont-ributions**	Total Remun-eration
	£	£	£	£	£
Financial Year: 2019-20					
Chief Executive Officer (1)	29,972	-	-	4,346	34,318
Chief Executive Officer (2,3)	102,576	-	-	13,369	115,945
Interim Director of place (4)	42,131	-	-	6,037	48,168
Director of Regeneration & Development (5)	34,030	-	-	4,859	38,889
Director of Strategy & Culture	95,308	-	-	13,819	109,127
Director of People & Neighbourhoods	85,280	-	-	12,297	97,577
Director of Resources (2)	87,438	-	-	12,297	99,735
Interim Chief Finance Officer (s151) (6)	22,884	-	-	5,012	27,896
Chief Finance Officer (s151) (7)	55,961	-	-	5,829	61,790
TOTAL COST	555,580	0	0	77,865	633,445

Both the Interim director of resources, who started in October 2020, and the Interim director of people & neighbourhoods, who started in November 2020, were employed through agencies during 2020/21. The amount paid in respect of the Interim director of resources, including agency fees, was £116,615. The amount paid in respect of the Interim director of people & neighbourhoods, including agency fees, was £68,250.

[1] Chief executive officer started full time in January 2020

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

[3] Chief executive officer worked 4 days; and left December 2019.

[4] Interim Director of place started September 2019.

[5] Director of regeneration & development left August 2019.
[6] Interim chief finance officer (S151) started December 2019, and was employed by LGSS shared services.
[7] Chief finance officer (S151) officer left November 2019, and was employed by LGSS shared services.
[8] Director of people & neighbourhoods left December 2020.
[9] Director of resources left September 2020.
[10] Interim chief finance officer left September 2020.

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

Remuneration Band	2020/21	2019/20
£50,000 to £54,999	8	9
£55,000 to £59,999	4	2
£60,000 to £64,999	2	2
£65,000 to £69,999	3	4
£70,000 to £74,999	3	1
£75,000 to £79,999	1	-
£80,000 to £84,999	-	-
£85,000 to £89,999	-	2
£90,000 to £94,999	-	-
£95,000 to £99,999	1	1
£100,000 to £104,999	-	1
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	-
£120,000 to £124,999	-	-
£125,000 to £129,999	1	-
£130,000 to £134,999	-	-
£135,000 to £139,999	-	-
£140,000 to £144,999	1	-
	24	**22**

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:

2020/21

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	3		3	26,313
£20,001 - £40,000		2	2	57,634
£40,001 - £60,000	1		1	40,506
£60,001 - £80,000	1		1	71,748
£80,001 - £100,000		1	1	82,642
£100,001 - £120,000		1	1	105,244
Total	**5**	**4**	**9**	**384,087**

2019/20

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000	-	-	-	-
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	1	-	1	95,820
£180,001 - £200,000		1	1	181,975
Total	**1**	**1**	**2**	**277,795**

30. 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 2020/21 and 2019/20 the following fees were payable by the Council to our external auditors.

	2020/21 £000	**2019/20 £000 Restated**
External Audit Services	117	145
Fees payable for certification of grant claims	25	30
Total	**142**	**125**

The scale fee set by Public Sector Audit Appointments Ltd (PSAA) for both 2020/21 and 2019/20 is £62k. An additional £55k has been recognised in year based on likely further costs associated ongoing additional professional and regulatory requirement relating to the audit process. The final fee will be subject to agreement with the external auditors and PSAA.

The 2019/20 figures have been restated to reflect the final fee of £145k for the external audit and £30k for the Housing Benefit certification. The external audit fee is subject to agreement with the external auditors and PSAA.

31. 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-21		31-Mar-20	
	Vehicles, Plant & Equipment £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Land & Buildings £000
Future Rental Liabilities				
Not later than one year	110	1,398	111	1,438
Later than one year & not later than five years *	215	1,962	211	1,955
Total	**325**	**3,360**	**322**	**3,393**

* based on Pool Car contract extension to March 2023

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.188m (2019/20 £1.880m).

	2020/21 £000	2019/20 £000
Sublease payments receivable	2,144	1,931
Total	**2,144**	**1,931**

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 £0.556m (2019/20 £0.649m).

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.

	2020/21 £000	2019/20 £000
Finance Lease Liabilities		
Current	114	107
Non-Current	680	794
Financing Costs payable in future years	174	228
Minimum Lease Payments	**968**	**1,129**

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

	2020/21 £000	2019/20 £000
Future Rental Liabilities		
No later than one year	161	161
Later than one year & not later than 5 years	645	645
Over 5 years	161	323
Total	**967**	**1,129**

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:

	2020/21 £000	2019/20 £000
Tenants Future Rental Liabilities		
Not later than one year	7,221	6,095
Later than one year & not later than five years	24,838	22,733
Over five years	72,577	95,774
Total	**104,636**	**124,602**

In addition to the above, there are 127 properties (2019/120: 93) where the rent is in perpetuity that amounts annually to £0.338m per annum (2019/20: £0.311m).
The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Finance Leases

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

	2020/21 £000	2019/20 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	49	15
Non-current	1,716	1,809
Unearned finance income	1,814	1,844
Unguaranteed residual value of property	-	-
Gross investment in the leases	**3,579**	**3,668**

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-21	31-Mar-20	31-Mar-21	31-Mar-20
	£000	£000	£000	£000
Future Rental Liabilities				
Not later then one year	51	123	51	123
Later than one year & not later than five years	247	213	247	213
Later than five years	3,281	3,332	3,281	3,332
Total	**3,579**	**3,668**	**3,579**	**3,668**

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

The draft unaudited performance of the associates is shown below.

	NPS (Norwich) Ltd		Norwich/Norse Environmental Ltd		Norwich Norse Building Ltd	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000
Profit & Loss Account						
Operating Profit	95	73	151	119	(425)	124
Interest (Payable) /Receivable	-	-	(3)	(2)	-	-
Profit on Ordinary Activities before Corporation Tax	**95**	**73**	**148**	**117**	**(425)**	**124**
Corporation Tax	(20)	(13)	(28)	(21)	80	(23)
Retained Profit for the financial year	**75**	**60**	**120**	**96**	**(345)**	**101**
Balance Sheet						
Profit & Loss b/f	**945**	**885**	**604**	**508**	**491**	**390**
Profit & Loss for the financial year	75	60	120	96	(345)	101
Profit & Loss reserve c/f	**1,020**	**945**	**724**	**604**	**146**	**491**

33. Members Allowances

	2020-21	2019-20
	£'000	£'000
Members Allowances	**382**	377

34. Provisions

Long Term Provisions

	2020/21	2019/20
	£000	**£000**
Balance at 1 April	3,134	3,517
Movement in provisions	(174)	(383)
Balance at 31 March	**2,960**	**3,134**

Short Term Provisions

	2020/21	2019/20
	£000	**£000**
Balance at 1 April	-	-
Movement in provisions	378	-
Balance at 31 March	**378**	**-**
Total Provisions	**3,338**	**3,134**

The provision includes £2.959m (2019/20: £3.134m) in respect of Non-Domestic Rates appeals following the introduction of Business Rates Retention on 1 April 2013.

There is £0.378m provision based on probable redundancy costs for a number of officers as part of the restructure of several service areas during 2020/21.

35. Events after the Reporting Date

The statement of accounts were authorised for issue by the Director of Resources (S.151 Officer) on 12th January 2021. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 30th April, Norwich Regeneration Ltd made a repayment of £2.5m in respect of its loan balance.

36. Impairment Losses

During the year the Council carried out adaptations at a cost of £602,951 (2019/20 £828,186) to a number of council dwellings under Disabled Facilities legislation. As advised by our valuer, these adaptations added no value to the dwellings; therefore this expenditure was impaired as shown in note 14 (combined with the impairments detailed below).

The Council also impaired the cost of works to flats within blocks for which the lease has been sold £700,885, of which structural work constituted £339,561, door access controls £281,119, work to tower blocks £29,836, roofing £43,024, window upgrades £4,144 and lift upgrades £3,284.

The Council also impaired the cost of works to district heating boiler houses £531,154, housing alarms £35,540, HRA shops £144,684, lift upgrades £89,475 and enhancement of HRA estates £372,786 as it was deemed not to add value.

The Council has also impaired the cost of St. Giles car park lighting works £81,213 on advice of the valuer as this was not deemed to add value to the asset.

37. Termination Benefits

The Council terminated the contracts of a number of employees in 2020/21, incurring liabilities of £384,087 (2019/20 £277,796). These were payable to 9 (2 in 2019/20) 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 also include a provision of £378,304 for exit package costs when plans were in place at the year end, but notice given and exit costs to be paid in 2021/22.

38. Other Long Term Liabilities

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

	2020/21	**2019/20**
	£000	**£000**
Pension Fund Liability	209,902	169,617
Other	131	123
	210,032	169,739

39. Contingent Assets and Liabilities

Liabilities

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

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

Dispute

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

Water Charges

The Authority has acted as a collection agent on behalf of Anglia Water in respect of Housing Revenue Account (HRA) tenants' water and sewerage charges. In return for this service the Authority has received a commission which has been treated as an income stream to the HRA. The treatment of this arrangement has been called in to question due to a Court ruling (Kim Jones versus London Borough of Southwark). Traditionally this has been viewed as an agency arrangement, but the Court ruling concluded that the Authority concerned was acting as a water supplier and that amounts could be reclaimed by tenants. In light of the ruling a contingent liability is disclosed while the council assesses any potential impact on its own current and previous arrangements.

Assets

Contractual Rebate

Discussions remain ongoing with a supplier in relation to the level of contractual rebate owed to the council. The council's position is that a rebate is owed to the council as a result of contractual adjustments to the fees. As the discussions have not yet concluded, the final sums owed are still uncertain and have therefore been disclosed as a contingent asset.

40. 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 9 on reporting for resources allocation decisions. Grant receipts in advance outstanding at 31 March 2021 are also shown in Note 9; debtors are shown in Note 22 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 2020/21 and 2019/20 is shown in Note 36. During 2020/21, no works and services (2019/20 £0) were commissioned from organisations in which members had interests. Contracts were entered into in full compliance with the council's standing orders. In addition members approved £573,966 (2019/20 £264,500) as grants to voluntary organisations in which three members had an interest. No community grants were awarded in 2020/21 (2019/20 £4,200). 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 the interests are recorded in the Register of Members' Interests, open to public inspection at City Hall during office hours.

During 2020/21, no grants were made to any organisations (2019/20 £0) in which members of senior management had interests.

During 2020/21, there were no works and services commissioned (2019/20 £0) from entities in which officers had interests.

Several councillors and members of senior management 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 £581,613 (2019/20 £472,359). There have also been a number of transactions on behalf of the strategic partnerships with the Highways Agency, disclosed in Note 28. These partnership activities are integrated into the council's usual budget setting and management processes.

Companies and joint ventures – the council has interests in:

I. Two companies, Legislator 1656 and 1657 Ltd, which the Council has shares in and are related to developments at Norwich Airport.
II. Norwich Norse (Environmental) Ltd – provides a range of facilities, management, and contract services to Norwich and surrounding areas.
III. Norwich Norse (Building) Ltd – provides maintenance, repairs and upgrades to housing and non-housing buildings for Norwich City Council.
IV. NPS Norwich Ltd – provides property management services to Norwich City Council.
V. Norwich Regeneration Ltd – a wholly owned subsidiary company set up by the council to carry out redevelopment projects.
VI. Norwich City New Co Ltd – a wholly owned subsidiary company set up to manage all private rental sector properties built by Norwich Regeneration Ltd (NRL) or those that the new company may purchase itself as a business opportunity.
VII. Three Score Open Space Management Ltd – a company set up to manage the open spaces around the Three Score development.
VIII. Norwich City Services Ltd - a wholly owned subsidiary company set up by the council to carry out a range of facilities, management, and contract services to Norwich City Council.

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

Legislator Companies

No amounts of money have been paid to or from Legislator 1657 during 2020/21 (2019/20 £0).

The 2019/20 accounts include a dividend declared by Legislator 1656 of £364,000. The dividend was declared by Legislator 1656 following the sales of its shareholding in Norwich Airport Ltd in July 2019.

Norse Joint Ventures

During 2020/21 £6,378,708 (2019/20 £6,026,494) has been spent with Norwich Norse Environmental Ltd; £9,258,590 (2019/20 £12,223,879) has been spent with Norwich Norse Building Ltd; and £3,150,006 (2019/20 £3,532,277) has been spent with NPS Norwich Ltd.

Amounts due from Norwich Norse Environmental Ltd are £618,630, Norwich Norse Building Ltd are £246,906 and NPS Norwich Ltd are £389,770.

Norwich Regeneration Ltd

Norwich Regeneration Ltd (NRL) issued £2,200,000 of shares to the Council in 2016/17 in exchange for land (at the full market value) upon which the Threescore development has taken place. In 2018/19 the Council invested £524,000 in the form of cash equity into NRL. During 20/21 the council invested a further £1,150,000 of cash equity to bring the total shareholder investment to £3,874,000.

During 2020/21 NRL received additional loan financing of £6,250,000 (2019/20: £3,000,000) and repaid loans of £3,000,000 (2019/20: £6,000,000) leaving a balance of £12,650,000 outstanding at the end of the financial year (2019/20: £9,400,000).

During 2020/21 employees of Norwich Regeneration Ltd were part-seconded into the council to work on Housing Revenue Account new build capital projects at a cost of £69,740.

During 2019/20 the council's Housing Revenue Account (HRA) purchased properties from NRL for social housing totalling £7,217,831. The HRA incurred further expenditure with NRL in 2019/20 for the redevelopment of a site in Bullard Road into social housing totalling £553,594 and consultancy fees in relation to the redevelopment of the former Mile Cross depot site totalling £178,323.

During the year the Council received income from the company of £611,550 relating to the interest on the loan, and £141,380 for services provided by the Council to the company under a service level agreement (2019/20 £663,625 in total). The Council recharged an additional £153,198 to the company for salary costs paid out on the company's behalf (2019/20 £129,686).

As at 31 March 2021, the amount due to NRL was nil (2019/20 £0). Amounts due from NRL are short term £486,950 (2019/20 £486,950) and long term £12,650,000 (2019/20 £9,400,000).

Threescore Open Space Management Ltd

The Council's HRA made a payment of £4,543 (2019/20 £3,688) to Threescore Open Space Management Ltd for management fees on the properties purchased at the Threescore development. During the year the Council received no income from the company.

Norwich City New Co Ltd

No amounts of money have been paid to or from Norwich City New Co Ltd during 2020/21 (2019/20 £0).

Norwich City Services Ltd

Norwich City Services Limited (NCSL) issued £370,000 of shares to the Council in 2020/21 (2019/20: £0).

During 2020/21 NCSL received £1,140,000 of capital loan financing to make improvements to its depot building and a £500,000 working capital loan from the council. The balance on the loans at 31 March 2021 totals £1,640,000 (2019/20: £0).

During the year the Council received income from the company of £7,961 relating to loan interest.

As at 31 March 2021, the amount due to NCSL was £42,621 (2019/20 £0). Amounts due from NRL are short term £7,961 (2019/20 £0) and long term £1,640,000 (2019/20 £0).

41. Going Concern

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code and assume that the Councils services will continue to operate for the foreseeable future.

The impact of COVID-19 has had substantial implications for the Council's finances in 2020/21. However, the receipt of additional government funding, alongside positive short-term saving decisions taken by the council, has meant no general reserves have been needed to balance the outturn position in 2020/21.

The Council's year-end reserve balances, as reported in these statements are as follows.

Date	General Fund	Earmarked Reserves
31 March 21	£9.8m	£37.2m

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

As part of the setting the budget for 2021/22 an assessment of estimated short-term impact of Covid-19 on the council was undertaken. This resulted in short-term growth items being identified which totalled £3.175m, including:

- Car parking charges - £1.5m loss for the year
- Commercial Income – £0.4m relating to lost rent or increases in doubtful debts
- Leisure and recreation income - £0.2m loss for the year

These short-term impacts are expected to the offset by a combination of additional government funding and short-term savings options which means the council does not expect to draw down on its main general fund reserves in 2021/22. The ongoing risks in relation to the pandemic will be managed through a new budget risk earmarked reserve.

The local government finance settlement for 2021/22 included a number of one-off Covid-19 related grants. The allocations to Norwich for these grants totalled £1.5m. Other grant funding is expected to be available to the council through the announced extension of the sales, fees and charges reimbursement scheme until June 2021.

The Council had cash and short-term investment balances of £75.1m at 31 March 2021. The Council has undertaken cash flow modelling which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework throughout the period to 31 March 2022.

The General Reserves are projected to remain above the s151 officer's minimum level of £5.1m through to March 2023, as set out below.

Date	General Fund
31 March 2021	£10.0m
31 March 2022 (estimated and unaudited)	£10.0m
31 March 2023 (estimated and unaudited)	£7.3m

Conclusion

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of approval of these financial statements, based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short-term investment balances and the ability for borrowing under the Treasury Management Policy.

Housing Revenue Account Income & Expenditure Statement

	Notes	2020/21 £000	2019/20 £000
Expenditure			
Repairs & Maintenance		11,583	12,470
Supervision & Management		15,852	16,607
Rents, Rates, Taxes & Other Charges		4,969	5,368
Revenue expenditure funded as captial (Refcus)		550	-
Depreciation & Impairment of Non-current Assets	HRA 10&11	18,127	18,034
Local Authority Housing - Revaluation loss (gain) on Dwellings		(15,502)	2,178
Debt Management Costs		142	136
Movement in Allowance for Bad Debts		710	236
Total Expenditure		**36,431**	**55,029**
Income			
Dwelling Rents		(57,527)	(56,491)
Non-dwelling Rents		(2,208)	(2,309)
Charges for Services & Facilities		(2,835)	(2,755)
Contributions towards expenditure		(5,521)	(6,018)
Total Income		**(68,091)**	**(67,573)**
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		**(31,660)**	**(12,544)**
HRA services share of Corporate & Democratic Core		864	771
Net (Income)/Cost of HRA Services		**(30,796)**	**(11,773)**
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Expenditure		(2,045)	(3,474)
Financing & Investment Income & expenditure		8,037	8,217
Taxation & Non-Specific Grant Income		(591)	(672)
(Surplus)/deficit for the year on HRA services		**(25,395)**	**(7,702)**

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)

	2020/21 £000	2019/20 £000
Balance at 1 April	33,968	30,903
Movement in reserves during Year		
Surplus/ (deficit) on provision of services	25,395	7,702
Other Comprehensive Income & Expenditure	-	
Total Comprehensive Income & Expenditure	**25,395**	**7,702**
Adjustments between accounting basis & funding basis under regulations (note 9 main accounts)	(16,146)	(3,366)
Net Increase/ Decrease before Transfers to Earmarked Reserves	9,249	4,336
Transfers to/from Earmarked Reserves (note 10 main accounts)	221	(1,139)
Transfers between reserves	(70)	(131)
Increase/Decrease in Year	9,400	3,066
Balance at 31 March carried forward	**43,368**	**33,969**

Notes to Housing Revenue Account Income & Expenditure Statement

1. Other Operating (Income) / Expenditure

	2020/21 £000	2019/20 £000
(Gains)/Losses on the disposal of non-current assets	(2,045)	(3,474)
Total	**(2,045)**	**(3,474)**

2. Financing and Investment Income and Expenditure

	2020/21 £000	2019/20 £000
Interest payable and similar charges	7,258	7,311
Pension interest cost and expected return on pension assets	822	1,100
Interest receivable and similar income	(43)	(194)
Total	**8,037**	**8,217**

3. Taxation and Non-Specific Grant Income

	2020/21 £000	2019/20 £000
Capital Grants and contributions	(591)	(672)
Total	**(591)**	**(672)**

4. Loan Charges

Under HRA self-financing the Council has adopted a ‘two-pool’ approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7.311m being charged to the HRA in 2020/21 (2019/20 £7.311m).

5. HRA Council Dwellings

At 31 March 2021 there were 14,553 HRA Council dwellings, of which 923 were sheltered housing units.

	31-Mar-21	31-Mar-20
	Total Stock	**Total Stock**
Parlour houses	291	297
Non-parlour houses	4,917	4,963
Non-traditional houses	624	627
Bungalows	336	336
Cottage properties	187	188
Flats	6,249	6,292
Maisonettes	472	476
Flats in tower blocks	406	407
Sheltered/Good Neighbour housing units	923	923
Passivhaus flats	73	73
Passivhaus houses	75	75
	14,553	**14,657**
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	**14,657**	**14,729**
Right to Buy sales	(112)	(156)
Other Dwelling Sales	(3)	(6)
Conversions		2
Housing acquisitions	11	1
New Build Housing		87
Stock as at 31 March	**14,553**	**14,657**

6. Housing Valuation

	31-Mar-21 £000	31-Mar-20 £000
Operational Assets:		
Council Dwellings (HRA)	804,597	783,494
Other Land & Buildings	24,584	22,710
Vehicle, Plant & Equipment	692	809
Infrastructure & Community Assets	2,197	2,197
Assets Under Construction	1,435	441
Surplus assets	24	24
Sub Total	**833,529**	**809,675**
Assets held for Sale - Current	-	130
Sub Total	**-**	**130**
Intangible Assets	-	(2)
Sub Total	**-**	**(2)**
Total	**833,529**	**809,803**

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

As set out in the Statement of Accounting Policies, Council dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This value is less than the Vacant Possession Value to reflect the fact that Local Authority Housing is let at sub-market rents and, in broad terms, is arrived at after applying a regional adjustment factor of 62% (2019/20 62%). The difference between the two values therefore shows the economic cost of providing housing at less than market value.

The Vacant Possession Value of all HRA Dwellings as at 31 March 2021 was £2,075.62m (31 March 2020 £2,021.09m).

7. Major Repairs Reserve

	2020/21	2019/20
	£000	£000
Balance brought forward at 1 April	(8,307)	(9,796)
Depreciation charge for the year	(15,525)	(15,261)
Financing of capital expenditure for the year	13,812	16,750
Balance for the year	**(1,713)**	**1,489**
Balance Carried forward	**(10,020)**	**(8,307)**

8. HRA Capital Expenditure

	2020/21	2019/20
	£000	£000
Capital Investment		
Opening Capital Financing Requirement 1st April	205,716	205,716
Operational Assets	16,820	26,269
Other Land & Buildings	145	72
Vehicles, Plant & Equipment	9	73
Assets under Construction	994	152
Revenue Expenditure Financed as Capital	550	2,179
Appropriation to General Fund	1,801	-
	226,035	**234,461**
Sources of Finance		
Capital Receipts	(1,957)	(5,143)
Government Grants & Other Contributions	(807)	(1,262)
Major Repairs Allowance	(13,813)	(16,750)
Revenue Contributions	(1,941)	(5,590)
Closing Capital Financing Requirement 31 March	**207,517**	**205,716**

9. HRA Capital Receipts

In 2020/21 total capital receipts from the disposal of HRA assets were:

	2020/21	2019/20
	£000	£000
Land	9,321	50
Council dwellings	71	13,070
Total	**9,392**	**13,120**

10. Depreciation

From 1st April 2012 depreciation of the Council's housing stock is calculated by reference to the value at the previous 31st March. Council dwellings have their individual components identified as to the date of upgrade, and using the asset life as advised by the Council's valuers, depreciation associated with each properties components is calculated. The amount of depreciation charged for the year was £15.357m (2019/20 £15.357m).

	2020/21	2019/20
	£000	£000
Operational Assets		
Council dwellings	14,999	14,731
Other land & buildings	526	532
Vehicles, Plant & Equipment	125	94
Intangible Assets	-	-
Total	**15,651**	**15,357**

11. Impairment Costs

During the year there were £2.481m of impairment costs (2019/20 £2.680m) relating to HRA assets, which are detailed in the table below.

	2020/21	2019/20
	£000	£000
Council Dwellings	(2,333)	(2,604)
Other Property	(148)	(76)
Total	**(2,481)**	**(2,680)**
Disabled Facilities adaptations not adding value	(603)	(828)
Lift installations not adding value	(89)	(47)
Housing alarm upgrades not adding value	(36)	(114)
Upgrades to District Heating schemes not adding value	(531)	(620)
Enhancement of HRA estates not adding value	(373)	(362)
Structural work to flats where lease has been sold not adding value	(340)	(382)
Other work to flats where lease has been sold not adding value	(361)	(251)
Other	(148)	(76)
Total	**(2,481)**	**(2,680)**

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 2021 were £6.51m (2019/20 £5.63m). The provision for doubtful debts (rents) at 31 March 2021 was £3.93m (2019/20 £3.34m). Amounts written off during the year amounted to £0.08m (2019/20 £0.45m).

The Collection Fund Revenue Account

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

	31-Mar-21			31-Mar-20
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
INCOME				
Council Tax receivable	-	88,715	88,715	84,776
Business rates receivable	33,449	-	33,449	79,050
Council Tax Reduction Scheme	-	(14,801)	(14,801)	(13,858)
Interest	-	-	-	-
	33,449	**73,914**	**107,363**	**149,968**
EXPENDITURE				
Precepts & Demands:				
Central Government	37,931	-	37,931	18,693
Norfolk County Council	7,586	52,415	60,001	73,784
Norfolk Police Authority	-	9,734	9,734	9,193
Norwich City Council	30,345	9,968	40,313	41,373
Distribution of Estimated Surplus / (Deficit) for Previous Years:				
Central Government	840	-	840	310
Norfolk County Council	379	1,655	2,034	2,066
Norfolk Police Authority	-	307	307	347
Norwich City Council	844	321	1,165	637
Charges to Collection Fund:				
Transitional Protection Payment	791	-	791	684
Costs of Collection	271	-	271	273
Increase/decrease in Bad Debt Provision	703	1,396	2,099	1,950
Increase/decrease in Provision for Appeals	24	-	24	580
Write Offs of uncollectable amounts	744	655	1,399	1,406
	80,458	**76,451**	**156,909**	**151,296**
Collection Fund Balance b/fwd at 1 April	2,445	3,408	5,853	7,181
Surplus / (Deficit) for the year	(47,009)	(2,537)	(49,546)	(1,328)
Collection Fund Balance c/fwd at 31 March	**(44,564)**	**871**	**(43,693)**	**5,853**

Notes to the Collection Fund Statement

1. Income from Business Rates

Since 1 April 2013 and the introduction of the Business Rates Retention Scheme, the Council collects national non-domestic rates (NNDR) for its area, which are based on local rateable values controlled by the Valuation Office multiplied by a uniform rate controlled by Central Government. The total amount, less certain reliefs and other deductions is paid to Central Government, Norwich City Council and Norfolk County Council in accordance with legislated percentages of 50%, 40% and 10% respectively. However, for 2019/20, Norwich was part of the 75% Norfolk Pilot Scheme and so, for this year only, the percentages are 25%, 42.5% and 32.5% respectively.

The total non-domestic rateable value on 31 March 2021 was £198,524,709 (31 March 2020 £200,536,024). The national non-domestic rate multiplier for 2020/21 was 51.2p in the £ (2019/20 50.4p in the £). The small business multiplier for eligible businesses in 2020/21 was 49.9p in the £ (2019/20 49.1p in the £).

2. Council Tax

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

Property Value	Band	2020/21 Calculated Number of Properties in Band	2019/20 Calculated Number of Properties in Band
Up to £40,000	A	10,629.23	10,321.30
£40,001 to £52,000	B	13,246.14	13,060.64
£52,001 to £68,000	C	6,274.67	6,192.58
£68,001 to £88,000	D	3,109.50	3,066.95
£88,001 to £120,000	E	2,431.31	2,381.13
£120,001 to £160,000	F	1,207.19	1,180.76
£160,001 to £320,000	G	958.33	953.92
Over £320,000	H	95.50	99.00
		37,951.87	**37,256.28**
Collection Rate		0.975	0.975
Tax Base		**37,003.00**	**36,325.00**

The tax rate per Band D property was £1948.96 (2019/20 £1,879.45).

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.

	2020/21	2019/20
	£000	£000
Norfolk County Council	633	2,477
Norfolk Police Authority	119	460
Norwich City Council	119	471
Surplus Carried Forward	**871**	**3,408**

4. NNDR Contribution to Collection Fund Surpluses and Deficits

The NNDR surplus/deficit on the Collection Fund will be distributed in subsequent financial years between Central Government, Norwich City Council and Norfolk County Council in accordance with legislated percentages of 50%, 40% and 10% respectively. These percentages apply to any prior year surplus. However, for 2019/20, Norwich was part of the 75% Norfolk Pilot Scheme and so, for current year surplus only, the percentages are 25%, 42.5% and 32.5% respectively.

	2020/21	2019/20
	£000	£000
Central Government	(22,377)	935
Norwich City Council	(17,816)	1,007
Norfolk County Council	(4,371)	503
Surplus /(deficit) Carried Forward	**(44,564)**	**2,445**

Group Financial Statements

1. Introduction

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

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

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

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

2. Basis of Identification of the Group Boundary

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

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

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

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

3. Norwich Regeneration Limited (NRL)

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

The company accounts are subject to audit by Aston Shaw. Copies of the accounts may be obtained from Companies House or by request to the Council.

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

NRL has prepared 2019/20 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.

4. Norwich City Services (NCSL)

Norwich City Services Ltd (NCSL) is a private limited company wholly owned by Norwich City Council. It was incorporated on 9 June 2020. NSCL will deliver environmental and building repairs and maintenance services.

The company accounts are subject to audit by Aston Shaw. Copies of the accounts may be obtained from Companies House or by request to the Council.

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

NCSL has prepared 2020/21 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.

5. NPS Norwich Ltd

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

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

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

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

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

6. Norwich Norse (Environmental) Limited

This is a company owned by NPS Norwich Limited (NPSN) and Norwich City Council. The principle activities of the company are provision of streets, buildings and other cleaning, grounds maintenance, arboriculture and associated services for NCC, which is managed under a service agreement.

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

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

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

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

7. Norwich Norse (Building) Limited

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

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

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

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

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

8. Three Score Open Space Management Ltd

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

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

There are no material transactions in 2020/21 or 2019/20 therefore it is not included in the Group Accounts.

9. Norwich City New Co Ltd

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

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

No transactions have occurred in the company in 2020/21 or 2019/20, therefore the company will not be consolidated into the 2020/21 Consolidated Group Statements.

10. Basis of Consolidation

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

Group Movement in Reserves Statement

	Council usable reserves	Subsidiary usable reserves	Total Group usable reserves	Council unusable reserves	Subsidiary unusable reserves	Total Ghroup unusable reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	**123,373**	**(3,570)**	**119,803**	**584,733**	**0**	**584,733**	**704,537**
Movement in Reserves in 2020/21:							
(Surplus)/ deficit on the provision of services (accounting basis)	24,962	(861)	24,101	-	-	-	24,101
Other Comprehensive Income and Expenditure	-	-	-	(23,873)	-	(23,873)	(23,873)
Total Comprehensive Income and Expenditure	24,962	(861)	24,101	(23,873)	-	(23,873)	228
Adjustments between group accounts and authority accounts		-	-	-		-	-
Adjustments between accounting and funding basis under regulation - note 6	13,362	-	13,362	(13,362)	-	(13,362)	-
	-	-	-	-	-	-	-
Net increase/decrease before transfers to Earmarked reserves	**38,324**	**(861)**	**37,463**	**(37,235)**	**-**	**(37,235)**	**228**
Transfers to/from Earmarked reserves	-	-	-	-	-	-	-
Transfers between reserves	-	-	-	-	-	-	-
Other adjustments	8	-	8	(1)	-	(2)	6
Increase/(Decrease) in Year	38,332	(861)	37,471	(37,236)	-	(37,237)	234
Balance at 31 March 2021	**161,705**	**(4,431)**	**157,274**	**547,497**	**-**	**547,496**	**704,771**

Comparative Year

	Council's usable Reserves £'000	Subsidiary usable Reserves £'000	Total Group usable Reserves £'000	Council's unusable Reserves £'000	Subsidiary unusable Reserves £'000	Total Group unusable Reserves £'000	Total Group Reserves £'000
Balance at 1 April 2019	**112,702**	**(1,391)**	**111,311**	**552,720**	**-**	**552,720**	**664,031**
2019/20	-	-	-	-	-	-	-
Surplus/ (deficit) on provision of services	(2,489)	(1,519)	(4,008)	-	-	-	(4,008)
Other Comprehensive Income & Expenditure	-	-	-	44,514	-	44,514	44,514
Total Comprehensive Income & Expenditure	**(2,489)**	**(1,519)**	**(4,008)**	**44,514**	**-**	**44,514**	**40,506**
Adjustments between group accounts and authority accounts	660	(660)	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (note 9)	12,456	-	12,456	(12,456)	-	(12,456)	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**10,627**	**(2,179)**	**8,448**	**32,058**	**-**	**32,058**	**40,506**
Transfers to/from Earmarked Reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between reserves	**45**	**-**	**45**	**(45)**	**-**	**(45)**	**-**
Other Adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase/(Decrease) in 2019/20	**10,672**	**(2,179)**	**8,493**	**32,013**	**-**	**32,013**	**40,506**
Balance at 31 March 2020	**123,374**	**(3,570)**	**119,804**	**584,733**	**-**	**584,733**	**704,537**

Group Comprehensive Income and Expenditure Statement

	2020/21			2019/20		
	Expenditure	Income	Net	Expenditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Resources	62,019	(50,485)	11,534	63,718	(51,227)	12,491
Chief Executive	708	0	708	912	(27)	885
Customers, Communications & Culture	6,476	(526)	5,950	6,221	(1,053)	5,168
Neighbourhoods	19,789	(9,227)	10,562	18,013	(7,432)	10,581
Place	11,398	(5,785)	5,613	18,236	(12,895)	5,341
Housing Revenue Account	32,386	(67,889)	(35,503)	51,148	(67,382)	(16,234)
Norwich Regeneration Ltd	8,424	(8,332)	92	4,201	(2,667)	1,534
NCSL Ltd	50	(42)	8			
Cost of Services	**141,250**	**(142,286)**	**(1,036)**	**162,449**	**(142,683)**	**19,766**
Payments to the Government Housing Capital Receipts Pool			1,097			1,097
(Gains) on the disposal of assets			(2,074)			(6,242)
Provision Market			(86)			(376)
Livestock Market			5			(51)
Other Operating Expenditure			**(1,058)**			**(5,572)**
Pension interest cost and expected return on pension assets			4,014			4,912
Interest receivable and similar income			(1,516)			(1,712)
Interest payable and similar expenses			9,471			9,232
Changes in fair value of investment properties			(84)			3,594
(Gains)/Losses on disposal of investment properties			(168)			(32)
Impairment losses			0			4,000
Impairment of Soft Loans			92			(3,873)
Other investment income			0			(365)
Income and expenditure in relation to investment properties			(4,711)			(3,647)
Financing and Investment Income and Expenditure			**7,098**			**12,109**
Council Tax Income			(9,937)			(9,714)
Non Domestic Rates			13,823			(4,085)
Non-ringfenced government grants			(29,007)			(4,368)
Capital grants and contributions			(3,984)			(4,127)
Taxation and non-specific grant income and expenditure			**(29,105)**			**(22,294)**
(Surplus) or Deficit on Provision of Services			**(24,101)**			**4,009**
Surplus on revaluation of non-current assets.			(14,117)			(3,564)
designated FVOCIE			109			(1,198)
Actuarial (gains)/losses on pension assets/liabilities			37,881			(39,752)
Other Comprehensive Income and Expenditure			**23,873**			**(44,514)**
Total Comprehensive Income and Expenditure			**(228)**			**(40,505)**

Group Balance Sheet

		31 March 2021 £'000	31 March 2020 £'000
Property, Plant and Equipment	*Note 14*	954,786	930,286
Heritage Assets		25,553	25,553
Investment Properties	*Note 15*	105,399	108,630
Intangible Assets	*Note 16*	614	621
Long Term Investments	*Note 21*	2,019	2,128
Long Term Debtors	*Note 17*	5,223	5,809
LONG TERM ASSETS		**1,093,594**	**1,073,027**
Assets Held for Sale		0	131
Short Term Debtors	*Note 17*	38,050	12,802
Inventories		8,279	5,782
Short Term Investments	*Note 21*	30,005	9,000
Cash and Cash Equivalents	*Cash Flow*	49,339	37,398
CURRENT ASSETS		**125,673**	**65,113**
Short Term Creditors	*Note 18*	(72,409)	(35,110)
Provisions	*Note 19*	(378)	0
Short Term Borrowing	*Note 19*	(3,398)	(886)
Capital grants receipts in advance	*Note 20*	(3,410)	(488)
CURRENT LIABILITIES		**(79,595)**	**(36,484)**
Capital grants receipts in advance	*Note 20*	(1,919)	(1,306)
Long Term Creditors		(2,411)	(2,805)
Provisions		(2,960)	(3,135)
Other Long Term Liabilities		(210,032)	(169,739)
Long Term Borrowing	*Note 21*	(217,579)	(220,136)
LONG TERM LIABILITIES		**(434,901)**	**(397,121)**
NET ASSETS		**704,771**	**704,535**
USABLE RESERVES		**157,274**	**119,802**
UNUSABLE RESERVES	*Note 12*	**547,497**	**584,733**
TOTAL RESERVES		**704,771**	**704,535**

Signed: Date:

[To be signed]

Annabel Scholes
Executive Director, Corporate and Commercial Services (S.151 Officer)

Group Cash Flow Statement

	2020-21 £'000	2019-20 £'000
Taxation	(19,528)	(42,332)
Grants and Contributions	(94,998)	(58,749)
Housing Rents	(59,562)	(59,190)
Sales of goods and rendering of services	(35,221)	(73,212)
Interest received	(844)	(840)
Other receipts from operating activities	37	(3,551)
Cash inflows generated from operating activities	**(210,116)**	**(237,874)**
Cash paid to and on behalf of employees	22,620	18,915
Housing benefit payments	46,288	49,652
NNDR Tariff payments	26,190	28,181
Precepts paid	0	0
Cash paid to suppliers of goods and services	68,494	95,419
Payments to the capital receipts pool	1,098	1,097
Interest paid	8,988	8,680
Other operating cash payments	8,304	6,860
Cash outflows generated from operating activities	**181,982**	**208,804**
Net cashflows from operating activities	**(28,134)**	**(29,070)**
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,088)	(16,355)
Purchase of property, plant and equipment, investment property and intangible assets	17,325	74,655
Purchase of short-term and long-term investments	44,000	201,760
Proceeds from the sale of short-term and long-term investments	(23,000)	(219,958)
Capital grants	(8,267)	(1,294)
Other Capital payments	0	800
Other payments for investing activities	(29)	3,021
Other receipts from investing activities	(274)	(6,781)
Net cashflows from investing activities	**19,667**	**35,848**
Cash Receipts - long/short term borrowing	0	(20,262)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	107	101
Repayments of long/short term borrowing	0	0
Changes in Council Tax and NNDR balances held for preceptors	(3,194)	812
Net cashflows from financing activities	**(3,087)**	**(19,349)**
Net (Increase) / decrease in cash and cash equivalents	**(11,554)**	**(12,571)**

	2020-21	2019-20
	£'000	£'000
Cash and cash equivalents 1 April	37,398	24,826
Net increase / (decrease) in cash and cash equivalents	11,554	12,571
Cash and cash equivalents 31 March	**48,952**	**37,397**

Cash in hand	313	688
Call accounts and short term deposits	20,000	19,000
MMF	21,070	15,000
Bank balances	7,956	2,709
Cash and cash equivalents 31 March	**49,339**	**37,397**

Notes to the Group Accounts

Group Boundary

Norwich Regeneration Limited was incorporated on 13 November 2015. On 7 October 2016, the Council transferred 3.35 hectares of land at Bowthorpe at full market value to its wholly owned subsidiary Norwich Regeneration Limited in exchange for 22,000 £100 shares in the company. It is a subsidiary for accounting purposes, and has been consolidated into the Council's group accounts.

Norwich City Services Limited was incorporated on 9 June 2020.

The Council has determined its associate relationships as follows:

NPS Norwich Ltd	Associate	Consolidated
Norwich Norse (Environmental) Limited	Associate	Consolidated
Norwich Norse (Building) Limited	Associate	Consolidated

Accounting Policies

NRL and NCSL have prepared 2020/21 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies.

There is only one addition to the stated accounting policies for the Council which needs to be included for NRL. This is the accounting policy for Inventories. There is no stated policy on Inventories within the council's accounting policies as these are immaterial for the Council. However Inventories are material for NRL.

The accounting policy is that Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula. The policy is consistent for both the Council and NRL.

All entities have a financial year end of 31 March. Disclosure notes have only been restated in the group accounts section where they are materially different from those of the Council's single entity accounts.

1. Property Plant and Equipment

Movements in 2020/21	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 2020	790,620	141,166	28,770	2,862	11,923	25	606	**975,972**
Additions	16,119	1,054	1,525	23	284	-	1,065	**20,070**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	8,676	444	-	-	-	29	-	**9,149**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(4,579)	(376)	-	-	-	-	-	**(4,955)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	8,992	25	-	-	-	-	-	**9,017**
Derecognition – Disposals	(6,319)	-	(18,358)	-	-	-	-	**(24,677)**
Derecognition - Other	(397)	-	-	-	-	-	-	**(397)**
Demolition	-	(8)	-	-	-	-	-	**(8)**
Assets Reclassified (to) / from Held for Sale	(476)	(16)	-	-	-	-	-	**(492)**
Other Movements in Cost or Valuation	(6)	1,807	-	-	-	-	-	**1,801**
At 31 March 2021	**812,630**	**144,096**	**11,937**	**2,885**	**12,207**	**54**	**1,671**	**985,480**
Accumulated Depreciation & Impairment								
At 1 April 2020	(7,126)	(11,113)	(25,024)	(1,300)	-	-	-	**(44,563)**
Depreciation charge	(14,999)	(2,521)	(729)	(81)	-	-	-	**(18,330)**
Depreciation written out to the Surplus/Deficit on Provision of Services	10,974	39	-	-	-	-	-	**11,013**
Depreciation write-back on revaluation to Revaluation Reserve	4,025	643	-	-	-	-	-	**4,668**
Impairment losses / (reversals) recognised in CIES	(1,132)	(927)	-	-	-	-	-	**(2,059)**
Impairment losses / (reversals) recognised in RR	225	-	-	-	-	-	-	**225**
Derecognition – Disposals	-	-	18,353	-	-	-	-	**18,353**
Derecognition - Other	-	-	-	-	-	-	-	**-**
At 31 March 2021	**(8,033)**	**(13,879)**	**(7,400)**	**(1,381)**	**-**	**-**	**-**	(30,693)
Net Book Value								
At 31 March 2021	**804,597**	**130,217**	**4,537**	**1,504**	**12,207**	**54**	**1,671**	**954,787**
At 31 March 2020	783,495	128,931	3,745	1,561	11,923	606	25	930,286

Comparative Movements in 2019/20	**Council Dwellings**	**Other Land and Buildings**	**Vehicles, Plant, Furniture and equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total Property, Plant & Equipment**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation								
At 1 April 2019	**782,152**	**141,935**	**28,147**	**2,812**	**11,809**	**293**	**7,001**	**974,149**
Additions	25,639	1,517	512	49	114	-	152	**27,983**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	364	(1,929)	-	-	-	(40)	-	**(1,605)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(18,711)	(1,026)	-	-	-	-	-	**(19,737)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	4,205	356	-	-	-	-	-	**4,561**
Derecognition – Disposals	(8,469)	-	(119)	-	-	-	-	**(8,588)**
Derecognition - Other	(194)	-	-	-	-	-	-	**(194)**
Demolition	-	(10)	-	-	-	-	-	**(10)**
Assets Reclassified (to) / from Held for Sale	(670)	(25)	-	-	-	-	-	**(695)**
Other Movements in Cost or Valuation	6,305	13	229	-	-	(228)	(6,547)	**(228)**
Other reclassifications	-	-	-	-	-	-	-	**-**
At 31 March 2020	**790,621**	**140,831**	**28,769**	**2,861**	**11,923**	**25**	**606**	**975,636**
Accumulated Depreciation & Impairment								
At 1 April 2019	**(6,141)**	**(9,880)**	**(24,442)**	**(1,220)**	**-**	**(7)**	**-**	**(41,690)**
Depreciation charge	(14,729)	(2,493)	(682)	(80)	-	(1)	-	**(17,985)**
Depreciation written out to the Surplus/Deficit on Provision of Services	11,592	104	-	-	-	-	-	**11,696**
Depreciation write-back on revaluation to Revaluation Reserve	3,137	1,784	-	-	-	8	-	**4,929**
Impairment losses / (reversals) recognised in CIES	(1,184)	(616)	-	-	-	-	-	**(1,800)**
Impairment losses / (reversals) recognised in RR	199	(13)	-	-	-	-	-	**186**
Derecognition – Disposals	-	(786)	100	-	-	-	-	**(686)**
Derecognition - Other	-	-	-	-	-	-	-	**-**
At 31 March 2020	**(7,126)**	**(11,900)**	**(25,024)**	**(1,300)**	**-**	**-**	**-**	**(45,350)**
Net Book Value								
At 31 March 2020	**783,495**	**128,931**	**3,745**	**1,561**	**11,923**	**25**	**606**	**930,286**
At 31 March 2019	783,495	129,717	3,745	1,561	11,923	25	606	931,072

The Council operates a 5-year rolling programme of revaluations in relation to land and buildings except for revaluation of Housing Revenue Account Assets which is carried out on an annual basis. The only property, plant and equipment asset included in NRL's Balance Sheet at the 31 March 2020 is land held by the NRL which is as yet undeveloped. It has been valued at cost £0.259m. Property, plant and equipment for the single entity is measured at current value and revalued at least every five years, by the Council's external valuers NPS. The valuation cycle is shown in the table below and more details on the valuations can be found at note 14 to the single entity accounts.

VALUATION CYCLE	**Council dwellings**	**Other Land &Buildings**	**Community assets**	**Infrastructure**	**Vehicles Plant etc.**	**Surplus properties**	**Assets under construction**	**Total PPE**
Valued at historical cost		1,380	12,207	1,503	4,536		1,671	21,297
Valued at current value								0
2020-21	804,597	40,678				54		845,329
2019-20		17,090						17,090
2018-19		23,379						23,379
2017-18		45,729						45,729
2016-17		1,960						1,960
	804,597	**130,216**	**12,207**	**1,503**	**4,536**	**54**	**1,671**	**954,784**

2. Investment Properties

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

	2020/21 £000	**2019/20 £000**
Rental income from investment property	(7,397)	(4,932)
Direct operating expenses arising from investment property	2,516	1,285
Net (gains)/losses from fair value adjustments	12	3,594
Total	**(4,869)**	**(53)**

	2020/21 £000	**2019/20 £000**
Balance at start of the year	**108,630**	**71,331**
Additions	64	1,704
Purchases	0	43,112
Disposals	(1,482)	(4,151)
Net gains / (losses) from fair value adjustments	(12)	(3,594)
Transfers (to) / from Property, Plant & Equipment	(1,801)	228
Balance at end of year	**105,399**	**108,630**

The table above includes the investment properties which are held on NRL's Balance Sheet. These are houses being built which will be held by the company when complete for rental to the private sector. This will generate an income stream for the company. The assets are included at cost.

3. Long Term Investments

	2020-21 £'000	2019-20 £'000
Norwich Regeneration Ltd	0	0
Norwich City Services Ltd		
Municipal Bonds Agency	100	100
Legislator 1656	1,919	2,028
Total	**2,019**	**2,128**

4. Long Term Debtors

	2020/21			2019/20
	Debtors £000	Provision for Bad Debt £000	Net Debtors £000	Net Debtors £000
Advances for House Purchase: Council Houses Sold	3	0	3	3
Norfolk County Council Transferred Debt	551	0	551	635
Decent Home Loans	2,043	(1,500)	543	605
Finance Lease > 1 year	1,972	0	1,972	1,808
Home Improvement Loans	205	0	205	203
Housing Benefit Overpayments	5,481	(4,367)	1,114	1,451
Shared Equity Dwellings	199	0	199	248
SALIX	330	0	330	294
Debts with legal charge over property	202	0	202	207
Wholly owned subsidiary	0	0	0	0
Other Long Term Debtors	104	0	104	355
Total	**11,090**	**(5,867)**	**5,223**	**5,809**

5. Short Term Debtors

	31 March 2021 £'000	31 March 2020 £'000
Amounts falling due within one year:		
Central government bodies	22,449	2,581
Other Local Authorities & Public Bodies	7,095	1,673
NHS	3	0
All other bodies	8,503	8,548
Total short term debtors	**38,050**	**12,802**

6. Inventories

	2020-21	2019-20
	£'000	£'000
Balance 1 April	5,783	7,332
Purchases	3,787	10,203
Recognised as an expense in the year	0	177
Transfers	(1,291)	(11,929)
Balance 31 March	**8,279**	**5,783**
Council Stock	27	28
NRL	8,252	5,754
Total	**8,279**	**5,782**

The stock held on the balance sheet, relating to NRL, is the houses under construction that once complete will be sold on the open market.

7. Short Term Creditors

	31 March 2021	31 March 2020
	£'000	£'000
Amounts falling due within one year:		
Central government bodies	48,900	7,055
Other Local Authorities & Public Bodies	8,265	13,852
NHS	10	3
All other bodies	15,234	14,200
Total short term creditors	**72,409**	**35,110**

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tangible Assets
See Fixed Assets (q.v.)

Transfer of Undertakings (Protection of Employment) Regulations (TUPE)
This protects employees' terms and conditions of employment when a business is transferred from one owner to another. Employees of the previous owner when the business changes hands automatically become employees of the new employer on the same terms and conditions.

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

Two Tier Authority
In most areas of England, local government functions are divided between two tiers of local authority, county council's, known as "upper tier" authorities and city, borough or district council's, known as "lower tier" authorities.

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COM12568

Item 9

Committee Name: Audit

Committee Date: 13/07/2021

Report Title: Annual External Audit Plan 2020-21

Portfolio:	Councillor Kendrick
Report from:	Executive director of corporate and commercial services (S151 officer)
Wards:	All wards
OPEN PUBLIC ITEM	

Purpose

This report presents the annual external audit plan 2020-21.

Recommendation:

It is recommended that the committee:

(1) reviews the attached report from the council's external auditor; and

(2) considers and agrees the approach and scope of the external audit as proposed in the audit plan.

Policy Framework

The Council has three corporate priorities, which are:

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

This report meets all the corporate priorities

This report addresses healthy organisation strategic action in the Corporate Plan

This report helps to meet council's financial objective of the COVID-19 Recovery Plan

Report Details

Introduction

1. This report sets out the external auditors' proposed approach to their work for the audit of the accounts for the 2020-21 financial year, for discussion and agreement with the audit committee.

Key points to note

2. The following significant matters are covered in the report:

   a) The auditors' assessment of the key financial statement risks (section 2 of the audit plan) which relate to misstatements due to fraud or error. There is a new risk in relation to the accounting for Covid-19 related grant funding.

   b) Section 2 also sets out other areas of audit focus. This year, linked to the impacts of Covid-19, there are additional areas of focus on the NNDR appeals provision, bad debt provisions and collection fund accounting. As in previous years there will be focus on asset valuations (property and pension assets), group accounts and going concern.

   c) Changes in the auditor responsibilities in relation to the value for money opinion. This has arisen because of changes in the National Audit Office's (NAO) 2020 Code.

   d) A substantive testing approach will be followed as well as using computer-based data analytics tools to support the audit testing (section 5). The work of internal audit will be reviewed, and reliance will be placed on the work of NPS valuation specialists for property values, actuarial specialists for pension fund valuations and Link Asset Services for financial instrument fair values (section 6).

   e) Section 7 sets out the timetable for the audit. The Results Report is scheduled currently scheduled for January 2022. The council will therefore not achieve the publication date for audited accounts set by the Ministry of Housing, Communities and Local Government (MHCLG) of 30 September 2021.

   f) The proposed core audit fee for 2020-21 is shown in Appendix A to the report. EY have re-assessed the scale fee to take into account the same recurring risk factors identified in 2019/20. The fee for both years is subject to approval by PSAA Ltd. At this stage, EY are not able to quantify the impact of any work resulting as a response to Covid-19 risks; an update on the additional fee implications will be provided at the conclusion of the audit.

Consultation

Audit committee and with officers.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.

There are no proposals in this report that would reduce or increase resources.

Legal

There are no specific legal implications arising from this report.

Statutory Considerations

Consideration:	**Details of any implications and proposed measures to address:**
Equality and Diversity	None identified
Health, Social and Economic Impact	None identified
Crime and Disorder	None identified
Children and Adults Safeguarding	None identified
Environmental Impact	None identified

Risk Management

Include operational, financial, compliance, security, legal, political or reputational risks to the council

Risk	**Consequence**	**Controls Required**
None identified		

Other Options Considered

There are no alternative options to this report.

Reasons for the decision/recommendation

The committee is recommended to review and note the attached report from the council's external auditor.

Tracking Information

Governance Check	Name	Date Considered
Relevant Executive Director	Annabel Scholes	05/07/2021
Legal opinion	Katrina Hulatt	05/07/2021
Relevant finance officer	Hannah Simpson	05/07/2021
Chief Finance Officer (or Deputy)	Annabel Scholes	05/07/2021
Monitoring Officer (or Deputy)	Katrina Hulatt	05/07/2021

Background papers:

None

Appendices:

Contact Officer:

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Telephone number: 01603 989569

Email address: hannahsimpson@norwich.gov.uk

Norwich City Council

Provisional Audit Plan

Year ending 31 March 2021

30 June 2021

Building a better
working world

Audit Committee
Norwich City Council
City Hall
St Peter's Street
Norwich
NR2 1NH

30 June 2021

Dear Audit Committee Members

Provisional Audit Plan – 2020/21

We are pleased to attach our Provisional Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our initial assessment of the key issues which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. We will provide an update to the Committee if there are any additional audit risks and procedures that arise as we continue our work.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

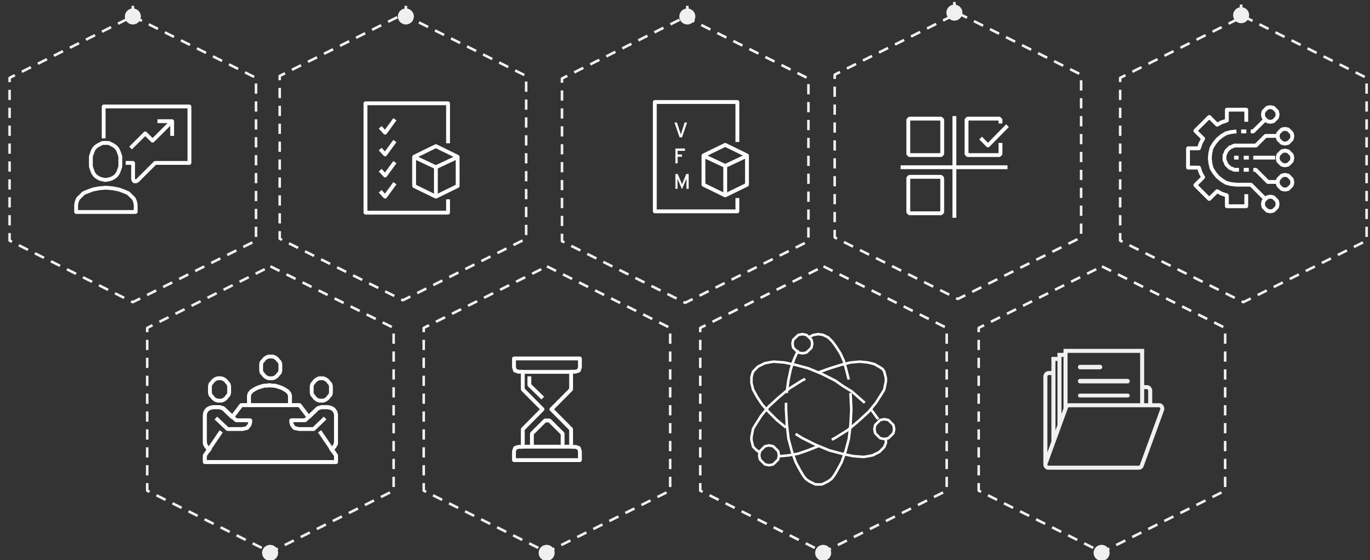
We welcome the opportunity to discuss this report with you on 13 July 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of the Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of the Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of the Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2020/21 audit strategy

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our fraud risk identified above we have considered the capitalisation of revenue expenditure on property, plant and equipment as a separate specific risk, given the extent of the Council's capital programme.
Accounting adjustments made in the 'Movement in Reserves Statement'.	Fraud Risk	No change in risk or focus	Linking to our fraud risk identified above we have considered the accounting adjustments made in the Movement in Reserves Statement as a separate specific risk, given the financial pressure the Council is under to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a potential way of achieving these targets.
Accounting for Covid-19 related government grants	Significant risk	New significant risk	The Council has received a significant level of government funding in relation to Covid-19. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.
Valuation of Investment Property	Significant Risk	No change in risk or focus.	The fair value of Investment Property (IP) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Due to the Covid-19 pandemic and the restrictions imposed by lockdowns during the year there is increased uncertainty around the valuation of these properties.

Overview of our 2020/21 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Property, Plant and Equipment	Inherent Risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension Valuation and Disclosures	Inherent Risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's balance sheet.
National Non-Domestic Rates (NNDR) Appeals Provision	Inherent Risk	New inherent risk	Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils are forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based. In light of this we consider there to be a higher inherent risk of misstatement of the Council's NNDR appeals provision.
Bad debt provision and recoverability of receivables (Debtors)	Inherent Risk	New inherent risk	As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique.
Collection Fund accounting	Inherent Risk	New inherent risk	During 2020/21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income. There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief. There is therefore a risk of incorrect accounting based on the significant level of change in the year.

Overview of our 2020/21 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Group Accounts	Inherent Risk	No change in risk or focus	In 2015 the Council incorporated Norwich Regeneration Limited (NRL), a company, with the Council as the sole owner. Activity is at a level considered material, which requires the Council to prepare group accounts. We will also need to consider the implications of the incorporation and transactions for Norwich City Services Ltd, another Council owned company, on the Council's group boundary and consolidation requirements. We have designated this as an Inherent risk at the Council, as the considerations and consolidation can be a complex area of accounting.
Going Concern assessment and disclosure	Area of Focus	No change in risk or focus	The financial landscape for the Council remains challenging and management will need to prepare a going concern assessment covering a period up to 12 months from the expected date of the financial statements authorisation. The Council will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.

Accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required. See page 18 for further details of the revised auditing standard.

Overview of our 2020/21 audit strategy

Materiality

Planning materiality
£3.449m

We have set materiality at £3.449 million for the financial statements which represents 2% of the prior years gross revenue expenditure of the Council. Materiality for the group financial statements is £3.462 million. The use of 2% of gross revenue expenditure is in line with the prior year and is our maximum threshold for local authorities reflecting the higher profile of local government financial resilience and financial reporting.

Performance materiality
£2.587m

We have set performance materiality at £2.587 million for the Council and £2.597 million for the group financial statements. This represents 75% of materiality reflecting the lower level of errors we detected in the 2019/20 financial statements.

Audit differences
£0.172m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £0.172 million for the Council and £0.173 million for the Group. We will communicate other misstatements identified to the extent that they merit the attention of the Audit Committee.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures including Member allowances: we will agree all disclosures back to source data, and Member allowances to the agreed and approved amounts; and
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Overview of our 2020/21 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with our audit opinion on the Council and Group financial statements for 2020/21. We are also required to report a commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03, highlighting the changes included in the NAO's Code of Audit Practice 2020.

We will also review and report to the NAO, to the extent and in the form required by them, on the Whole of Government Accounts submission. We intend to take a substantive audit approach. When planning the audit we take into account key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

Taking the above into account, and as articulated in this Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as Going Concern disclosure in recent years as well as the expansion of factors impacting the Value for Money conclusion. Therefore, to the extent any of these or any other risks are relevant in the context of the Council's audit, we will discuss these with management as to the impact on the scale fee.

Overview of our 2021 audit strategy

Value for money conclusion

One of the main changes in the NAO's 2020 Code is in relation to the value for money conclusion. We include details in Section 03 but in summary:

- We are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on VFM and the associated risk assessment is now focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will be required to provide a commentary on the Council's arrangements against three reporting criteria:
    - Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
    - Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
    - Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
- Within the audit opinion we will still only report by exception where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- The commentary on arrangements will be included in a new Auditor's Annual Report which we will be required to issue at a date to be determined by the NAO.

Timeline

MHCLG have provided a revised date for the Authority to publish it's draft accounts to 1 August 2021 and as part of their response to the Redmond Review, MHCLG have confirmed that for 2020/21 that target date for audited accounts would be 30 September 2021. We have communicated with the Chief Finance Officers for all local authorities in the East of England to share our proposal to phase the delivery of the 2020/21 audits by the end of the year. In Section 07 we therefore include a provisional timeline for the audit of Norwich City Council.

Fees

We remain in discussion with PSAA about our proposed increase to the scale fee which we consider to be appropriate to deliver a Code compliant audit. We include in Section 08, our current view of the fees required to carry out the 2020/21 audit. We will update the Committee on any determinations by PSAA on fees.

02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

For the Council, we have identified the capitalisation of revenue expenditure and accounting adjustments made in the movement in reserves statement as the key areas at risk of manipulation. The detail of these is set out on the next pages.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements and evaluating the business rationale for significant unusual transactions.

Our response to significant risks

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to the capitalisation of revenue expenditure and could result in a misstatement of 'Cost of Services' reported in the comprehensive income and expenditure statement.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets. We consider the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Obtaining an analysis of capital additions in the year, reconciling to the Fixed Assets Register (FAR), and reviewing the descriptions to identify whether there are any potential items that could be revenue in nature;
- Sample testing additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and
- Using our data analytics tool to identify and test journal entries that move expenditure into capital codes.

Our response to significant risks

Accounting adjustments made in the 'Movement in Reserves Statement'*

Financial statement impact

We have identified a risk of misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to accounting adjustments made in the movement in reserves statement and could result in a misstatement of 'Cost of Services' reported in the comprehensive income and expenditure statement.

What is the risk?

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk of manipulation applies to accounting adjustments made in the movement in reserves statement.

The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstate accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:

- Revenue Expenditure Funded from Capital Under Statute (REFCUS)
- Minimum Revenue Provision (MRP)

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Sample testing REFCUS to ensure the expenditure meets the definition of allowable expenditure, or is incurred under direction from the Secretary of State;
- Reviewing the Council's policy and application of the 'Minimum Revenue Provision'; and
- Using our data analytics tool to identify and test journal entries adjustments made in the movement in reserves statement.

Our response to significant risks

Accounting for Covid-19 related grant funding

Financial statement impact

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

What is the risk?

In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.

Given the volume of these grants, and the new conditions for the Council to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Sample testing Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature.
- Sample testing Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body.

Our response to significant risks

Valuation of Investment Property

Financial statement impact

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

What is the risk?

The fair value of Investment Property (IP) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.

At 31 March 2020 the fair value of Investment Property was £108.6 million.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Due to the Covid-19 pandemic and the restrictions imposed by lockdowns during the year there is increased uncertainty around the valuation of these properties.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Consider the work performed by the Council's valuer (NPS), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; and
- Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the area of focus?	What will we do?
Valuation of Property, Plant, and Equipment – Inherent Risk The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. At 31 March 2020 the net book value of PPE was £930.5 million, We note that within PPE, our focus is on Land and Buildings and Surplus Assets. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.	In order to address this risk we will carry out a range of procedures including: ▸ Consider the work performed by the Council's valuer (NPS), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▸ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▸ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▸ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; ▸ Consider changes to useful economic lives as a result of the most recent valuation; and ▸ Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus (continued)

What is the area of focus?	What will we do?
Pensions valuations and disclosures – Inherent Risk The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet. Accounting for this scheme involves significant estimation and judgement. At 31 March 2020 the pension liability totalled £169.617 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	In order to address this risk we will carry out a range of procedures including: ▸ Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Norwich City Council; ▸ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and ▸ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19 considering fund assets and the Authority's liability.
National Non-Domestic Rates Appeals Provision – Inherent Risk The calculation of the NNDR Appeals Provision is estimate based. Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils are forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based. In light of this we consider there to be a risk of misstatement of the Council's NNDR appeals provision.	In order to address this risk we will carry out a range of procedures including: ▸ Review the assumptions made by the Council's in calculating the NNDR appeals provision; and ▸ Assess the reasonableness of any local adjustments made by the Council on the NNDR appeals provision.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
Recoverability of Receivable (Debtors) – Inherent Risk As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.	In order to address this risk we will carry out a range of procedures including: ▸ Review the calculation of the bad debt provision for reasonableness and accuracy; and ▸ Consider the recoverability of debts in testing a sample of trade receivables.
Accounting for Collection Fund disclosures – Inherent Risk During 2020/21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income. There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore a risk of incorrect accounting based on the significant level of change in the year.	In order to address this risk we will carry out a range of procedures including: ▸ Performing an analytical review of collection fund income, building in any changes in relief as appropriate; ▸ Document our understanding of the process for the raising of specific additional reliefs; and ▸ Review the Collection Fund disclosures with respect to ongoing guidance in accounting requirements and for compliance with Code requirement.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
Group Accounts – Inherent Risk In 2015 the Council incorporated Norwich Regeneration Limited (NRL), a company, with the Council as the sole owner. Activity is at a level considered material, which requires the Council to prepare group accounts. We will also need to consider the implications of the incorporation and transactions for Norwich City Services Ltd, another Council owned company, on the Council's group boundary and consolidation requirements. We have designated this as an Inherent risk at the Council, as the considerations and consolidation can be a complex area of accounting.	In order to address this risk we will carry out a range of procedures including: ▸ Review the group assessment prepared by the Council, ensuring that the accounting framework and accounting policies are aligned to the Norwich City Council group, including any new considerations pertaining to Norwich City Services Ltd; ▸ Scope the audit requirements for NRL based on their significance to the group accounts. ▸ Liaising with the external auditor of NRL (Aston Shaw) and issuing group instructions that detail the required audit procedures they are to undertake in order to provide us with assurance for the opinion we will issue on the group accounts; and ▸ Ensuring that appropriate consolidation procedures are applied when preparing the Council group accounts and appropriate disclosures are made within the group accounts.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
Going Concern Compliance with ISA 570 – Area of Focus There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure it's going concern assessment is thorough and appropriately comprehensive. The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.	We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by: ▸ Challenging management's identification of events or conditions impacting going concern; ▸ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias); ▸ Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern; ▸ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and ▸ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties. We will discuss the detailed implications of the revised Auditing Standard with finance staff shortly and seek to agree with management to receive an early draft of the Council's going concern assessment in advance of the 2020/21 year-end audit in order to provide management with feedback on the adequacy and sufficiency of the proposed disclosures in relation to going concern.

Other areas of audit focus (continued)

What is the risk/area of focus?
Auditing accounting estimates – Area of Focus ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019. This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors. The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example: • We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases. • We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradicts them. • We may make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies. • You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team. • We may ask for new or changed management representations compared to prior years.

03 Value for Money Risks

Value for money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

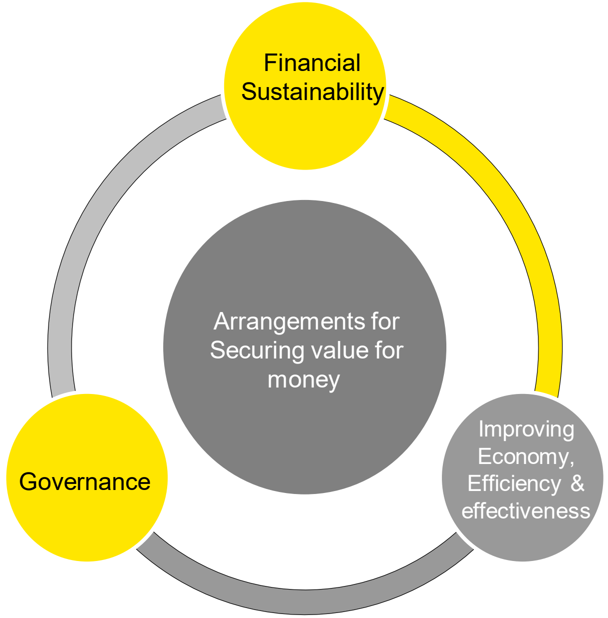
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as OfSTED) and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus through our risk assessment will be on the arrangements that the Council has in place in relation to financial sustainability in light of the impact of Covid-19 on the Council's finances. This includes arrangement with key business partners including subsidiary companies.

We have not at the time of our issuing of this Provisional Audit Plan identified any significant risks in respect of Value for Money.

The Budget Report presented to the Council in February 2021 outlines that in year savings were made during 2020/21 to mitigate the impact of the Covid pandemic. Whilst the budget for 2021/22 shows a balanced position, without the use of reserves, this does require further savings efficiencies to be delivered. Moreover, balancing the budget over the medium term will require some further efficiencies of up to £9.6 million (by 2024/25) which are yet to be identified. Risks could still be significant, and reserves need to be available should the Council need to draw on them as a result of ongoing pressures.

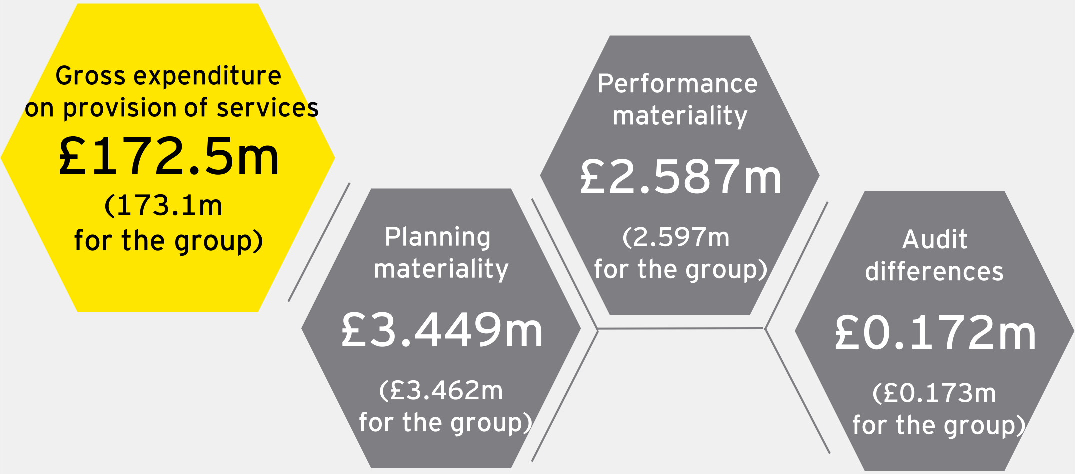
We will update the Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.

04 Audit materiality

Materiality

Materiality

For planning purposes, planning materiality for 2020/21 has been set at £3.449 million for the Council's financial statements. This represents 2% of the Council's prior year gross revenue expenditure (GRE) on provision of services, It will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

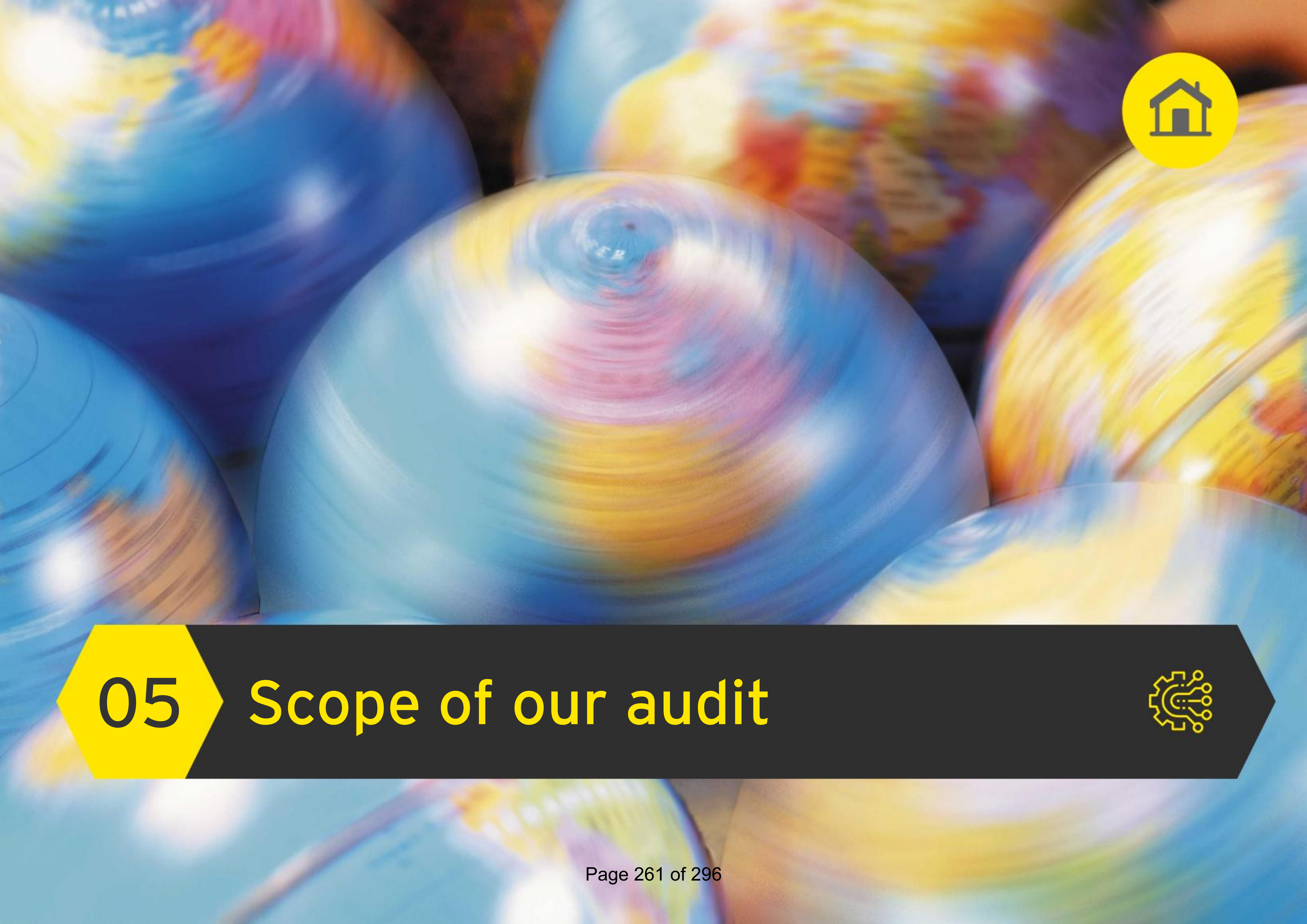
Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.587 million for the single entity and £2.597 million for the group financial statements which represents 75% of planning materiality. This reflects the relatively lower level of errors detected in our 2019/20 financial statements audit.

Audit difference threshold – we propose that misstatements identified below this threshold of £0.172 million for the single entity and £0.173 million for the group statements are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.



05 Scope of our audit

Scope of our audit

Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Scope of our audit

Audit Process overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated. Although we are therefore not intending to rely on individual system controls in 2020/21, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

As in prior years we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Note: We have not included Norwich City Services Ltd within our assessment at this point. We will consider the implications of this entity to the group boundary and procedures as part of our audit.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for the component within Appendix D.

0	A	Full scope audits
1	B	Specific scope audits
1	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

Scope definitions

Full scope: where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit.

Specific scope: where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: Where we do not consider it material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scoping the group audit (continued)

Coverage of Expenditure

We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed at each reporting unit.

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the group's net cost of service revenue and group's net cost of service expenditure.

Expenditure — 13.8% of the group's expenditure will be covered by specific scope and review scope procedures, with the remainder covered by the single entity's audit

Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

Norwich Regeneration Limited (NRL) will be audited by Aston Shaw, a non-EY member firm, who will confirm their independence via our group instructions.

NPS Norwich Ltd, Norwich Norse (Environmental) Limited and Norwich Norse (Building) Limited are audited by PwC, a non-EY member.

Key changes in scope from last year

There are no changes in scope from the previous year. NRL remains a significant component, categorised as specific scope.

Group audit team involvement in NRL component audit

Auditing standards require us to be involved in the work of our component teams. Our planned involvement is as follows:

- Provide specific instruction to component team and our expectations regarding the detailed procedures;
- Set up initial meeting with component team to discuss the content of the group instructions;
- Consider the need to perform a file review of component team's work where appropriate; and
- Attend a closing meeting with component team to discuss their audit procedures and findings.

Details of review scope procedures for NPS Norwich Ltd, Norwich Norse (Environmental) Limited and Norwich Norse (Building) Limited

In order to provide us a reasonable assurance over NPS Norwich Ltd Norwich Norse (Environmental) Limited and Norwich Norse (Building) Limited, we will carry out analytical review procedures and seek management representation.

06 Audit team

Audit team

Audit team structure:

Pension Specialist	
EY Actuaries	
Property Valuer	

Mark Hodgson
Associate Partner

Alison Riglar
Manager

Mustafa Gulraiz
Senior

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2020/21 audit.

We will continue to keep our audit approach under review to streamline it where possible.

The engagement team is led by Mark Hodgson. Mark has significant public sector audit experience, with a portfolio of Local Authorities and Local Government Pension Funds and is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).

Mark is supported by Alison Riglar, who is responsible for the day-to-day direction of audit work and is the key point of contact for the Head of FInance. The day to day audit team will be lead by Mustafa Gulraiz, Senior.

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Pensions Advisory PwC (Consulting Actuary to the National Audit Office) Hymans Robertson – Actuary to Norfolk Pension Fund
Valuation of Land and Buildings	We will consider any valuation aspects that may require EY valuation specialists to review any material specialist assets and the underlying assumptions used by the Council's valuers, NPS.
Fair Value Investment Measurement	Link Asset Services (the Council's management expert for the provision of fair value information in respect of financial instruments)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

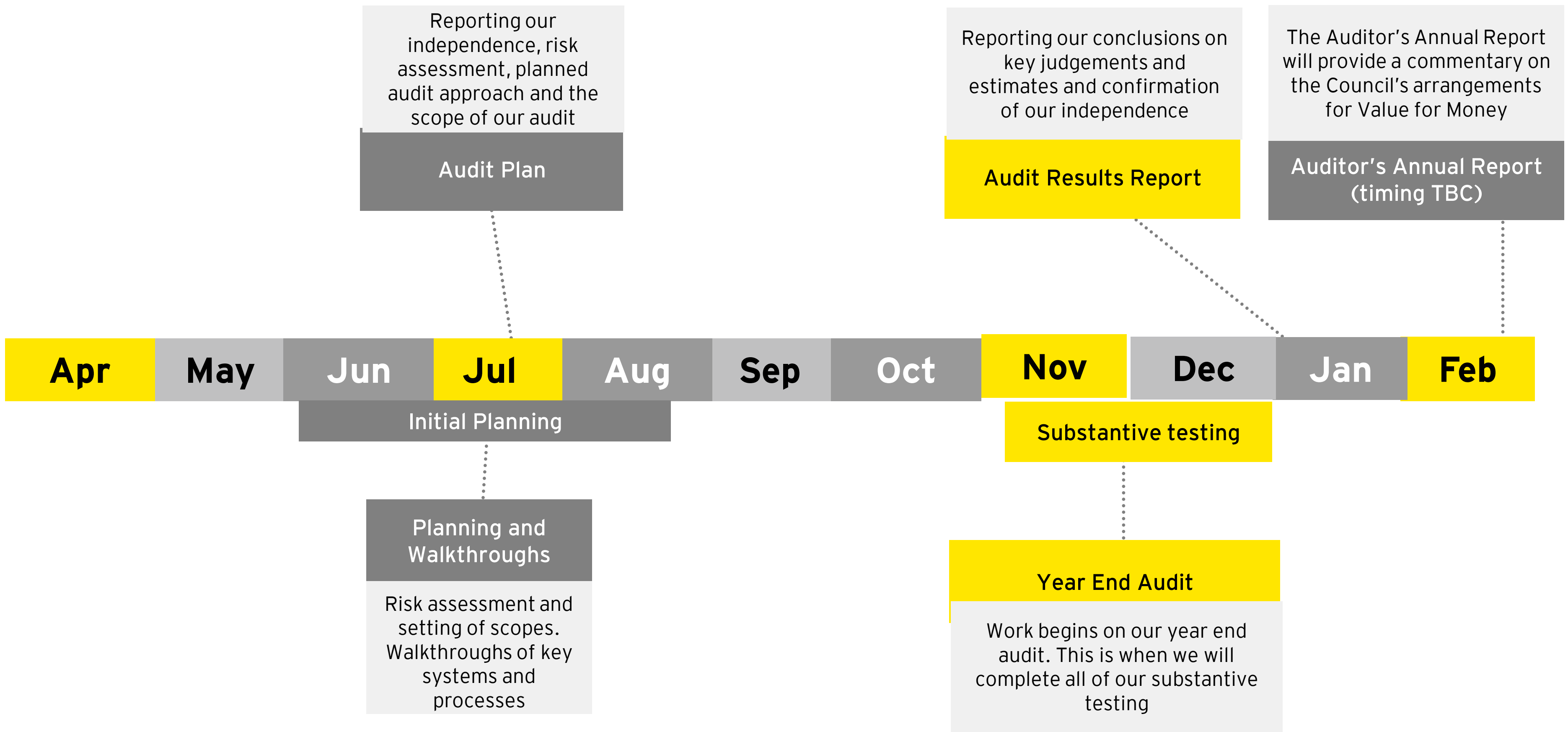
07 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.



08 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▸ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▸ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▸ The overall assessment of threats and safeguards; ▸ Information about the general policies and process within EY to maintain objectivity and independence.	▸ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▸ Details of non-audit/additional services provided and the fees charged in relation thereto; ▸ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▸ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▸ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▸ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▸ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit Engagement Partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2020 and can be found here:

https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2020

09 Appendices

Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee – Code work	61,534	61,534	61,534
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	55,268		55,268
Revised Proposed Scale Fee	**116,802**	**61,534**	**116,802**
Additional work:			
2019/20 Additional Procedures required and as reported within the Annual Audit Letter (Note 2)	-	-	28,483
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of: • Accounting for Covid-19 related Government Grant income, NDR Appeals provision, Collection Fund Accounting, Recoverability of Receivables, Going Concern.	Note 3	-	
Total fees	**TBC**	**61,534**	**145,285**

All fees exclude VAT

Note 1 - For 2019/20 we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results Report. Our proposed increase has been discussed with management and is with PSAA for determination. For 2020/21 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and is subject to approval by PSAA Ltd.

Note 2 - The 2019/20 Additional Procedures fee was reported in our Annual Audit Letter. The fee has been discussed with Management and is subject to formal approval by PSAA Ltd.

Note 3 - We cannot quantify the impact of any work resulting as a response to C-19 risks in 2020/21 at this point. We will provide an update on the additional fee implications at the conclusion of the audit.

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan – 13 July 2021 - Audit Committee
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – January 2022

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit Results Report - January 2022
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit Results Report - January 2022
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	Audit Results Report - January 2022
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - January 2022

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan - 13 July 2021 - Audit Committee Audit Results Report - January 2022
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report - January 2022
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of	Audit Results Report - January 2022
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report - January 2022
Representations	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report - January 2022
Material inconsistencies and misstatements	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - January 2022
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - January 2022

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards	▸ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. ▸ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. ▸ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. ▸ Concluding on the appropriateness of management's use of the going concern basis of accounting. ▸ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ▸ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the locations at which we conduct audit procedures to support the opinion given on the financial statements; and the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

NORWICH City Council

Item 10

Committee Name: Audit

Committee Date: 13/07/2021

Report Title: Draft Annual Report of the Audit Committee 2020-21

Committee chair	Councillor Price
Report from:	Executive director of corporate and commercial services
Wards:	All Wards
OPEN PUBLIC ITEM	

Purpose

This report presents the draft Annual Report of the Audit Committee 2020-21 appended at Appendix A to the committee for comment.

Recommendation:

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

Policy Framework

The Council has three corporate priorities, which are:

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

This report meets the all the above corporate priorities

This report addresses a healthy organisation strategic action in the Corporate Plan

This report helps to meet requirement as set out in the terms of reference for the audit committee in the council's constitution.

This report helps to meet securing the council's finances objective of the

Report Details

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 2020-21 gives an opportunity for members of the committee to consider and comment on the report before it is presented to full council on 20 July 2021.

3. The report is set out under the headings for each of the main functions of the committee as set out in the council's constitution, adopted in March 2021.

4. 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.

Consultation

5. This report has been written in consultation with the chair and vice chair of the committee and based on discussions minuted at meetings of the committee. The report is subject to approval by the audit committee at its meeting on 13 July and comments from the committee will be reported to council on 20 July.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.

6. There are no proposals in this report that would reduce or increase resources.

Legal

7. There are no legal implications arising from this report. The annual report of the committee is considered to be good practice and is reflected in the council's constitution.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	None
Health, Social and Economic Impact	None
Crime and Disorder	None
Children and Adults Safeguarding	None
Environmental Impact	None

Risk Management

Risk	Consequence	Controls Required
Include operational, financial, compliance, security, legal, political or reputational risks to the council	None	None

Other Options Considered

8. This report is for information and consolidates information set out in minutes to the audit committee held on 14 July 2020, 24 November 2020 and 9 March 2021.

Reasons for the decision/recommendation

9. To provide an annual report to council.

Tracking Information

Governance Check	Name	Date Considered
Relevant Executive Director		
Legal opinion		
Relevant finance officer		
Chief Finance Officer (or Deputy)	Annabel Scholes	05/07/2021
Monitoring Officer (or Deputy)	Katrina Hulatt	05/07/2021

Background papers:

Minutes and reports to the audit committee meetings.

Appendices:

A Annual Report of the Audit Committee 2020-21

B Extract from the Council's Constitution – Audit committee terms of reference

Contact Officer:

Contact: Jackie Rodger, senior committee officer

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APPENDIX A

Annual Report of the Audit Committee 2020-21

Introduction

This is the annual report of the audit committee and advises the council of the work of the audit committee for the period of the civic year 2020-21.

Councillor Ben Price Chair, audit committee	Councillor Keith Driver Vice-chair, audit committee

Background

1. This report covers the work of the audit committee for the financial and civic year 2020-21. The production of an annual report by the committee is considered good practice.

2. The council established an audit committee in 2007. The terms of reference were considered and revised as part of the Constitution Review 2021. The committee exercises its powers, within the policy framework of the council and the corporate plan, as specified in the terms of reference.

3. The members of the audit committee in 2020-21 were:-

   Councillor Ben Price (chair)
   Councillor Keith Driver (vice chair)
   Councillor Adam Giles
   Councillor Laura McCartney-Gray
   Councillor Martin Peek
   Councillor Martin Schmierer
   Councillor Ian Stutely
   Councillor James Wright

   Councillor Jane Sarmezey acted as a substitute member on the committee on at the audit committees held on 14 July 2020 and 24 November 2020.

4. Councillor Paul Kendrick, cabinet member for resources, attended all meetings of the committee.

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

   Annabel Scholes, executive director of corporate and commercial services (S151 officer) (chief finance officer)
   Hannah Simpson, head of finance, audit and risk
   Stephen Evans, chief executive officer
   Gavin Jones, interim audit manager (to end of March 2021)

6. The engagement team of the external auditors (Ernst & Young LLP) is led by Mark Hodgson, with Mark Russell, who was covering for the council's external audit manager in 2020. Alison Riglar is currently the external audit manager for the council. The external auditors attend meetings of the audit committee to present their reports and answer members' questions.

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

8. The committee met three times during the civic year 2020-2021 as follows:

   - 14 July 2020
   - 24 November 2020
   - 9 March 2021

9. The information contained in this report is drawn from the minutes and reports considered at committee meetings held during the year. Agendas, reports and minutes for the meetings are available on the council's website:

https://cmis.norwich.gov.uk/live/Meetingscalendar.aspx

10. 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. Training by an external facilitator was provided in October 2020 and focused on the member's roles on the audit committee. Five committee members and three other members of the council attended. Officers also gave a detailed presentation on the financial statements to members at an informal session on 23 November 2020, which helped members with their understanding of the accounts.

11. This report sets out the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose, under the following headings:

    (a) Corporate governance
    (b) Internal and external audit
    (c) Statement of accounts
    (d) Referral powers and accountability arrangements

Corporate governance

12. There have been a number of changes implemented to improve the council's corporate governance and control environment this year.

13. The committee welcomes the changes that the corporate leadership team has made to strengthen governance arrangements within the council and in relation to its wholly owned companies. These include the development of a leadership programme to ensure the authority has the necessary skill sets, such as performance management, and establishing service review boards to oversee performance and review audit recommendations. This will improve the information available to report to the committee, particularly in relation to contract management. The council has also established a shareholders' panel to receive quarterly performance reports from the council's wholly owned companies, NCSL and NRL. The committee will review the effectiveness of these measures once these have been embedded throughout the organisation.

14. The committee is advised by the chief finance officer, internal and external audit. In line with CIPFA/SOLACE good practice, the council's constitution adopted in March 2021, has provision for the council to appoint up to two independent non-voting co-opted members to the audit committee whose "skill, knowledge, qualification and experience relevant to the role of the committee" to assist members.

Corporate risk management policy, strategy and register

15. The council's constitution adopted in March 2021, formalises the committee's request to receive a report on the council's risk management policy, strategy and register twice a year. This provides the committee assurance about the risk appetite of the council and an opportunity to ask questions on the application of scores to risks.

16. On 24 November 2020, the committee considered the risk management report prior to its consideration at cabinet on 16 December 2020. Members were advised of the governance arrangements that the chief executive officer and corporate leadership team (CLT) had implemented to ensure that risk management was a priority of the organisation. This included a thorough review of corporate risks and the monitoring of sets of risk registers within each directorate, quarterly meetings of a CLT risk assurance group, and consideration of risk management by the cabinet as part of a quarterly performance report. Testing for corporate ownership of risk and performance was an important part of the recruitment to the restructured senior management team (implemented in April 2021) and indicates the authority's commitment going forward. Members of the committee appreciated the format of the risk register which they considered was easy to understand.

17. Members were assured that the Covid-19 risk level was informed through the work of the council on a number of forums, including the University of East Anglia, the police and Public Health England, and at leadership and chief executive officer level with the other councils across the county. It was fundamental to the work of the council and its delivery of services and assessment of the Covid-19 risk level would be kept under constant review. Members also sought reassurance that the scores given to the council's commercial activities and wholly owned companies were appropriate and reflected the council's position. Recommendations from internal audit in relation to the wholly owned company, Norwich Regeneration Limited (NRL), had been fully implemented and the council, as shareholder, had received information on the commercial and financial position of the company.

18. The chief executive officer had requested a thorough review of the corporate risk register. It will take more than one year to embed in service plans. Members also noted that risk management was an important part of the Annual Governance Statement and that members would therefore receive updates on progress as part of this document.

Anti-Fraud and Corruption policy and strategy - Application

19. An important function of the committee is to ensure the adequacy of the council's anti-fraud and corruption policy and strategy and the effectiveness of their application.

20. The committee sought assurance that the council's administration of business support grants had the correct balance of due diligence and speed in application. In March 2020, the government advice had been to allocate grants to businesses as quickly as possible whilst government guidance was still being issued. Lessons had been learned and local authorities had been in a stronger position to mitigate fraud in the second tranche of business support grant allocation. The council did conduct its usual basic checks. It performed well in national league tables for issuing business support grants and had been the best performing local authority in Norfolk.

21. Members noted at the November committee meeting that overpayments of business support grants, due to office error and officers' unfamiliarity with the new system, had been recovered by deducting the sum when the claimant made an application for a further grant. If this had not been the case the claimant would have been invoiced for the overpayment and if not paid, would

be liable for prosecution. The five overpayments had been made in the first tranche and early on in the lockdown when there was pressure from government to pay people entitled to a grant as soon as possible. All standard checks had been made. Four of the five overpayments had been picked up by the claimants' banks.

22. The revenues and benefits team is part of a network with other local authorities and shares good practice and information with colleagues, including awareness of national alerts of fraudulent activity. The council is part of the National Fraud Initiative and data matching will potentially identify further fraudulent claims. The government has provided a new burdens grant to underwrite business support grants that were subject to fraud, provided local authorities can demonstrate due diligence and had a risk assessment and a post assurance plan in place. The council reported on the administration of the grants to central government and could increase more rigour to the process in line with government guidance.

Annual Governance Statement 2019-20

23. The Annual Governance Statement (AGS) 2019-20 when published included the recommendations from the committee to include headings and narrative text on Brexit and Future partnership working under Section 6, Governance and Issues. Members noted that Brexit had been identified on the corporate risk register but in terms of governance there was had been no specific reference. The committee considered that a no-deal Brexit would be a considerable threat to the management of capital programmes, business rates and funding. The AGS is a customer/resident facing document and the committee's view is that Brexit should receive the same clarity as the Covid-19 recovery plan. Members also considered that additional text was required to provide assurance on the governance arrangements for the council's new partnership arrangements, such as Norwich East, to ensure value for money and ensure that these projects were accountable, specifically given that public and private funding would be involved.

24. Members welcomed the revised format of the AGS with the inclusion of an action plan of key governance issues. The action plan contains details of the responsible officer and an expected due date, and actions are reported to the committee until the action is cleared, making it more transparent and easier for members to monitor.

Internal and external audit

Internal audit

25. The committee receives regular reports from internal audit and monitors the internal audit plan. The interim internal audit manager headed up the audit team and implemented a risk approach to audit rather than the compliance approach in previous years. The advantage of this approach is that key financial systems are audited over a three year term or based on risk if there was a system approach and had the benefit that it was flexible and could respond to emergencies, such as a cybersecurity. Members of the internal audit team underwent training to acquire new skills for this approach. Members also received assurance from the external auditor who endorsed a risk-based approach as appropriate and used by other authorities.

26. The committee was disappointed that the chief internal auditor's (LGSS) conclusion of the Annual Audit Report on Internal Audit and Fraud 2019-20 was an opinion of satisfactory assurance on the internal control environment; a change from good in the previous year (2018-19). The report highlighted the key areas for the change in the assurance level: NRL, the contract management audit review and the corporate risk register. The key financial systems were assessed as substantial.

27. The committee has monitored the progress of the actions taken to address the issues raised by internal audit where a limited assurance has been received by inviting the relevant senior managers to attend and answer members' questions. On 24 November 2020, the committee received reports on the management responses to internal audit reviews for Norwich Regeneration Company Limited (NRL) and contract management (housing repairs and responsive maintenance) and had an opportunity to question the senior managers. The audits would be reviewed again in April/May 2022 when the required actions were due to be implemented. The committee also considered the outcome of the internal audit review of waste management at its March meeting and were concerned about the "passive management" of this contract.

28. The outcome of these audits has led to concern about the performance of other contracts and to seek assurance that there are mechanisms in place to monitor and improve contract performance particularly as the council is bringing joint ventures in house and ensure that contracts provide value for money for our residents. The committee shares the interim audit manager's view that contract management should be kept under review. Members noted that the interim audit manager had provided a consultancy role to support the business relationship and procurement manager and team with contract compliance and that a driving up performance from the supply chain board had been established, which would oversee the council's contracts and address the issues identified in the audit review when contracts were granted or subject to renewal. The management of the contracts is the issue rather than the procurement procedures.

29. The committee approved the internal work plan for 2021-22 at its March meeting. The plan is drawn up by the corporate leadership team and changes to the plan are reported to the committee. The committee's role is to monitor the plan and make recommendations to cabinet and the chief finance officer. A request from the chair to take a more active role in the allocation of the work plan was refuted by the leader of the council at the constitution working party as this role lies with the corporate leadership team in line with the council's corporate plan and its priorities and risk management to manage internal audit. Additional days have been added to the plan this year to compensate days lost due to the pandemic. There is some contingency in the plan and the allocation of days is flexible and will depend on the delivery of the internal audit function which has been reviewed.

30. Members endorsed the internal audit plan. The chair commented that he would like to see more audit work on contract management but that he welcomed the reviews of the asset management and procurement strategies, and the audit approach and improved competencies in the team, as set out in the report.

External Audit

31. External auditors attend meetings of the committee when presenting reports and participate in meetings to answer members' questions and provide assurance where appropriate.

32. Members have an opportunity to comment on the external audit plan. The committee agreed the external audit plan for the accounts for 2019-20 at its meeting in June 2020. The plan sets out the external audit approach and scope for conducting the audit of the council's financial statements and highlights the key audit and value for money risks and audit strategy for those risks. The audit process provides a true and fair view of the council's financial statements at the end of the financial year.

33. The committee discussed the external audit plan for the financial statements (2020-21) with the external auditor and officers at the March meeting. External audit expected the plan to include the "big ticket items" audit risks, such as in previous years: management override of the controls to gain a better financial reporting: property, plant and equipment evaluation because of the size on the balance sheet, and pension liability because of the size on the balance sheet. The external auditors also expect to discuss with officers the impact of Covid on the council's activities and how it translates into the council's year end set of accounts, particularly around grant funding and provisions for bad debts which were expected to increase.

34. The committee suggested that the following items should be included in the planning process of external audit plan, subject to an assessment of any or all would lead to a material misstatement in the financial documents or a risk to the external auditor's value for money considerations, as part of the planning process:

    a) The policies and procedures;
    b) Contract management;
    c) Governance arrangements for the council's wholly owned companies and insourcing joint ventures;
    d) Medium term financial strategy.

    The external audit plan 2020-21 is subject to consideration at the July meeting.

35. The Public Sector Audit Appointments (PSAA) is the regulator that sets the fees for external audit and these have not been reviewed them for several years. External audit maintain that the level of tests and assurances required from the local authority audits, particularly due to the increase in commercial activity, have increased and the level of fees is considered to be not sustainable to cover the costs of the audits. A joint letter from all the Norfolk councils was sent to the PSAA requesting clarification of what was considered an appropriate increase and seeking guidance to inform the discussions of individual councils with the external auditors.

36. The committee at its March 2020 meeting had resolved to write to the PSAA and Secretary of State, Department of Housing, Communities and Local Government. The chair explained that because of Covid-19 the deadlines for the publication of accounts had changed, and following consultation with the vice chair, cabinet members and CLT, the action had not been taken. Following

a resolution on 14 July 2020, the chair and cabinet member for resources wrote to the PSAA and Secretary of State and were pleased to receive confirmation that the PSAA was liaising between the external auditors and councils on this issue.

37. The committee continues to be assured of the quality of the external audit. The external auditors are subject to regulation by the Financial Reporting Council. Ernst & Young had been the top performers in its assessment.

38. It had not been possible this year to conduct audits on site and hand over documents. The external auditor confirmed that he would not have signed off any document unless he had sufficient assurance. Remote verification would no doubt form part of external audits going forward.

39. Before the pandemic external audit was facing challenges around timetabling audits, which has been exacerbated by the continuing Covid-19 restrictions. The accounts for 2019-20 had finally been signed off on 21 January 2021 and this year’s accounts will not be signed off by 30 September due to pressures on external audit. This is a national problem for external auditors and was raised under the Redmond Review.

Statement of accounts

40. The committee considers the draft financial statements before publication and submission to external audit. On 14 July 2020, the committee noted that it was a credit to the finance team and budget managers that the that the draft accounts had been submitted in July, well in advance of the revised deadline of 31 August 2020. The committee had a lengthy discussion on the financial statements at this meeting. There is no requirement for the committee to approve the unaudited accounts but this gives an opportunity for members to understand the process.

41. The committee had an opportunity to attend an informal presentation on the audited accounts prior to the committee meeting. This was a useful session for members and helped their understanding.

42. On 24 November 2020, the committee considered *The Statement of Accounts and Audit Results Report 2019-20* the committee approved the statement of accounts 2019-20 subject to the completion of any outstanding audit work; and, if any outstanding audit work gives rise to a material adjustment to the accounts, to delegate approval of the statement of accounts, as amended/adjusted in line with audit findings, to the chief finance officer, in consultation with the chair (or vice chair) of the committee, and to delegate the signing off of the accounts to the chief finance officer in consultation with the chair. The accounts were signed off on 21 January 2021. The inspection period had been re-advertised and no further matters had arisen following this or from the residual external audit work. All assets were within an acceptable range. The chair also signed the letter of management representation.

43. The external auditor gave an unqualified opinion on the accounts and the value for money opinion. This opinion was confirmed in the Annual Audit Letter 2019-20 (audit committee, 9 March 2021).

Referral Powers and Accountability Arrangements

44. The committee's discussions and recommendations relating to the effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit, are recorded in the minutes of the meetings. Where appropriate the committee's recommendations on any of these matters are referred to cabinet or the chief finance officer, as set out in the terms of reference. Meetings are attended by the key officers and other members of the corporate leadership team and senior managers, internal and external audit, who contribute to the discussions and are accountable for ensuring that the committee's recommendations are given due consideration. The cabinet member for resources also attends all meetings of the audit committee.

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

Audit Committee

Membership of the Audit Committee shall comprise 8 members appointed by the Council (excluding Cabinet members). Additionally, up to two independent non-voting co-opted members may be appointed on the basis of their skill, knowledge, qualification and experience relevant to the role of the committee.

The chair of the committee is elected by the council and the vice-chair is appointed by the committee.

Within the policies laid down by the council and within the Corporate Plan to exercise the following powers of the council:

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 at least twice a year on the risk environment, corporate risk register 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 Annual Governance Statement, 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.

Referral powers

22. Make recommendations for due consideration 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.